

FICSA CIRCULAR



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

From: Brett Fitzgerald, General Secretary

**FICSA REPORT ON THE MEETING OF ICSC WORKING GROUP I (2):
REMUNERATION STRUCTURE
(New York, 12 to 23 May 2014)**

*By Diab El-Tabari , President, and Matthew Montavon, Executive Committee Member for
Compensation Issues*

1. The Working Group I (2) - Remuneration Structure - was held in New York from 19 to 23 May 2014. FICSA was represented by Diab El-Tabari and Matthew Montavon. Participation included the Chairman and Vice-Chairman of the International Civil Service Commission (ICSC), three Commissioners, staff of the ICSC secretariat, representatives of the common system organizations, staff representatives from the three federations and consultants.
2. After the Chairman opened the session a brief overview on the programme was provided by the ICSC secretariat (see Annex for the programme of work).
3. The Working Group reviewed the following topics:

Difference in pay and other elements between staff with and without a primary dependent

4. The Working Group considered the rationale and basis for the differentiation in pay and other elements between staff with and without a primary dependent and explored the four options provided by the ICSC secretariat for consideration by the Group.
5. The rationale was mainly twofold, how to simplify and adopt one scale of salary based on equal pay for equal work and for de-linking the spouse allowance from the salary. Changing the approach to the single/dependent rates is primarily driven by a sense, even among staff, that the rates of compensation are not equitable but also by Member States who do not understand the reasoning behind the differentiate rates of pay.

6. The four options were explored by the Working Group. The Chairman was highly inclined to go to a fixed allowance because he felt the Fifth Committee did not like payments tied to salary which they viewed as uncontrollable costs. However, there was some objection to this, even by other commissioners who felt the allowance should vary with pay and post adjustment reflecting different costs of living by grade and duty station. The spouse allowance reflected a combination of considerations including potential spousal loss of job opportunities, additional living costs due to an additional household member, and a reflection of tax and social considerations of some Member States. These were not easy to calculate given the diversity of the workforce and situations, but staff representatives in particular felt that they should somehow be reflected.

7. The options and other variations were considered, but there was no consensus even among the commissioners. Some pushed for the adoption of three flat rates, one for P1-P3 (\$US 5,858), one for P4-P5 (\$US 8,787) and one for D1-D2 (\$US 11,716). The amounts represent 6.2 per cent at each level taking the difference between single and dependent scales of the groups in question at the mid-level. Other options looked at a fixed percentage uplift to the single salary scale.

8. Several basic questions were raised during the discussions:

1. Should a distinction be made for staff with a primary dependent? *General agreement was that yes, a distinction was necessary.*
2. Is the status quo an option? *While not concluding definitely on this point, commissioners seemed to be of the view that no, it was not an option.*
3. Should the payment be through base pay or allowance? *The prevailing view, not specifically endorsed by staff as we are waiting to see how it will be applied, was that there is a marked preference for payment of an allowance.*
4. How should the distinction be made? *No definite answer.*
5. Should the allowance be the same for all grades or varied? *Some preference was shown for variation by grades.*
6. Should the allowance vary by duty station due to cost of living? *There seemed to be a preference that yes, it should vary because having a dependent spouse will directly impact costs of living.*

9. Further complicating the picture was a consideration by the ICSC secretariat that the salary scale was becoming too compressed (limited salary gap between the lower and higher grades). This came out during grade equivalency studies as the lower grades had a higher margin than the upper grades. During the process of adjusting the payments for the spouse allowance, the ICSC would also take the opportunity to adjust the base salaries to reflect more closely the comparator salary levels at different grades. While the rationale behind this could be strong, it complicated the picture for analyzing the scale adjustments related to the spouse allowance.

10. Simulations were provided on the various options. In any scenario there would be winners and losers. With the scenario for a spouse allowance as a fixed percentage of net remuneration it was noticed that most staff at the lower grades would lose. We were told that if the “decompression” scale had not been applied, the D-level posts would have lost instead.

11. CCISUA proposed a percentage formula at the midpoint of the salary scale taking the difference between single and dependent scales at the mid-level, i.e. P-4 Step 6 and with post adjustment at each duty station so that the cost of living is taken into account. The Chairman again noted the General Assembly objection to allowances tied to the salary scale.

12. Also with regard to dependency allowances there was discussion regarding the appropriateness of considering the first child, in the absence of the spouse, as allowing for the eligibility for the dependency scale, or alternatively for the spouse allowance. It was generally felt that consideration should be given to single parent families, but not to married couples where the spouse is employed making the staff member ineligible for the dependency allowance, even with children. See discussion under dependency allowance.

Conclusions:

13. There was no conclusion on this, however, the ICSC Chairman requested its secretariat to pursue the model the ICSC presented with some fine tuning for the meeting of Working Group I (3) - Remuneration Structure. The staff representatives will endeavour to prepare a joint position on this.

14. Additional expenses for the spouse were recognized. The Commission would like to arrive at a flat amount or lump sum but from a staff perspective this does not seem practical or equitable. The Chairman, although favouring one option, committed to presenting various options to the Commission.

Specific elements of the compensation system

15. The Working Group reviewed the underlying principles of the specific elements of the compensation system and provided some guidance on a way forward which the ICSC can develop into options for consideration at the next Working Group meeting scheduled for June 2014.

(a) Social related elements

(i) Dependency allowances:

16. The attendees reviewed the dependency allowance for children and agreed to leave it at the current level. There was some discussion that there should be a cap on the number of children covered, but to a large extent this was rejected because it could be seen in a negative way.

17. There was much discussion on the primary dependent, i.e. the eldest child replacing the spouse and the ICSC was of the opinion to discontinue such a practice. However, no decision was made; the issue will be re-visited in the next Working Group meeting.

18. The attendees reviewed the secondary dependency allowance; it was difficult to defend the reason or the value of what this allowance represents. The Commission wanted to discontinue this allowance as it would appear to be of little significance to staff. Staff who do contribute to extended family support normally cover far more than is provided by the allowance. In 2012 only 794 staff submitted claims; the value was up to \$US 1,025 per person per year. It is most likely that this will be discontinued.

(ii) Leave entitlements:

19. The review was on the number of annual leave days granted and on the sick leave practices. It was pointed out by FICSA that the level was adequate. It was not higher than what

the comparator provided nor the other various major players like the EU and other advanced Member States. FICSA also pointed out that staff had 10 official holidays per year whilst most other Member States had far more. The Commission and the management wished to explore further ways to oblige staff to take their leave in order to avoid paying for an accrual of 60 days at the end of service. Some organizations had already decided on payment of no more than 30 days at the end of service. We would need to research this and see if we could contest the acquired rights side of this issue. The conclusion was generally that the leave issue should probably be left alone for organizations to decide.

20. Concerning sick leave, questions were raised about uncertified sick leave and whether it should exist and if it should be for seven days. No conclusion was made. However, it was most likely that the ICSC secretariat would come back with regard to the number of days.

21. No discussion was held on the issue of personal leave, and it was left for the different organizations to continue carrying out the best practices which they consider appropriate.

(b) Expatriation-related elements

(i) Education grant:

22. The Group looked at the education grant and explored how to make it more attractive without increasing the cost which could jeopardize the grant as Member States had a feeling that it was an attractive privilege to staff, which was being called the “Employee Value Proposition”. The review and figures showed that it was neither that expensive nor was it higher than the comparator. The current cost of the grant for 2013 was \$US 186,899,457, with an average of \$US 8,903 for the primary education, an average of \$US 10,985 for the secondary education, and an average of \$US 13,048 for the post-secondary education. The attendees explored the option of comparing with the US, i.e. with 100 per cent of the cost covered for primary and secondary but without coverage for post-secondary, and the amounts were almost exactly equal. However, this would entail inclusion of pre-school. A commissioner tried to argue that pre-school was not within the formal schooling/education. However, it was provided for by the comparator. The issue was later dropped. The attendees also looked at trying to expand the level of education to cover any of 16 years within a 19-year period, i.e. giving the option of covering post-secondary or covering pre-school. This was later dropped as it might cause extra costs depending on when a staff member joins and leaves the UN. It could also be perceived by Member States as an additional privilege.

23. Extensive discussions were held on who should be eligible as well as on what the UN should cover. It was noted for example that children of New York staff born in the USA were US citizens and therefore not really expatriates. Other anomalous situations could occur when a parent was recruited for a non-family duty station, but the child remained in the home country for schooling but received an education grant, or when good schools were available at a duty station but the UN covered the cost of a more expensive boarding school in a third country.

24. Pre-school was another significant topic. It was seen that many countries now provided support for pre-school, and that this is an especially important issue for working women. Providing pre-school could help address the gender balance issue. At the same time, however, it could add costs to the education grant which would be seen as unacceptable by the General Assembly.

Conclusions:

25. The Commission might consider options of having a ceiling of coverage per child or per family and further explore the limitation of the location where the staff can send their children to study. The Commission was very inclined to a lump-sum approach, but it was not clear how this would work. The costs between different duty stations was enormous, and even within duty stations, depending on your nationality and educational requirements, the costs could vary greatly. It was hard to see how a lump sum could be administered in an equitable or attractive manner.

Home leave (and other leave entitlements):

26. Although titled home leave, the focus of the discussion was primarily on rest and recuperation (R&R), and the concern that it could be duplicating the accelerated home leave. In some duty stations which granted R&R for 5 days every six weeks, there was concern for the continuity of work. Consideration could be given to providing longer breaks but less frequently (e.g. 10 days every 12 weeks). The ICSC Chairman stated that there would be a need to look into alternatives, and the link between accelerated home leave and R&R, but no conclusions were reached.

27. Specifically regarding home leave, the commissioners seemed to acknowledge that this was already being managed appropriately by the organizations with lump-sum arrangements.

Location and relocation-related elements:

28. The Working Group discussed a number of aspects of the mobility allowance. Some felt that the allowance was being given as a reward for past moves, whereas it would be more effective as a payment at the time of the move. One commissioner suggested that a mobility allowance was not necessary as UN staff were expected to move anyway. Others noted that in some jobs there would not be an expectation of mobility. It was also suggested that the mobility incentive be the same for all grades. In short, many ideas were thrown on the table, the strongest one being the consideration of a lump sum to incentivize mobility at the time of a move.

29. A number of other benefits were reviewed without major suggestions for changes. On the other hand, several obscure benefits were identified, such as additional freight entitlement and additional reimbursement for medical examinations that in fact may not be used anymore and could be taken off the books.

Adjustment of the base/floor salary scale:

30. Incorporating post adjustment into the salary would be expensive for the system due to overpayment to low post adjustment duty stations. Alternatively, the system could go to negative post adjustments. There was no conclusion on the issue.

Outcomes from the thirty-sixth session of ACPAQ relating to the PAI structure and use of external data in the PAI calculation for Group I duty stations:

31. The ICSC Vice-Chairman reported that ACPAQ saw no major alternative to the current post adjustment index (PAI) structure. Alternatives would only make the system more complicated and probably less transparent.

Annex

Programme of work



UNITED NATIONS
INTERNATIONAL CIVIL SERVICE
COMMISSION
INTERNATIONALE

NATIONS UNIES
COMMISSION DE LA FONCTION
PUBLIQUE

**REVIEW OF THE COMPENSATION SYSTEM COMPENSATION PACKAGE:
WORKING GROUP 1: REMUNERATION STRUCTURE, INCLUDING POST
ADJUSTMENT (2nd meeting)**

**New York
19 – 23 May 2014**

PROPOSED PROGRAMME OF WORK

Regular meetings will be held in ICSC Conference Room from 9:30 a.m. to 12:30 p.m. and from 2 p.m. to 5 p.m. The time allocated for individual items is an estimate. If an item is completed ahead of schedule, the Group will move on to the next item.

Monday, 19 May 9:30 am – 12:30 pm	<p>Item</p> <p>1 Opening by the Chairman.</p> <p>2 Overview of the programme.</p> <p>3 Differentiation in pay and other elements between staff with and without a primary dependant. <i>The working group will consider the rationale and basis for the differentiation in pay and other elements between staff with and without a primary dependant.</i></p>
2:00 – 5:00 pm	<p>3(a) Differentiation in pay between staff with and without a primary dependant - Options. <i>Four options will be presented by the ICSC secretariat for consideration by the group.</i></p> <p>3(a) Options to approach the differentiation in the remuneration system between staff with and without a primary dependant - Options 1 and 2.</p>

Tuesday, 20 May
9:30 am – 12:30 pm

Item

- 3(a) Options to approach the differentiation in the remuneration system between staff with and without a primary dependant - Options 3 and 4**

2:00 – 5:00 pm

- 3(b) Options to approach the differentiation in the remuneration system between staff with and without a primary dependant – Determining the extent of the differentiation.**
- 3(c) Differentiation in pay between staff with and without a primary dependant – Breakout group discussions**

Wednesday, 21 May
9:30 am – 12:30 pm

Item

- 4 Principles underlying elements of the compensation system.**
The working group will review the underlying principles of specific elements of the compensation system and make recommendations that would enable the ICSC secretariat to develop options for consideration at the next working group meeting scheduled in June 2014.

- 4(a) Social-related elements:**
- Dependency allowances
 - Leave benefits

2:00 – 5:00 pm

- 4(b) Expatriation-related elements:**
- Education grant.
 - Home leave.

Thursday, 22 May
9:30 am – 12:30 pm

Item

- 4(c) Location and relocation related elements including allowances under the mobility and hardship scheme, and the rest and recuperation framework**

2:00 – 5:00 pm

- 4(c) Location and relocation related elements including allowances under the mobility and hardship scheme, and the rest and recuperation framework (Cont'd.)**
- 5 Level of the base/floor salary scale.**

Friday, 23 May
9:30 am – 12:30 pm

Item

- 6 Adjustment of the base/floor salary scale and synchronizing the post adjustment review cycles for Group I duty stations.**

2:00 – 5:00 pm

- 7 Outcomes from the thirty-sixth session of ACPAQ relating to the PAI structure and use of external data in the PAI calculation for Group I duty stations.**
- 8 Conclusions: selection of option**
- 9 Other business including preliminary agenda for next meeting**
