

UNITED NATIONS

NATIONS UNIES

INTERNATIONAL CIVIL SERVICE
COMMISSION

COMMISSION DE LA FONCTION
PUBLIQUE INTERNATIONALE

Two United Nations Plaza, 10th Floor New York, NY 10017
Fax: (212) 963-0159 / 963-1717, Tel: (212) 963-8464

Office of the Chairman

Bureau du Président

Please check against delivery

**ITEM 141: UNITED NATIONS COMMON SYSTEM
REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION**

**INTRODUCTORY STATEMENT BY THE CHAIRMAN
OF THE INTERNATIONAL CIVIL SERVICE COMMISSION
MR. KINGSTON P. RHODES
TO THE FIFTH COMMITTEE OF THE GENERAL ASSEMBLY
NEW YORK, 10 NOVEMBER 2015**

**Mr. Chairman,
Distinguished Members of the Fifth Committee,
Ladies and Gentlemen,**

It gives me great pleasure to introduce the forty-first annual report of the International Civil Service Commission to this distinguished Committee. It is with particular pride that I present this year's report to you because it contains the fruit of some three years of intensive work carried out by the Commission, in cooperation with its interlocutors, on the comprehensive review of the compensation system. But first, I would like to congratulate you, Mr. Chairman, on your election and assure your colleagues in the Bureau of the Commission's highest regard and to wish you a successful anniversary session. We rely on this important Committee to steer the work in a way that benefits Member States, organizations and staff and, specifically, we rely, Mr. Chairman, on your proficiency and expertise in directing the Committee's work. We look forward to interacting with you over the next month or so and also to your positive assessment and prudent conclusion on the work presented in the report before you.

The ICSC was created by the General Assembly in 1974 to serve the common system of United Nations organizations by developing "**a single unified international civil service through the application of common personnel standards, methods and arrangements**". Although this was already a daunting task at the Commission's inception 40 years ago, it has become ever more challenging with the passage of time as organizations' mandates have continued to expand, as more and more organizations with differing missions have continued to join the common system and as those organizations' staff populations continue to grow, resources and budgets are steadily being stretched. Yet, the task of the ICSC in this ever changing environment remains one and the same, and that is to recommend policies that Member States can support and that will enable the organizations to implement their mandates, while inspiring staff through monetary and non-monetary means to perform their indispensable role in the delivery of those mandates. If I have painted this picture in rather broad strokes, it is because at the end of the day, this is what it is all about the need for the Commission to satisfy a vast number of interlocutors with competing needs and expectations.

This year's report is somewhat different from past ones because it represents the final stage of a particular process for the Commission. This is the year that ICSC was asked to present its final recommendations on the review of the common system compensation package and, despite what at times appeared an impossible target, we have been able to meet our goal and your deadline. The report this time is understandably longer than usual, which is why it is divided into two parts. Part I contains items under the ICSC statute relating mainly to operational aspects of our work. Part II is devoted to the review of the common system compensation package and begins with an executive summary followed by the details and rationale behind the considerations on the review and the recommendations to this Committee.

Let me now turn to some of the major items in the report.

Mandatory age of separation for existing staff

In 2013 the mandatory age of separation for staff recruited after January 2014 was established at age 65. Last year the General Assembly approved age 65 also for serving staff recruited before that date. As the implementation date was left pending, the General Assembly asked the Commission to consult with the organizations and revert with a recommendation on an implementation date, no later than 2016. Noting that the subject had already been under discussion for the past three to four years and after further consultations followed by in-depth discussions, the Commission is now recommending that for serving staff recruited before 1 January 2014, the mandatory age of separation should be 65 with implementation to take place in 2016 and at the latest by 1 January 2017.

Evolution of the United Nations/United States net remuneration margin

Under a standing mandate from the General Assembly, the Commission is reporting a margin of 117.2 both for this calendar year i.e. 2015 and for the five-year i.e. average (2011-2015).

Base/floor salary scale

This year, the comparator's General Schedule base salary scale was increased by one per cent, effective 1 January. In addition, minor changes were introduced in the United States tax schedules at the federal level for 2015 as well as several changes in the Federal District of Columbia to lower the tax burden. In line with GA resolution 44/198, the Commission is therefore recommending an upward adjustment of the base/floor salary scale by 1.08 per cent on the usual "no-loss no-gain" basis, i.e. the base/floor salary scale is increased by 1.08 per cent and commensurably post adjustment is reduced by 1.08 per cent to achieve the "no-loss no-gain" effect.

Post adjustment matters

The Commission is making several changes in the post adjustment system; some of them in the context of the comprehensive review that would enhance predictability of salary adjustments and serve as a tool for cost containment in both the short and long term. Details may be found in the report.

Local salary surveys and GA resolution 68/253

The Commission carried out three salary surveys in headquarters locations and the resulting scales have been recommended to the Executive Heads of the relevant organizations. The Commission has recommended maintaining the related dependency allowances in all locations at the current levels pending the outcome of the decision by the Assembly on the comprehensive review.

Review of the common system compensation package

For the past three years, the Commission has devoted most of its energy and resources to carrying out and completing a comprehensive review of the compensation package of the Professional and higher categories, and I have regularly reported our progress in detail as we advanced towards the finish line. We benefitted in 2013 from the support and direction of the General Assembly in resolution 68/253, which affirmed the objectives set by the Commission and provided specific guidance which the Commission has followed. The General Assembly's guidance required us to ensure that the review of remuneration elements was carried out holistically; that we engage in an in-depth study of the comparability of the new package, including both monetary and non-monetary elements, benchmarking it against the compensation package of the United States federal civil service, the comparator civil service; and that we solicit input from both Executive Heads and staff.

According to the Executive Heads, there was a need to address salary compression and the number of steps in particular grades; they also called for simplification and regrouping of allowances and a closer link between pay and performance. The staff survey conducted in 2013, just prior to the start of the review, showed that staff joined the common system organizations primarily because of a strong belief in UN goals and objectives and the challenging work they offer. Similar to the staff survey conducted five years earlier, salary was not among the top five reasons for joining the common system organizations. However, like Executive Heads, staff also indicated that they wanted to see closer links between performance and pay.

In the course of the review, the Commission identified the practical problems with the present compensation system. These included inconsistent pay ranges, an elusive or unclear market reference point and overlapping benefits. We also identified the strategic problems which revolved around pay compression, for example smaller than warranted salary differences between the P-1 and D-2 levels in light of the levels of responsibilities; narrow grade spans at higher grades; an excessive emphasis on seniority rather than on performance as the determinative basis of pay; and, lastly and most importantly, a salary scale historically differentiated according to single and dependent rates, which was a major anomaly and challenge.

Our goal for the review, reaffirmed by the General Assembly, was a competitive, fair and simplified compensation package that was easy to administer, allowed some flexibilities for organizations while remaining cohesive at the core, and which would be premised on overall cost-containment and would be sustainable over time. In the end, after much discussion, consideration and rejection of multiple scenarios and a large dose of compromise on all sides, we were able to make recommendations for an improved and sustainable

compensation package that is defined by four major changes: a simplified salary scale; a recognition of dependants reflecting modern practice; a simplified education grant scheme; and a streamlined, transparent and more fit-for-purpose field package.

I will not enter into too many specific details as they are synthesized in the executive summary and covered extensively in the report. Later, we will also be providing you with technical details as necessary. The recommendations we are making are aimed, as I have just noted, at the major elements of the compensation package: base pay, social benefits, education grant, and field allowances. The goal was not to overreach but, rather, to achieve balance, to ensure that our recommendations stayed within reasonable bounds, and be attentive to notions of effectiveness, fairness, competitiveness, and cost.

Single unified salary scale for staff in the Professional and higher categories

Our most important recommendation and greatest departure from the past is a single unified salary scale for staff in the Professional and higher categories. The new single scale replaces the current scale, which in fact is a dual scale, one for staff with dependants and another for single staff. Not only does the new single scale greatly simplify the existing system but, more importantly, it underpins the concept of pay for work performed rather than for recognition of family circumstances of staff. As with any change there are implications; in this case for historic benefits and allowances which in the past were linked to the scale. The new approach includes a separate allowance for dependent spouses and changes in benefits for child dependency allowances. The single scale also provides for one that is more uniform, with 13 steps for grades P-1 to D-1 and 10 steps for D-2 levels. Linked to the new proposed scale are proposals for altering the periodicity of current step increments to better align it with the comparator's system and as a means of better recognizing performance, in particular to reward exceptional performance. Savings accruing from this change would be used to fund a performance incentive scheme, including cash awards for exceptional, meritorious performance and, where needed, for a recruitment incentive scheme.

As a result of the changeover to a single scale, revisions and adjustments will be made also to the pensionable remuneration scale, staff assessment rates, the net remuneration margin methodology, separation payments, death and repatriation grants.

I would like to take a little time in explaining what the Commission has done to streamline the recognition of dependants: it has separated dependent family members from salary, made changes to the eligibility criteria for dependency and proposed a spouse allowance at the level of 6 per cent of net remuneration for a dependent spouse. The Commission considered that it was important to continue to recognize dependent spouses which is, moreover, in keeping with the practice of the comparator and linked to that benefit under the United States tax system. However, because the dependency scale will no longer apply, staff with non-dependent spouses currently receiving the dependency rate salary because a first dependent child substituted for a spouse would under the new system receive only the child allowance. For those affected, that is, staff with non-dependent spouses and single parents, a transitional allowance would apply so that no one would suffer a sudden reduction in net remuneration.

Let me say further that the Commission engaged in rigorous debate over this matter; it heard the voices of its interlocutors and at the end of the day provided what it considered to be the following solid rationale for its decision. First, it recalled that when the differentiated rates

of base salary were proposed in 1976, it was not intended that the dependency rate would be provided to staff with non-dependent spouses. The new arrangement would therefore correct current anomalies. With regard to single parents, the Commission could not ignore that a special allowance for the children of single parents would contravene the notion of equal treatment and raise questions of treating single staff members with children differently from those married with children. It could also be problematic for organizations to ascertain who in fact was a single parent as partners and/or ex-spouses often shared the expenses relating to their children. In the final analysis, the Commission could not accept the administrative complexity that would have resulted from an allowance that was selective in nature and was not motivated by the need for a consistent approach to dependency-related elements. The existence of both the child allowance and education grant and related travel provisions were further overriding factors that led us to our recommendation. In addition, the revised hardship allowance will provide significantly higher amounts for single staff including single parents who are serving in field duty stations.

Education Grant

A second major simplification is proposed to the design of the education grant. The Commission is recommending a global declining scale scheme consisting of seven brackets applicable at all locations to replace the multiple country/currency system currently based on 15 zones. The Commission reviewed the list of admissible expenses and retained only those items strictly relevant to education, limiting them to tuition and enrolment-related fees only. Boarding expenses also came under review, with reimbursement approved only in cases when there is no choice but to send children away from the duty station for education. This is a very concise overview of the changes which are explained in detail in the report.

Field package: mobility and hardship scheme

The third important set of recommendations relates to field-related allowances within the mobility and hardship scheme. The changes are being expressed to simplify and ensure a more fit-for-purpose scheme and concern specifically the hardship allowance, the non-family service allowance, the mobility incentive and accelerated home leave travel as follows:

- (i) The hardship allowance has been revised as flat amounts by grade groups increasing the amounts for staff with no dependants.
- (ii) The new payment system for service in non-family duty stations would be differentiated by family status rather than by grade of the staff.
- (iii) Mobility payments would not be payable at H duty stations and past geographical moves would no longer accumulate to increase the amount of the incentive; flat amounts would apply, differentiated by grade only.
- (iv) A change is being proposed to home leave travel with respect to the accelerated 12-month home leave cycle for staff at C, D, and E duty stations. The Commission considered that following the introduction of rest and recuperation travel in 2011, there was a travel entitlement overlap at most of these duty stations precluding the continued need for accelerated home leave travel.

In the course of the review, an important guiding principle has been to ensure that the revised compensation package will continue to support staff working in the most difficult field locations. No changes were made to the rest and recuperation framework as the Commission viewed it as an essential part of a broader package of measures crucial to the effective delivery

of programmes in difficult and sometimes dangerous locations. The provisions for Danger Pay in the most dangerous locations also remain intact. The revised mobility incentive scheme will incentivize future geographic moves to the field and the hardship allowance has significantly been enhanced for single staff.

In making these recommendations the Commission has been mindful of the concept of acquired rights and is proposing provisions for transitional measures that protect staff from sudden and arbitrary losses where necessary.

Relocation-related elements

The proposed new package for relocation would include relocation travel, relocation shipment and settling-in grant, and would be streamlined to eliminate overlaps, providing a consolidated payment system reflecting real costs that is fit-for-purpose.

A further important aspect of the Commission's review concerns that part of the General Assembly's request to ensure comparability of total compensation under Noblemaire, including all monetary and non-monetary elements. The Commission did this by undertaking a total rewards comparison of the policies and practices in the United Nations common system with those of the United States federal civil service. This was done to establish a framework that would attract, motivate and retain staff. The five key elements are: compensation; benefits and allowances; performance and recognition; work-life balance; and career development opportunities. The Commission recognized that, for staff, the value of the entire package is often more meaningful than the sum of its individual parts. Let me reiterate that the Commission considers it important for organizations to pay closer attention to the non-monetary components that serve to attract, motivate and retain staff. At the end of the day, our findings were compatible with those of a 2014 Report of the U.S. Government Accountability Office¹ which found broad comparability between the UN and US civil services in their total reward packages.

Mr. Chairman, distinguished members of the Committee,

In closing, I would like to make the point that the changes we are proposing are a means to an end, not an end in themselves. The end is a streamlined, cohesive system that enables organizations to continue to attract and retain quality staff at a price that is cost-effective for Member States and competitive for organizations and staff. The modernized package, which the Commission is recommending, is fit-for-purpose and sustainable. The unified salary scale replaces one whose concept had its origins in another century for international staff with a different profile. It provides a stronger linkage between performance and pay. With the new scale we are attempting to do away with the anachronisms of the past while continuing to offer staff the benefits they deserve at a cost that can be met.

I thank you Mr. Chairman and Members of the Committee for your attention. The Commission's recommendations, together with their financial implications, are summarized at the beginning of our report for ease of reference. I realize that this year your questions may be more numerous than usual, which is why the ICSC secretariat and I will go to extra lengths to provide you with any supplementary information and explanations you may require.

¹ GAO-14-546