World Health Organization

Financial and administrative implications for the Secretariat of resolutions proposed for adoption by the Executive Board or Health Assembly

Resolution: Amendments to the Staff Regulations and Staff Rules (EB140/48)

A. Link to the General Programme of Work and the Programme budget

1. Please indicate to which outcome in the Twelfth General Programme of Work, 2014–2019 and to which output in the Programme budget 2016–2017 this draft resolution would contribute if adopted.

Not applicable.

2. Please provide a short justification for considering the draft resolution, if there is no link to the results as indicated in the Twelfth General Programme of Work, 2014–2019 and the Programme budget 2016–2017.

The amendments described in document EB140/48 stem from the decisions taken by the United Nations General Assembly at its Seventieth session, in resolution 70/244 adopted on 23 December 2015,[1] on the basis of recommendations made by the International Civil Service Commission in its report for the year 2015,[2] and decisions expected to be taken at its Seventy-first session, on the basis of recommendations made by the Commission in its report for the year 2016.[3]

3. Please indicate the estimated implementation time frame (in years or months) for any additional deliverables.

In the light of the time required for system reconfiguration and testing, the resolution is expected to be implemented for the payroll run of May 2017, with a retroactive effective date of 1 January 2017. This applies to **draft resolution 1** (revised compensation package, related entitlements and salaries for staff) and **draft resolution 3** (remuneration of staff in ungraded positions and the Director-General).

With respect to the extension of the mandatory age of separation to 65 for staff members appointed on or before 1 January 2014, taking into account their acquired rights, the related amendments will enter into force:

(a) with effect from 1 January 2018 (in which case **draft resolution 2** is submitted to the Board for its approval); or

(b) on another date, to be specified, beyond January 2018 (in which case **draft resolution 2** would be amended accordingly).

[1] See http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/70/244 (accessed 16 January 2017).

[2] See http://icsc.un.org/resources/pdfs/ar/AR2015.pdf (accessed 16 January 2017).

[3] See http://icsc.un.org/resources/pdfs/ar/AR2016.pdf (accessed 16 January 2017).

B. Budgetary implications for implementation of additional deliverables

1. Current biennium − estimated, additional budgetary requirements, in US$ millions:

It should be noted that payroll costs are always subject to some variability due to post adjustment, exchange rates, mix of staff members in terms of dependents and education grant entitlements among other factors, so these additional costs will be absorbed within the overall payroll budget fluctuations.

(i) Please indicate the level of available resources to fund the implementation of the proposed resolution in the current biennium, in US$ millions:

– **How much are the resources available to fund the proposed resolution in the current biennium?**

See below.

– **How much would the financing gap be?**

See below.

– **What are the estimated resources, not yet available, if any, which would help to close the financing gap?**

Revised compensation package for staff members in the professional and higher categories and related entitlements[1]

In its report for 2015, the Commission estimated the total annual cost savings for all organizations across the United Nations common system to be US$ 113.2 million (a 2–3% reduction in staff costs). However, United Nations General Assembly resolution 70/244 provides for increases in entitlements not presented in the Commission's 2015 report, notably a single parent allowance of 6% of net remuneration. Consequently, the Commission's projections will need to be adjusted in due course. Furthermore, the figures provided in the Commission's report are subject to changes in staff numbers.

It should be noted that immediate savings will not be realized because of implementation costs in the form of enhancements to enterprise resource planning systems (amounting to approximately US$ 2 million for WHO) and transitional costs associated with staff entitlements. Accordingly, the cost savings arising from the changes to the periodicity of within-grade step increases and the reduction in education grant costs related to fewer admissible expenses and limited boarding and travel allowances, will be realized only in the long term. Although WHO expects to see benefits in terms of greater efficiency and simplicity in the administration of entitlements, the transitional measures (applicable for up to five years in some cases) put in place to avoid adversely affecting staff at the time of the changes will bring administrative complexity in the payroll system for several years.

Amendments in relation to the extension of the mandatory age of separation to 65 for staff members appointed on or before 1 January 2014[2]

The extension of the mandatory age of retirement to 65 for serving staff will also have budgetary implications in terms of delaying a more cost-effective realignment of the WHO staffing structure. For the biennium 2018–2019, under the current mandatory age of separation, 182 staff members would have been due to retire in 2018 and 187 in 2019, accounting for 5.9% of the total number of staff members. Of these, 51% in 2018 and 42% in 2019 belong to the professional and higher categories.

The annual succession planning exercises show that in 2014, 2015 and 2016, 12.8% of the posts encumbered by retiring staff were planned for abolition. With the possibility that current staff may stay until the age of 65, the Organization will either keep the staff members on positions that otherwise would have been abolished had they retired, or, if the positions are nonetheless abolished, pay them the expensive entitlements (such as reassignment period, notice period and termination indemnity) to which they would have not been entitled had they retired at the age of 60 or 62.

[1] See document EB140/48, paragraphs 32 and 33.

[2] See document EB140/48, paragraphs 51 and 53–56.

The overall impact of these changes is estimated to be US$ 9–10 million additional costs to the Organization, based on:

(i) the higher salary grade/step for staff members who would have retired compared with the younger staff members who would be appointed to replace them; and

(ii) an estimate of the additional statutory separation costs for staff members who choose to stay on, but whose posts are subsequently abolished, with the largest group being staff members working for the Global Polio Eradication Initiative (US$ 3–4 million of the US$ 9–10 million additional costs). It is likely, however, that some other programmes will also be affected, given the overall budgetary outlook.

There will also be implications in respect of the rejuvenation of the workforce. Many of the positions currently occupied by staff due to retire in 2018 and the following years could be downgraded and would thereby create additional, more cost-effective, opportunities for recruitment at more junior levels.

In its report for the year 2014,[1] the Commission, in making its recommendation to the United Nations General Assembly, noted that increasing the mandatory age of separation to 65 for serving staff will have the positive effect of containing after-service health insurance liabilities; in other words, keeping staff active for longer would not entail a liability for after-service health insurance. As far as WHO is concerned, the impacts on the Organization's long-term estimated liability, and financing, for after-service health insurance are difficult to estimate. On the one hand, there is a positive impact since staff working an extra three or five years will provide additional contributions to the scheme (two thirds of which are a cost to WHO, one third of which is paid by staff). On the other hand, some staff who joined WHO late in their career (for example, at the age of 53, 54 or 55) and who would not have reached the 10-year minimum service period for eligibility to the scheme, will now become eligible, with a resulting negative financial impact. The actual impacts will depend on which staff members choose to extend their age of retirement to 65, and their prior service period in the Organization. The situation will be assessed by independent actuaries, who will make assumptions on these and other variables that have an impact on after-service health insurance.

A similar situation may exist for the pension fund liability and revenue stream, with additional pension payouts as a result of longer service offsetting additional income arising from the pension contributions payable for an additional three years, again funded one third by staff, and two thirds by WHO.

2. 2018–2019 (if required): estimated budget requirements, in US$ millions:

See response to 1(i).

3. Future bienniums beyond 2018–2019 (if required) − estimated budgetary requirements, in US$ millions:

See response to 1(i).

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[1] See http://icsc.un.org/resources/pdfs/ar/AR2014.pdf (accessed 16 January 2017).