

# **Report of the International Civil Service Commission**

## **Report by the Director-General**

1. Under its statute,<sup>1</sup> the International Civil Service Commission is required to submit to the United Nations General Assembly an annual report for transmission to the governing bodies of the organizations of the United Nations system through their executive heads.

2. The Director-General submits to the Health Assembly herewith the forty-fourth annual report of the Commission.<sup>2</sup> The report was considered in December 2018 by the United Nations General Assembly at its seventy-third session. Decisions taken by the United Nations General Assembly on the Commission's recommendations requiring a revision of WHO's Staff Rules have already been reported separately to the Executive Board.<sup>3</sup> The report addresses the issues taken up by the Commission in 2018. The present report contains a summary by the Secretariat of other decisions taken by the Commission in 2018. An earlier version of this report was considered by the Programme, Budget and Administration Committee of the Executive Board at its twenty-ninth meeting;<sup>4</sup> the Committee's report on its discussions was then considered and noted by the Executive Board at its 144th session.<sup>5</sup>

## **CHAPTER III OF THE COMMISSION'S REPORT**

### **CONDITIONS OF SERVICE APPLICABLE TO BOTH CATEGORIES OF STAFF**

#### **Review of pensionable remuneration**

3. At its eighty-fourth session, held in March 2017, the Commission approved a list of items and a timeline for the review which would address grossing-up factors, income inversion (higher pensionable remuneration for general service staff than for professional staff with the same net remuneration), alignment with the unified salary scale after elimination of dependency elements, the calculation of the pensionable remuneration of ungraded officials following the increase in the number of steps at the D2 level from six to 10, and a review of the common scale of staff assessment. Recognizing the complexity and interdependence of the various elements involved, the Commission decided to establish a working group on pensionable remuneration to further explore all the options proposed and to conduct a study of the common scale of staff assessment in close interrelationship with the other items. Its findings and

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<sup>1</sup> International Civil Service Commission: Statute and Rules of Procedure. New York: United Nations; 1987 (document ICSC/1/Rev.1), Article 17.

<sup>2</sup> General Assembly Official Records, Seventy-third Session: Supplement No.30 (document A/73/30) In particular, the Health Assembly is referred to pages 11–13 and 18–54 of the Commission's report.

<sup>3</sup> Document EB144/49 Rev.1.

<sup>4</sup> Document EB144/48.

<sup>5</sup> Document EB144/4.

recommendations were presented to the Commission at its eighty-sixth session. In addition, the secretariats of the Commission and the Pension Fund conducted a comparability study on the pension scheme of the United Nations and the Federal Employees Retirement System scheme of the United States federal civil service, which compared the income replacement ratios (ratio of pension to net salary) provided under both schemes for staff members with similar service and earnings history. The results of the study were broadly similar to those reported in 2012. They had been reviewed at the Commission's eighty-seventh session and the conclusion reached that the replacement ratios for the benefits provided under the United Nations Pension Fund scheme remained comparable to the benefits provided under the Federal Employees Retirement System scheme for similarly compensated staff members.

4. The Human Resources Network and the staff federations both concurred with the recommendations of the working group and endorsed the proposed changes to the pensionable remuneration scale. While welcoming the proposed changes as also contributing to closing the income inversion<sup>1</sup> noted in previous reports of the Commission, they cautioned against compromising the sustainability of the Pension Fund, and urged that the acquired rights of staff should be respected and any negative impact on pensionable remuneration of staff members should be avoided.

5. With regard to alignment with the unified salary scale and following the recommendations of the working group, the Commission favoured the use of the single rate (without spouse allowance) as the basis for a common scale of staff assessment and for the professional and higher categories. It would be more consistent with the spirit of compensation reform and further reduce income inversion given that the single rates of the common scale were already used for the calculation of the pensionable remuneration levels of the general service category. The recommended common scale of staff assessment to be used in conjunction with pensionable remuneration is set out in Annex II to the Commission's report. The Commission also agreed that the present five-year review cycle of the common scale of staff assessment should be maintained.

6. The Commission further reviewed the formula for calculating the pensionable remuneration of ungraded officials under the revised compensation package. It agreed with the working group's recommendation to maintain the current reference to the top step of the D2 grade, while reducing, from 90% to 85%, the percentage applied to the net salary differential between the two grade levels by which the D2 pensionable remuneration is increased to arrive at the pensionable remuneration for ungraded levels. The reduction was seen as a necessary adjustment to the increased number of steps, from six to 10, in the D2 grade under the unified salary scale.

7. The Commission took note of the impact analysis of the proposed changes, including the financial implications for the organizations and the number of general service staff who may be affected by changes in the common scale of staff assessment. It was deemed reasonable to expect that current levels of pensionable remuneration would be protected for staff members who would otherwise be at a lower level following the revision of the common scale of staff assessment by applying a grandfather clause to levels of pensionable remuneration for staff in the general service and national professional officer categories where necessary. The financial implications of the proposed changes in pensionable

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<sup>1</sup> The term "income inversion" refers to situations where the same or lower net remuneration received by a staff member in the general service category leads to a pensionable remuneration higher than that of a staff member in the professional category with the same or higher net remuneration. That situation arose because the tax element added to the net remuneration of a general service staff member was significantly higher than for a staff member in the professional category with the same or higher net remuneration.

remuneration for both categories of staff were estimated at US\$ 38.4 million per annum across the United Nations common system.

## **DECISIONS OF THE COMMISSION**

8. The Commission decided to recommend to the General Assembly: that pensionable remuneration for all categories should be based on the single rates of the common scale of staff assessment; that the common scale of staff assessment should be revised, as set out in Annex II of the Commission's report; that the scale of pensionable remuneration and pay protection points for staff in the professional and higher categories should be revised, as set out in Annex III; and that pensionable remuneration for ungraded officials should be calculated with reference to the top step of the D2 level and the adjustment factor revised to 85%.

### **End-of-service grant**

9. The Commission initially recommended the introduction of an end-of-service grant in 1976 in recognition of the moral expectation of continuity of service on the part of long serving staff members holding a fixed-term appointment. The recommendation was reviewed by the General Assembly in 1976 and re-examined in 1978, with particular attention being paid to the conditions that would justify payment of such a grant. The General Assembly requested the Commission to carry out a further examination of the legitimacy of this recommendation and the relationship between career staff and those on fixed-term appointments. The recommendation was re-submitted in 2009, four years after the introduction and implementation of the new contractual framework, which was adopted by the Commission in 2005. Following the decision of the General Assembly to review the issue at its seventy-first session, the Commission renewed the recommendation in 2016 and was requested by the General Assembly to carry out a comprehensive analysis. The Commission recalled that the contractual framework adopted in 2005 set out distinctions between temporary, fixed-term and continuing appointments, noting the similarity between maximum amounts paid as termination indemnity and agreed termination to staff members on fixed-term and continuing appointments. The end-of-service grant would not be based on legal requirements but on best practice in support of organizations' duty-of-care initiatives to encourage staff engagement. A study of the United States federal civil service and other international organizations showed that while severance pay was not provided for term appointments, staff members leaving after one year of uninterrupted service would receive unemployment benefits. Recalling the request of the General Assembly in its resolution 71/264 for a comprehensive analysis, the Commission agreed to revise the eligibility criteria for an end-of-service grant. This was carried out in consultation with stakeholders, taking into consideration the preferences of organizations and staff federations, and ensuring that the new criteria would be compatible with other decisions of the General Assembly in its resolution 65/247.

## **DECISIONS OF THE COMMISSION**

10. The Commission decided to recommend the introduction of an end-of-service grant as a form of financial assistance to staff members who separate from the organization after five years or more of continuous service owing to expiry of their fixed-term appointments. Such a grant is already provided for under WHO Staff Rule 375.

## **Framework for human resources management: update on diversity and gender**

11. In its previous sessions, the Commission had decided first to review the human resources framework in the light of trends and changes in organizations of the common system, and, subsequently, to update the framework. That had led to diversity and gender featuring more prominently in the framework, and, eventually, to a broader concept of diversity being promoted and used by those organizations as a reference point when establishing policies on workforce diversity. Such a development was welcomed by representatives of the United Nations Secretariat, common system organizations, the Human Resources Network and staff, thereby encouraging an amplified use of diversity metrics and monitoring systems in order to keep on track. However, merit should always be the main consideration when recruiting staff within the United Nations common system. The Commission, while it noted that the adoption of a broader definition had promoted diversity; that organizations had broadened and deepened their discussions on the subject; and that positive actions had been taken in many areas, it emphasized that diversity should not be viewed as favouring one group over another.

## **DECISIONS OF THE COMMISSION**

12. The Commission decided to approve the inclusion of the workforce diversity component in the human resources management framework, as set out in Annex V of its report.

## **CHAPTER IV OF THE COMMISSION'S REPORT**

### **CONDITIONS OF SERVICE OF THE PROFESSIONAL AND HIGHER CATEGORIES**

#### **Base/floor salary scale**

13. In its resolution 70/244, the General Assembly approved a unified salary scale, with effect from 1 January 2017, which should be updated to reflect any adjustments in reference salaries of the comparator that might take place between the approval of the scale and its implementation. It was therefore necessary to consider the movement in the comparator civil service salary points on the basis of officials with no primary dependants.

14. The Commission was informed that a 1.4% increase had been implemented in the base general schedule scale with effect from 1 January 2018. In addition, minor changes in tax schedules and the personal exemption amount had been introduced at the federal level for 2018.

## **DECISIONS OF THE COMMISSION**

15. The Commission decided to recommend to the General Assembly, for approval with effect from 1 January 2019, the revised unified base/floor salary scale, and the updated pay protection points for the professional and higher categories, as shown in Annex VI of the Commission's report. That update reflects a 1.83% adjustment to the unified salary scale previously approved by the General Assembly, which would be implemented by increasing the base salary while commensurately decreasing post adjustment multiplier points, resulting in no change in net take-home pay.

## **Evolution of the United Nations/United States net remuneration margin**

16. Under a standing mandate from the General Assembly, the Commission reviews the relationship between the net remuneration of United Nations officials in the professional and higher categories in New York and that of officials from the United States federal civil service in comparable positions in Washington, DC. For that purpose, the Commission annually tracks changes occurring in the remuneration levels of both civil services.

17. The Commission was informed that, based on changes that had occurred in the United States federal civil service, the estimated net remuneration margin for 2018 amounted to 114.4.

## **DECISIONS OF THE COMMISSION**

18. The Commission decided: to report to the General Assembly that the margin between the net remuneration of United Nations officials in the professional and higher categories in New York and that of officials in comparable positions in the United States federal civil service in Washington, DC was estimated at 114.4 for the calendar year 2018; and to continue monitoring the level of the margin and take the necessary corrective action under the operation of the post adjustment system should the trigger levels of 113 or 117 be breached in 2019.

## **Children's and secondary dependant's allowances: review of the level**

19. The Commission last reviewed the allowance in 2010. In 2017, it reviewed the methodology and decided to maintain it while keeping it under review. Under the existing methodology, the children's allowance is based on a reference income corresponding to the P4/VI level in eight headquarters locations. To align the calculation procedure with the new unified salary structure in the absence of the dependency rate on which the allowance was calculated in the past, two sets of studies were conducted. The first was based on the unified salary scale plus spouse allowance, and the second on the unified scale alone. The Commission noted that the inclusion of the spouse allowance in the calculation of the child allowance set the level with reference to child benefit received by married couples, while basing it on the unified scale alone took account of the benefit received by single parents. Since the new compensation package already includes a separate allowance for single parents, it would be inappropriate for the children's allowance to reflect that situation. As child benefits had increased in five of the eight reference locations reviewed the Commission decided to adjust the increase proportionately at a ratio of five to eight. To reduce the dominance of the larger duty stations, equal weights were assigned to the reference locations in the adjustment process. The application of this approach will produce a children's allowance of US\$ 3666 per annum, with the financial implications estimated at US\$ 26.8 million. The significant increase is due to the allowance not having been adjusted since 2010.

## **DECISIONS OF THE COMMISSION**

20. The Commission decided to recommend to the General Assembly that as of 1 January 2019: the children's allowance should be increased to US\$ 3666 from US\$ 2929; the allowance for children with disability should be increased to US\$ 7332 from US\$ 5858; the allowance for secondary dependents should be increased to US\$ 1238 from US\$ 1025; and that the dependency allowance should be reduced by the amount of any direct payments received by staff from a government in respect of dependants.

21. The Commission decided also to recommend that the amount of the allowance in United States dollars should be converted to the local currency using the official United Nations exchange rate from the date of implementation, and that the rate should remain unchanged until the next biennial review.

### **Identification of the highest-paid national civil service (Noblemaire study): phase I**

22. In accordance with the mandate provided to it under General Assembly resolution 44/198, the Commission periodically conducts studies to determine the highest-paid national civil service. These exercises, known as Noblemaire studies, represent a comparison of compensation packages of national civil services that could potentially become an alternative to the current comparator of the United Nations common system. According to the two-phase methodology approved by the General Assembly in resolution 46/191 A, a group of possible comparator national civil services is selected on the basis of the established criteria relating to pay levels, size and structural comparability with the common system. The services thus selected are first compared in terms of net cash compensation (phase I) and then, if necessary, in terms of total compensation (phase II). Since 1995, the Noblemaire studies have been supplemented by reference checks between the common system and other international organizations.

23. At its eighty-sixth session, held in March 2018, the Commission reviewed the findings of phase I of the Noblemaire study. It considered, in particular, the following national civil services, which were selected using the established criteria: Belgium, Canada, France, Germany, the Netherlands and Norway. The results of the comparison of net cash compensation (adjusted for cost-of-living and exchange rate differences) in these services and the current comparator of the common system, the United States federal civil service, showed the latter as the highest paid national civil service.

24. The Commission recognized that the conduct of phase II would result in a need to adjust the results, but agreed that the resulting net cash compensation gaps with the present comparator were unlikely to be reversed. It was recalled in this context that in the 2006 study, when the phase II analysis had been conducted for Belgium, the compensation gap did not change significantly compared with the phase I results.

25. Regarding the reference checks with other international organizations for the purpose of measuring the competitiveness of the common system against them, the benefit of such studies was discussed and diverse views were expressed. Some members questioned the need for such checks as they were technically not part of Noblemaire studies. Others pointed out that the checks were authorized by the General Assembly and created a background for such studies in the light of the evolution of international organizations and their growing influence in the global labour market.

26. In this context, the Commission was informed of an outside benchmarking study that had recently been launched, with the anticipated participation of several international and regional organizations. The study involved the establishment of grade equivalences between the common system and other participating organizations for remuneration comparison purposes. It was expected that the findings of the study would be available in 2019. The Commission was therefore of the view that the issue of reference checks could be reviewed in the light of those findings.

## **DECISIONS OF THE COMMISSION**

27. The Commission decided that the current Noblemaire study should not proceed to phase II, noting that the phase I comparison results demonstrated that the current comparator paid the highest level of cash compensation and that the percentage differences with other national civil services appeared to be too large to be offset when other compensation elements were considered, and, therefore, the current comparator would be retained.

28. The Commission also decided to revert to the issue of reference checks with other international organizations upon receipt of the findings of the 2019 benchmarking study among several international and regional organizations, including the World Bank Group, coordinated organizations and the European Union.

### **Post adjustment issues**

29. Pursuant to Article 11 of its statute, the Commission continued to keep under review the operation of the post adjustment system, and had considered the report of the Advisory Committee on Post Adjustment Questions on its work at its fortieth session. The report included recommendations by an external, independent consultant on the review of the post adjustment system, as well as several issues regarding the housing component of the post adjustment index. The Commission decided to endorse the recommendations contained in the independent consultant's report on areas of possible improvement of the methodology underpinning the post adjustment system. To this end, the Commission's secretariat had developed a project management plan for a comprehensive review of the methodology underpinning the post adjustment system, in collaboration with organizations and staff federations, which was endorsed by the Committee at its eighty-seventh session with a call for the active cooperation of all stakeholders. The Commission further decided to establish a working group to conduct a review of the operational rules governing the determination of post adjustment multipliers, and a task force on the review of the conceptual framework of the post adjustment index. It emphasized that the goal of the review was to revise the post adjustment system methodology and operational rules so as to enhance the accuracy, stability and predictability of salary adjustments. This review work, as well as the housing component, would be discussed at the next meeting of the Advisory Committee in early 2019.

## **CHAPTER V OF THE COMMISSION'S REPORT**

### **CONDITIONS OF SERVICE OF STAFF IN THE GENERAL SERVICE AND RELATED CATEGORIES AND OTHER LOCALLY RECRUITED STAFF**

#### **Review of salary survey methodologies**

30. The responsibilities of the Commission regarding the establishment of salaries for locally recruited staff are specified in its statute. Under article 10 (a), the Commission shall make recommendations to the General Assembly on the broad principles for the determination of the conditions of service of the staff, and under article 11 (a), the Commission shall establish the methods by which those principles should be applied. Under article 12, the Commission shall establish the relevant facts for, and make recommendations on, the salary scales of staff in the general service and other locally recruited categories.

31. To carry out those functions, the Commission established two methodologies, which evolved into current methodology I, applied at headquarters and similar duty stations, and methodology II, applied at all other duty stations. To ensure the efficiency and effectiveness of the methodologies, the Commission conducted a review of the experience gained and lessons learned at the end of each round of headquarters salary surveys.

32. Upon completion of the seventh round of surveys at headquarters locations, the Commission decided to launch a review of the salary survey methodologies for the general service and other locally recruited categories. The secretariat of the Commission asked stakeholders to collect information on issues experienced during the conduct of the surveys and to provide initial recommendations on how to address them. The issues identified by organizations, staff federations and headquarters' local salary survey committees were summarized in a list of broad issues and specific concerns, which was presented to the Commission for its consideration, along with a proposed road map for the review.

## **DECISIONS OF THE COMMISSION**

33. The Commission decided to take note of the preliminary list of issues, and to establish a working group consisting of members of the Commission, up to six representatives of the organizations and up to six representatives of the staff federations, to be assisted by the Commission's secretariat. The task of the working group would be: to analyse and explore issues identified during the seventh round of salary surveys and propose solutions to those problems for the Commission's consideration; to review ways of obtaining the required data, including the possibility of purchasing data from external sources; to study the adequate representation of the national civil service; to examine the application of both methodologies to ensure that the choice of methodology corresponded to the conditions of the local labour market and that similarly situated staff were treated equally; to propose revisions to the text of both methodologies accordingly; and to submit its proposals to the Commission at its eighty-eighth session.

34. The Commission further decided to revert to the timeline of the review at its eighty-eighth session.

## **CHAPTER VI OF THE COMMISSION'S REPORT**

### **CONDITIONS OF SERVICE IN THE FIELD: DUTY STATIONS WITH EXTREME HARDSHIP CONDITIONS**

35. At its eighty-fifth session, during the Commission's discussion of the hardship classification methodology, the field-based organizations in the Human Resources Network raised the issue of duty stations with a hardship classification of D or E that were not designated as non-family duty stations. The Commission discussed whether the organizations could offer some flexibility to staff members in such locations, so that staff members could either take their families with them and receive installation-related allowances, or not take their families and receive the non-family service allowance instead. The Commission was also of the view that the organizations could work on those aspects alongside other duty-of-care initiatives.

36. At its eighty-sixth session, the Commission reviewed a report submitted by the Human Resources Network on duty stations with hardship classifications of D or E that were not designated as non-family. In that report, the Network pointed out the particular responsibility of United Nations organizations as employers with regard to the duty of care to staff and their families and decided: to request more data from the Human Resources Network on the separation from family in difficult duty stations that were not designated as non-family; and that the subject should be examined by a working group.

37. At its eighty-seventh session, the Commission reviewed the report of the working group, which met in June 2018 to examine various documents and presentations, including a holistic view of the field compensation package; an overview of the history of field conditions of service and the current situation, and the issues raised by the organizations; the hardship classification process and the non-family duty station designation; additional information provided by organizations through a survey; and some external practices.

38. The Commission considered the options submitted by the working group and discussed whether the separation from family in those D and E duty stations should be treated as voluntary or involuntary; in other words, whether staff members should be precluded from installing eligible dependants, or whether an option could be granted to staff members to choose whether or not to install their families.

39. The Commission also noted that staff members who served in hardship D and E duty stations not designated as non-family faced a hard choice between installing their families in such difficult conditions or maintaining them in a separate location, which entailed some costs in addition to the separation aspect, and it considered that some recognition of the additional costs involved in maintaining a separate family location would be appropriate in cases in which staff members opted not to install their families. The Commission considered that an amount lower than the amount of the non-family service allowance would be appropriate in those cases, taking into account that the option to install families would continue to be made available to staff members upon acceptance of the assignment in those duty stations.

## **DECISIONS OF THE COMMISSION**

40. The Commission decided: that the decision on whether or not to install eligible dependants in duty stations classified at hardship levels D or E that were not designated as non-family should be left to the staff member; that the needs of organizations and staff federations should be addressed by providing a reduced amount of the non-family service allowance, amounting to US\$ 15 000 a year, for staff members with eligible dependants to help defray the costs of maintaining those dependants elsewhere; that that amount would be granted to a staff member who requested such an allowance at the time of taking up an assignment in a D or E duty station not designated as non-family in lieu of installing the eligible dependants at the duty station; that the allowance would not be payable for any eligible dependant who was not installed in the duty station; and that the allowance would be reviewed following full implementation of the revised hardship methodology upon completion of the cycle in 2019.

## **ACTION BY THE HEALTH ASSEMBLY**

41. The Health Assembly is invited to take note of this report.

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