DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR AGENDA

EBAP/85/119

CONFIDENTIAL

May 7, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Staff Compensation - 1985 Adjustment

Attached for consideration by the Executive Directors is a memorandum from the Managing Director on the 1985 adjustment of staff compensation, which has been scheduled for discussion on Friday, May 31, 1985.

Mr. Cutler (ext. 8218) or Ms. D. Anderson (ext. 8222) are available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

May 7, 1985

TO: Members of the Executive Board

FROM: The Managing Director

SUBJECT: Staff Compensation--1985 Adjustment

I. 1985 Compensation Survey

In 1979, in the light of the recommendations of the Joint Committee on Staff Compensation Issues (the Kafka Committee), the Executive Board decided that normally every third year there would be a comprehensive review of staff compensation based on surveys of the levels of compensation in comparator organizations. It was also decided that, in the intervening years, salaries should be adjusted in the light of changes in compensation in the U.S. comparators over the previous 12 months, with a check being made on compensation changes in France and Germany to ensure that U.S. levels of pay remain internationally competitive.

The Fund conducted comprehensive reviews of Fund salaries in 1980 and 1984, based on surveys of salaries paid in comparator organizations in the public and private sectors in France, Germany, and the United States. In 1981, 1982, and 1983 (i.e., the intervening years), surveys were conducted of increases in compensation in the comparators in those three countries over the previous 12 months.

The 1985 review is an "intervening year" review, and the Bank and the Fund retained Hay Associates, the compensation consultant, to conduct a survey of increases in compensation in the public and private sector comparators in the United States between March 1984 and March 1985. The survey covered average pay movements in the comparators for staff in salary ranges A-E and F-J. Hay Associates have also provided the average pay movement for Range F-J comparators in France and Germany over the same period. The Consultant's report, "Survey of Compensation Increases in the United States, France and Germany, 1984-1985," is attached (Attachment 1).

The findings of the survey are summarized in Section II, and Section III sets out, for the consideration of Executive Directors, two possible courses of action and discusses their implications.

II. Survey Findings

The survey findings for the U.S. public and private sectors are summarized in Table 1 below.

Table 1. Compensation Changes in the U.S. Market

March 1984 to March 1985

(Average increases in percentage terms)

	U.S. Comparator Average Salary Increases			
	Gross	Net	Gross	Net
	Ranges F-J		Ranges A-E	
Public sector	5.7	5.3	5.8	5.4
Private sector	5.7	5.6	6.0	5.6
Combined	5.7	5.5	5.9	5.5

Consistent with the basis on which the comprehensive surveys are conducted, the figures shown in Table 1 for the U.S. private sector represent the average increase in direct cash compensation, comprising base salaries and bonuses and profit sharing payments where applicable. Whereas in earlier "intervening year" surveys the comparators had indicated that bonus and profit sharing payments had moved in line with base salaries, on this occasion 5 of the 17 private sector comparators reported a decrease in their additional cash payments in the period since the full compensation review in 1984. In order to clarify the effects of these developments, Hay Associates calculated both the increase in base salaries reported by comparators and the increase in all direct cash compensation since the full Compensation Review in 1984. The average increase in base salary alone was 6.5 percent gross, while the increase in direct cash compensation was 5.7 percent gross. As direct cash compensation was the concept used in 1984, it is the latter figure of 5.7 percent gross that is included in the findings of the 1985 survey.

The figures shown in Table 1 for the U.S. public sector represent the average increase granted in the public sector comparators. For the U.S. Civil Service the data comprise a general increase of 3.5 percent gross granted in January 1985, merit or step increases, and quality step increases.

As shown in Table 1, on the basis of the Kafka formula of equal weighting to the public and private markets, net salary increases in the U.S. market between March 1984 and March 1985 were equal to 5.5 percent for both Range A-E comparators and Range F-J comparators. As this percentage reflects all increases granted by the comparators, it is necessary to deduct 2.4 percentage points, which is the average Fund merit increase, so as to arrive at the general salary increase (3.1 percent) that would be indicated by the application of the agreed principles. 1/ The check for Ranges F-J on the average pay movement in real terms in France and Germany (Table 2), and recent experience in recruitment of non-U.S. staff, do not suggest the need for basing an adjustment on anything other than the U.S. market.

Table 2. Percent Change in Compensation (Including Merit Increases) in the United States, France and Germany 1/

March 1984 to March 1985

(Ranges F-J)

	United States			France			Germany		
	Public	Private	Combined	Public	Private	Combined	Public	Private	Combined
Increase in gross pay	5.7	5.7	5.7	5.1	5.9	5.5	3.6	4.1	3.9
Increase in net pay	5.3	5.6	5.5	7.4	8.0	7.7	2.7	2.8	2.8
Increase in CPI 2/	4.6	4.6	4.6	6.5	6.5	6.5	2.1	2.1	2.1
Real Increase	0.7	1.0	0.9	0.8	1.4	1.1	0.6	0.7	0.7

1/ The problem of the volatility of the exchange rates for the French franc and the Deutsche mark did not affect these calculations as nominal growth rates are deflated by the rates of increase in the CPI's.

2/ Based on the latest available CPI data: for the United States (Washington area), March 1984 to March 1985 and for France and Germany, February 1984 to February 1985.

1/ To ensure that overall average salary increases, irrespective of how distributed, maintain the same relationship with comparator salaries, it is necessary to deduct the Fund's average merit increase of 2.4 percent from the comparator increases, and to distribute the remainder in a general salary increase and an equivalent adjustment of the salary scale. Although the merit allocation is based on 2.4 percent of the salary bill, it is distributed on the basis of individual performance and actual merit increases range from zero for unsatisfactory performance, and for those staff whose salaries are at the range maximum, to 5 or 6 percent for outstanding performance. It should also be noted that the 2.4 percent of the salary bill distributed in the form of merit increases does not increase the salary bill by the same percentage. In the long run, the cost of the merit increases should be fully offset by the "salary recovery" resulting from the departure or retirement of more senior, higher-paid staff, and their replacements by less senior, lower-paid staff. However, as the Fund is still a "maturing" institution, with the average age of staff continuing to rise, over the past five years (1980-1984) the merit increase of 2.4 percent in the Fund has resulted in an average additional cost of 0.8 percent of the wage bill. Additional detail on the operation of the merit increase system is contained in EBAP/84/122, Supplement 2, July 13, 1984, Technical Note on Fund Merit Increase System.

To an extent, the net compensation increases indicated by the survey have been affected by the changes in U.S. taxation resulting from the Economic Recovery Tax Act of 1981 (ERTA). The 1985 tax rates used for the survey are affected by both the final tax reduction effective July 1, 1984 under ERTA, and the indexation of tax brackets. The effects of these tax changes were as follows.

Table 3. U.S. Comparator Pay Increases
1984-1985

(In percent)

	Gross Salary Increase	Net, After Tax Increase		Impact of Tax Change
		1985 Tax Rates	1984 Tax Rates	
Ranges A-E	5.9	5.5	5.2	0.3
Ranges F-J	5.7	5.5	4.8	0.7

This indicates that, had there been no tax changes in the United States, the net increase in the comparators for Ranges A-E and F-J would have been 5.2 percent and 4.8 percent, respectively, rather than 5.5 percent. The differential impact of the tax changes on the two groups results from the fact that these changes were relatively more advantageous at higher salary levels.

III. Possible Courses of Action

If the Executive Board wishes to follow the established principles, a uniform salary increase of 3.1 percent should be granted to all staff effective May 1, 1985, and the salary structure (i.e., the maxima and minima for all salary ranges) should be raised by the same percentage. In deciding whether to adopt this approach, Executive Directors may wish to consider the following aspects. The workload of the Fund continues to be heavy, and most of the staff remain under considerable work pressure. At the same time, there is cause for concern about the morale of the staff; the review of the working of the Kafka principles by the Joint Bank/Fund Committee on Staff Compensation together with the Job Evaluation Exercise have inevitably created uncertainty, and indeed some apprehension, among staff at all levels. A decision not to follow the established principles would be likely to exacerbate these problems of staff morale. Moreover, the amount of the general increase, at 3.1 percent, would be modest; it would--for the second year in succession--be less than the increase in the Washington CPI (4.6 percent), and it would be smaller than the 3.5 percent gross general increase granted in January 1985 to U.S. Government employees. As indicated in the Administrative Budget document for FY 1986, a 1 percent increase in staff salaries would cost $1.3 million on an annual basis. The implementation of a general increase of 3.1 percent, therefore, would cost $4.03 million, and result in a 1.6 percent increase in the approved total budgetary expenses of $249.8 million.

However, should Executive Directors feel that it would be unwise, in light of the results of the 1984 Comparator Survey, to proceed at this time with a general salary increase of 3.1 percent, an approach similar to that taken last year could be adopted. It will be recalled that, as a result of the 1984 review, the Executive Board decided that part of the indicated increases would be granted immediately, with the balance being set aside until the completion of the career streams exercise. For staff in Ranges F-M, a general increase of 4.0 percent was agreed, and an amount equal to 1.6 percent of the April 30, 1984 wage bill for those salary ranges was set aside. For staff in Ranges A-E, the general increase and the amount set aside were 1.2 percent and 0.5 percent, respectively. 1/ This decision reflected, inter alia, the fact that the 1984 Survey showed clearly that some staff were overpaid while others were underpaid, and that a uniform increase for all staff was not appropriate under those circumstances. As the career streams exercise was intended to provide a basis for correcting, over time, these discrepancies, it was felt preferable for part of the indicated increase to be held for distribution on a selective basis when that exercise was completed. The career streams exercise--now referred to as "job evaluation"--is proceeding, and will be entering the final phases over the next few months. Thus, the circumstances in which the Executive Board took their decision last year are still applicable, and this could suggest that the indicated increase of 3.1 percent be split between a general increase effective May 1, 1985, and the deferral of the balance pending the completion of the Job Evaluation Exercise. As regards the way in which the 3.1 percent might be split, it does not seem necessary, given the relatively low percentages, to attempt to "fine-tune" the proportions, and these could readily be set at about half or 2/3 (say, 1.6 to 2 percent) to be granted effective May 1, 1985, with the balance of 1.5 or 1.1 percent being deferred. Although, on that basis, the deferred portion would be higher than last year, it seems probable that its deferral would be for an appreciably shorter period as the Job Evaluation Exercise is much closer to completion. The specific disposition of the deferred portion might be made in the following way. An amount of 1.5 or 1.1 percent of the salary bill as of April 30, 1985 could be set aside, and be distributed as an increase granted retroactive to May 1, 1985 to all staff whose salaries would be below the maximum of their new salary ranges, with the increase being the lesser of

---

1/ The relevant paragraph of the decision of the Executive Board read as follows:

> "2. An amount equal to 1.6 percent of the April 30, 1984 wage bill for Ranges F-M will be set aside. In the event that the results of the current career streams exercise point to a need for adjustments in salary levels for selected positions or for entire career streams, as much as required of the amount set aside will be made available for that purpose. For Ranges A-E staff, an amount equal to 0.5 percent of their April 30, 1984 wage bill will be similarly set aside to be used if necessary for adjustments in connection with the findings of the career streams exercise. Any portion of the 1.6 percent for Ranges F-M or the 0.5 percent for Ranges A-E which may be used as a result of the career streams exercise will be granted with effect from May 1, 1984."

1.5 or 1.1 percent of the April 30, 1985 salary or the amount that would bring the salary to the maximum of the range. To the extent that such an increase did not exhaust the amount set aside, the logic of the system would suggest that the balance should also be distributed in order to keep average Fund salaries in line with the comparators.

The arguments for and against these two approaches are rather finely balanced. The principles agreed by the Executive Board in the light of the Kafka Committee's recommendations have not been changed, and the implementation of a general salary increase of the full amount indicated by the survey would be fully in accord with those principles. On the other hand, one of the recommendations of the Kafka Committee was that a job evaluation exercise should be undertaken to check the appropriateness of the salary relationships among the various occupational groups in the Fund. This exercise has not been completed, and thus the disparities noted by the Kafka Committee, and confirmed last year by the Hay Survey, are not yet being corrected. In these circumstances, raising salaries by a uniform percentage will increase the absolute amounts of these disparities, thereby increasing the need for future corrections.

The illustrative splittings of the increase mentioned above are, admittedly, arbitrary. However, it would not be fair to give less than about one half of the increase indicated by the survey, particularly for the A-E staff, whose general increase last year was only 1.2 percent. If only one half of the increase were to be granted, for a number of A-E staff the decrease in salary would be about 7.6 percent in real terms over a two-year period, and for those F-J staff that have received minimal or no merit increases the decrease would be about 4.8 percent. It should also be pointed out that any deferral is bound to involve administrative difficulties, particularly when the disposition of the 1984 deferred increase remains unresolved.

Consultations have been held with the management of the World Bank, and it is understood that the submission of the President to the Bank's Executive Board recommends an increase in headquarters' salaries at all levels averaging 5.5 percent made up of a 3.1 percent adjustment in the salary structure and 2.4 percent merit element, with the total amount being distributed selectively on the basis of individual performance subject to the proviso that no staff member will get less than a 1.6 percent increase. This proposal would implement the increase shown by the survey in accordance with the established principles. For technical and legal reasons, it would seem very difficult for the World Bank to "set aside" any amount. The Fund's Staff Association is opposed to any proposal involving deferral of part of the salary increase and feels strongly that the entire increase indicated by the Hay Survey should be paid to all staff effective May 1, 1985. Given the importance of pursuing parallelism between the two institutions--which are both undertaking job evaluation exercises and for which this year's Hay Survey yields with the same result of 3.1 percent--it is essential that the same course of action be followed in the two cases. The Boards of the two institutions will have to coordinate very closely their consideration of the matter.

Attachment

WORLD BANK AND INTERNATIONAL MONETARY FUND

SURVEY OF COMPENSATION INCREASES IN FRANCE, GERMANY AND THE UNITED STATES 1984-1985

FINAL REPORT

April 1985

Conducted by:

HAY ASSOCIATES
MEMBER — THE HAY GROUP
WASHINGTON, D.C.

WORLD BANK AND INTERNATIONAL MONETARY FUND

SURVEY OF COMPENSATION INCREASES IN FRANCE, GERMANY AND THE UNITED STATES 1984-1985

TABLE OF CONTENTS

I. INTRODUCTION

At the request of the World Bank and International Monetary Fund, Hay Management Consultants recontacted participants in the 1984 Survey of Compensation in France, Germany and the United States to determine the overall changes in compensation practices for the last twelve months.

The data presented in this report are based on the practices of 17 of the 18 A-H/A-E comparators, and 39 of the 40 J-N/F-J comparators which participated in the 1984 Survey.1/ Formal and informal interim reports have also been provided to the Bank and Fund during the course of the 1985 Survey.

The tabular data presented in this report provide gross and net percentage increases in Direct Compensation for the overall averages (weighted by grade level, i.e., A-H/A-E, J-N/F-J). The data are presented separately for the Public and Private Sectors. The Private Sector is represented by a consolidation of the Financial and Industrial subsectors for J-N/F-J level positions. The gross and net percentage increases in Salary Structure Midpoints for U.S. comparators are presented similarly.

The increases reported by comparators reflect overall changes for the relevant Bank/Fund group (i.e., A-H/A-E are distinguished from J-N/F-J).

The calculation of net-of-tax figures was performed on the basis of tax tables provided to the Bank and Fund by Arthur Andersen & Company.

1/ See Appendix A for a listing of the comparators which participated in the 1985 Survey.

II. METHODOLOGY

A. Introduction

The objective of the 1985 Compensation Update Survey is to determine the extent of overall increases in Direct Compensation and Midpoint of Salary Structure over the past twelve months among participants in the 1984 Survey. The same methodology as was used in the 1983 Update Survey was utilized to satisfy this objective. The following section provides more detailed explanations of certain elements of the methodology.

B. Explanatory Notes

As noted above, the methodology applied to the 1985 Update Survey is the same as that applied to the 1983 Update Survey. The following notes are provided in order to elucidate some of these methodological elements.1/

1. To calculate the gross percent increase in Direct Compensation for U.S. Civil Service positions, figures for the three different types of increase were obtained from the U.S. Office of Personnel Management, and compounded. The three types of increase are: (1) the general increase; (2) the primary form of merit increase, which is based on length of service in the current step in grade; and (3) a secondary type of merit increase, termed a quality step increase (QSI), which is based on excellence of performance. For 1984-1985, the general increase of 3.5% was compounded with a combined merit increase figure of 2.2% to yield a gross percent increase in Direct Compensation of 5.8%.

2. For the U.S. Private Sector F-J/J-N comparators, increases are reported for both Direct Compensation and Base Salary because five of the 17 comparators in the 1985 Survey (three Financial and two Industrial) reported that average Base Salaries and average Direct

---

1/ See pages 3 and 4 of the Survey of Compensation Increases in Selected Organizations in the United States, France, and Germany 1981-1982.

Compensation (total cash compensation) did not increase at the same rate (i.e., the ratio of additional cash compensation to base salary is different for 1985 relative to 1984). Average Direct Compensation data were used as the basis for calculating net increases for both Base Salary and Direct Compensation since no Base Salary data were readily available from the 1984 Survey.

3. A number of comparators reported that they did not change their Salary Structure Midpoints during the twelve month period. Three of twelve private sector A-H/A-E, and four of sixteen[1/] private sector F-J/J-N comparators did not change their Salary Structure Midpoints, and indicated that no change was anticipated until the second half of 1985 at the earliest. These zero increases are included in the calculations employed to arrive at the average increase in Salary Structure Midpoint figures which are presented in the tables in this report.

4. In France and the United States, taxation changes at certain compensation levels had the effect of yielding net percent increases in compensation which exceed the gross percent increases. Appendix B presents an example of the effects of such changes on Direct Compensation for the U.S.

C. Terminology

1. Base Salary and Direct Compensation

As applied in the survey, Direct Compensation consists of all earned cash payable to an employee. It may be considered to consist of two components: (1) Base Salary; and (2) variable cash compensation. The latter category consists of all earnings, payable in cash, which are in addition to base salary, e.g., profit sharing, bonus or incentive awards. Whereas Base Salaries are essentially fixed, guaranteed payments, variable cash compensation elements are awarded on the basis of individual, unit and/or overall corporate performance. Such awards therefore can vary from year to year and do not bear a fixed relationship to Base Salary.

1/ One F-J/J-N comparator has no salary structure.

2. General Increases

General increases are defined as compensation increases provided to all employees on the basis of cost of living or pay comparability adjustments. They are not related to individual performance, tenure or other criteria. Although the size of the increase may vary by grade level, all relevant eligible employees must receive an increase for it to be defined as a general increase. In cases where participants award more than one general increase, the cumulative sum (compounded) is used (e.g., in France).

3. Merit and Step Increases

Merit increases are defined as variable increases in compensation resulting from the recognition of meritorious service. They are awarded on an individual basis, and some eligible employees may not receive merit increases.

Step increases are awarded for a variety of reasons -- typically for tenure and/or quality of performance. Again, not all eligible employees may receive step increases, and the average size of the increase varies.

Merit and step increases are weighted to reflect the proportion of the relevant eligible comparator population receiving an increase.

4. Midpoint of Salary Structure

The salary structure provides the boundaries within which the level of base salary is determined. Most organizations use a control point -- most commonly the midpoint of the range between minimum and maximum -- to control salary expense and distribute salary increases. In the Private Sector, base salaries above midpoint typically reflect above-average performance, while base salaries below midpoint typically reflect below-average performance or the existence of recently hired or promoted incumbents. In the U.S. Private Sector, individual compensation does not increase commensurately with increases in the midpoint of structure.

In the Public Sector, a formal midpoint is not typically used as a control point, and average base salaries tend to increase above this level. Performance is more generally assumed to follow years of service.

III. SUMMARY OF FINDINGS

A-H/A-E POSITIONS

DIRECT COMPENSATION AND SALARY STRUCTURE MIDPOINTS

Data on changes in compensation were collected from seventeen (17) of the eighteen (18) U.S. comparators in the 1984 Survey.

The U.S. Public Sector Direct Compensation results are based upon use of the 5.8% gross increase for all five comparators.

The U.S. Private Sector Direct Compensation results are based upon data provided by 12 comparators. Of the 12, 10 provide only merit increases; one provides a combination of merit and longevity increases, and one provides a general increase related to the cost of living. Gross percent increases in average Direct Compensation range from 1.9% to 8.0%.

The U.S. Private Sector Salary Structure Midpoint results are based upon the data provided by all 12 of the participants. Three comparators did not adjust their structures, and the average gross and net increases in the tables reflect the inclusion of these zero increases in the calculations.

The following tables present overall gross and net percent increases in Direct Compensation and Salary Structure Midpoints for the last twelve months.

A. Direct Compensation

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
A-H/A-E	5.8	5.4

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
A-H/A-E	6.0	5.6

B. Salary Structure Midpoints

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
A-H/A-E	3.5	3.4

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
A-H/A-E	3.7 1/	3.6 1/

1/ If the three comparators which did not change their structures were excluded, the average gross percent increase would be 4.9%, and the average net percent increase would be 4.6%.

IV. SUMMARY OF FINDINGS

J-N/F-J POSITIONS

DIRECT COMPENSATION AND SALARY STRUCTURE MIDPOINTS

Of the twenty-two (22) U.S. comparators in the 1984 Survey, data on changes in compensation were collected from twenty-one (21) organizations: one comparator in the Financial subsector was unable to participate this year.

In the U.S. Public Sector, the Federal Reserve Bank of New York provides only merit increases, while the other comparators provide general and merit/step increases based on tenure and performance.

All seventeen (17) Private Sector organizations rely solely on merit increases to provide compensation increases to personnel. Gross percentage changes in Direct Compensation were highly variable, while Base Salary increases ranged from 3.7% to 11.7%. Four (4) U.S. Private Sector comparators did not adjust their salary structures (two in the Financial subsector and two in the Industrial subsector). Gross percent increases in Salary Structure Midpoint range from 2.0% to 8.5% for the twelve (12) remaining comparators.1/

The following tables present the gross and net percent increases in Direct Compensation and Salary Structure Midpoints for the last twelve months. As previously noted, five Private Sector comparators reported that Base Salaries and Direct Compensation did not increase at the same rate. Therefore, increases are reported for both Direct Compensation and Base Salary using the average 1984 Direct Compensation figure as the base.2/

1/ One comparator which does not have a Salary Structure is excluded from consideration.

2/ As discussed in Chapter II, the 1984 Base Salary figure was not readily available.

A. Direct Compensation - United States

1. U.S. Public Sector
(World Bank & International Monetary Fund)

	Gross % Increase		Net % Increase	
Grade	Direct Compensation	Base Salary	Direct Compensation	Base Salary
J-N/F-J	5.7	5.7	5.3	5.3

2. U.S. Private Sector
(World Bank & International Monetary Fund)

	Gross % Increase		Net % Increase	
Grade	Direct Compensation	Base Salary	Direct Compensation	Base Salary
J-N/F-J	5.7	6.5	5.6	6.2

B. Salary Structure Midpoints - United States

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	3.5	3.4

2. U.S. Private Sector[1/]
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	3.8[2/]	5.4[2/]

1/ The net percentage increase is significantly higher than the gross because of the combined impact of: reduced tax rates; indexation of tax brackets; and average deductions.

2/ If the four comparators which did not change their Salary Structure Midpoints were excluded, the average gross percent increase would be 5.1%, and the average net percent increase would be 6.4%.

C. Direct Compensation - France

All nine (9) participants in the 1984 Survey provided data for the 1985 Survey (six in the Private Sector and three in the Public Sector). Seven of the nine comparators provide general increases (related to increases in the cost of living) and merit increases (which average less than 1.7% of gross base salary). The remaining two provide general increases only.

In the Public Sector, gross percentage increases in Direct Compensation range from 3.0% to 7.4%. In the Private Sector, gross percentage increases in Direct Compensation range from 4.6% to 10.7%.

The following tables present the overall gross and net percentage increases in Direct Compensation for the last twelve months. As previously noted, the net increase in Direct Compensation from 1984 to 1985 exceeds the gross increase because of a decrease in tax rates.

1. French Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	5.1	7.4

2. French Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	5.9	8.0

D. Direct Compensation - Germany

All nine (9) participants in the 1984 Survey provided data for the 1985 Compensation Update Survey (three in the Public Sector and six in the Private Sector).

Public Sector gross percentage increases range from 3.2% to 4.4%. The average gross percent merit increase is 1.0% (only one of the three public sector comparators provides merit increases).

Private Sector gross percentage increases range from 3.8% to 6.5%. One Industrial comparator provided no increase during the twelve month period. The average gross percent merit increase is 2.4% (only two of the six Private Sector comparators provided merit increases).

The following tables present the gross and net percentage increases in Direct Compensation over the last twelve months, and reflect the single case in which Direct Compensation did not increase.

1. German Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	3.6	2.7

2. German Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
J-N/F-J	4.1 1/	2.8

1/ If the comparator which did not grant an increase were excluded, the average gross percent increase would be 4.9%.

APPENDIX A

1985 A-H/A-E SURVEY COMPARATORS

APPENDIX A

1985 A-H/A-E SURVEY COMPARATORS

Public Sector

Agency for International Development
Bureau of Labor Statistics
Department of Commerce
Department of Treasury
Federal Reserve Board

Private Sector

Acacia Group
American Bankers Association
American Chemical Society
American Gas Association
American Petroleum Institute
Arnold and Porter
Arthur Andersen & Company
Brookings Institution
U.S. Chamber of Commerce
Federal National Mortgage Association
International Business Machines (IBM)
Mobil Oil

1985 J-N/F-J SURVEY COMPARATORS

FRANCE

Public Sector

Banque de France
Caisse Centrale de Coopération Economique
Ministère de l'Economie

Private Sector

Industrial

Compagnie Française des Pétroles
Lafarge-Coppée
Rhône-Poulenc

Financial

Crédit Agricole
Crédit Industriel et Commercial
Crédit Lyonnais

GERMANY

Public Sector

Bundesministerium der Finanzen
Deutsche Bundesbank
Kreditanstalt für Wiederaufbau

Private Sector

Industrial

Hoechst
Metallgesellschaft
Veba Oel

Financial

Berliner Handels-und Frankfurter Bank (BHF)
Deutsche Bank
Dresdner Bank

UNITED STATES

Public Sector

Agency for International Development
Department of Treasury
Federal Reserve Bank of New York
Federal Reserve Board

Private Sector

Industrial

Dow Chemical
General Telephone & Electronics
Gulf Oil
International Business Machines (IBM)
International Telephone & Telegraph
Johnson and Johnson
Merck
R. J. Reynolds Industries
Union Carbide

Financial

Bank of America
Chase Manhattan Bank
Citicorp
First Chicago
Goldman Sachs
Manufacturers Hanover
Mellon Bank
Morgan Guaranty Trust

APPENDIX B

EFFECTS OF U.S. TAX CHANGES, 1984-1985

APPENDIX B

EFFECTS OF U.S. TAX CHANGES, 1984-1985

The following table illustrates the effects of tax changes in the U.S. between 1984 and 1985. The table provides average gross and net percentage increases for the U.S. market using a 50/50 mix of the Public and Private Sector results.

Impact of Changes for A-H/A-E and J-N/F-J Positions

Grade Level	Gross Increase (%)	Net Increase (%) Based on 1985 Tax Tables	Net Increase (%) Based on 1984 Tax Tables	Impact of Tax Changes (%)
A-H/A-E	5.9	5.5	5.2	0.3
J-N/F-J	5.7	5.5	4.8	0.7