EBAP/85/141

May 30, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Staff Association Committee - 1985 Staff Compensation Review

There is attached a paper prepared by the Staff Association Committee concerning the 1985 salary proposals. The text of the statement signed by staff members, which is referred to in the paper, is also attached.

The Staff Association Committee has requested that this material be circulated for the information of the Executive Directors prior to the Executive Board meeting scheduled for tomorrow, Friday, May 31, 1985.

Att: (2)

Other Distribution:
Department Heads

International Monetary Fund
Staff Association

1985 Staff Compensation Review

Prepared by the Staff Association Committee

May 30, 1985

When the Executive Board decided five years ago to introduce a new system whereby Fund staff salaries would be determined in relation to the salaries of high-quality outside comparators, its action was welcomed by all concerned, including the Staff Association Committee. The Managing Director has cited its adoption as "a watershed in personnel relations in the Fund." It was hoped at that time that this system would insulate salary decisions from outside political pressures and promote the best interests of the institution by enabling it to continue to recruit and retain the highly-qualified international staff, as mandated by the Articles of Agreement.

However, the staff's subsequent experience under the system has not lived up to the early hopes. Salary adjustments have only been granted after long debate and have in general failed to take full account of the survey results. Even the initial adjustment given in 1980 was less than the full amount warranted by the survey, and ever since, staff salaries have consistently fallen short of those warranted by the Hay Survey results. We were particularly disturbed by the outcome of the 1984 Compensation Review, when not only was the increase in average salary levels less than that justified by the survey, but a large portion of the increase was set aside pending the outcome of the career streams (now renamed job evaluation) exercise. As a result, if it were not for the adjustment to compensate for the reduction in income taxes paid by comparator employees, real salary levels in the Fund would have declined over the last four years.

Compounding these shortcomings in the determination of staff salaries, there have also been a number of personnel actions which have significantly dampened the staff's expectations that productivity gains would be rewarded and their individual careers developed. These include the freeze on new applications for A-E staff job audits during the last two years; additional restrictions on promotion to the I Range; the freeze this year on promotions to the K Range; and a highly conservative attitude by departments regarding promotions in general. Many of these restrictions have been justified on the grounds that the outcome of the job evaluation exercise should not be anticipated, but the effect has been to limit the rewards for good performance.

At the same time, decisions have been taken to raise charges for some staff benefits, or reduce their scope. In light of all this, there is little wonder that many staff members are becoming demoralized and starting to question the commitment they have made to the Fund. The laudatory words which have been expressed regarding the staff's dedication and contribution would be better appreciated if they were not undermined by contradictory actions.

A strong demonstration of the increasing concern of the staff is the statement that was signed by over 1,200 staff members, representing almost 90 percent of the staff who were available and eligible to express their views on May 16, calling for the immediate implementation of the 1985 Hay Survey results and the prompt distribution of the frozen part of the 1984 adjustment. The staff rightly expects that the accepted system of determining salary increases should be implemented without further delay. In this regard, it should be pointed out that the Staff Association Committee has always had reservations about the Hay System methodology, since it tends to exclude part of the merit increase comparator employees receive in the form of promotions, and thus tends to introduce a downward bias to the exercise. Consequently, it is no wonder that the last in-depth survey of absolute salary levels undertaken indicated the need for a large adjustment. These costs are borne by the staff as a whole, but are most conspicuous in the case of staff members who have performed well and rapidly reached the end of their salary range. In the absence of merit increases, these high performers have been paradoxically forced to accept a cut in their real salary levels.

The proposed increase to be distributed is in any case not an exceptional amount. The Managing Director has himself pointed out in EBAP/85/119 that the proposed 3.1 percent adjustment is very modest. It is less--for the second year in a row--than the increase in the Washington area CPI (which is 4.6 percent this year) that used to be the standard for salary adjustment in the Fund. It also marks the second year in which the Board will provide less of an increase for working employees than for those who have retired. U.S. Government employees, whose salaries are often subject to political pressures, have already received a 3.5 percent salary increase across the board this year. As the Managing Director also noted, the proposal is considerably below the 6.5 percent average increase in base salary in the U.S. private sector, which is probably the most relevant comparator for the Fund.

We cannot accept the idea that the staff should again be asked this year to bear the burden of having a portion of the warranted increase in salaries set aside for possible future distribution after the completion of the job evaluation exercise. If half of this modest increase were to be withheld, A-E staff would suffer a decline of 7.6 percent in real terms in their salaries over a two-year period, while those deserving F-M staff who have received minimal or no merit increases would undergo a decrease of about 4.8 percent.

We strongly believe that it would be totally inappropriate to prejudge the outcome of the job evaluation exercise by inadequately adjusting salaries now. Such an action would send entirely the wrong signal to the staff. It would convince staff members that the main aim of the job evaluation process is not to establish an equitable salary structure in the Fund but to reduce salaries across the board regardless of the different functions of staff members or their contribution to the organization. Until the job evaluation process is completed, it is imperative that we should abide by the established procedure, which means giving the staff the full interim increase to which it is entitled to keep Fund salaries broadly in line with the average of comparators.

Besides the issue of principle, there are serious implications of withholding some share of the proposed general salary increase. The objective of distributing at a later date the part of the increase that was frozen last year did not gain in credibility in the eyes of the staff when no explicit provision was made in the budget to do so. Moreover, there has been no discussion regarding how much is needed in total to provide for an adequate pool to correct relative salary disparities, nor any clear indication of when these withheld funds will be distributed. In the absence of some information regarding the findings of the job evaluation exercise, it is debatable whether or not there is need for any additional funds to be withheld from the 1985 salary adjustment. 1/ The target for completing the job evaluation exercise is officially still mid-summer, but, given the complexity of the issues remaining to be resolved before salaries can be revised, it is unlikely that it can be completed this year. The Managing Director has recently indicated that much work remains to be done before the exercise can be concluded. As it will be impossible to distribute the withheld funds until the full magnitude of any adjustments in the salary structure has been decided, it is unlikely that these funds can be disbursed in the foreseeable future. These delays will not only compound the administrative problems of disbursing the withheld funds correctly, but, as in any "forced savings" scheme, they will create resentment in the minds of the intended recipients.

In conclusion, the Staff Association Committee would emphasize the importance of maintaining policies that encourage and promote the staff's continued commitment to the Fund. The Managing Director and several of the Executive Directors have on many occasions recognized the staff's dedication and outstanding work under great pressure. These efforts are demonstrated in the many policy papers that have been produced, the high

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1/ The World Bank expects, as a result of its job evaluation exercise, that the total adjustments needed for all staff on conversion to the new structure will be well under one half of one percent of current salaries. If this is any guide, the sums already withheld by the Fund would seem to be well in excess of the amount needed to correct relative salary levels.

level of use of Fund resources, and the increased number of consultations with member countries, all undertaken with only minimal increases in the number of staff. The staff has accepted these increased work loads in a spirit of cooperation and trust, recognizing that their services were required. There is some concern whether this level of activity can be maintained much longer without adversely affecting the health and caliber of the staff; but, to reduce real compensation levels at the same time as greater demands are imposed on the staff would quite simply be unacceptable. This would lead to a demoralized staff and accelerate the departure of highly-regarded staff members, leading to a substantial deterioration in the performance of the Fund. Under these circumstances, it would be appropriate for the Board not only to approve the full 3.1 percent salary increase requested this year, but also to grant, retroactive to last year, that part of the 1984 adjustment hitherto withheld.

International Monetary Fund
Staff Association

STATEMENT BY THE STAFF TO THE MANAGING DIRECTOR CONCERNING

THE 1985 COMPENSATION REVIEW

WE THE UNDERSIGNED STAFF WISH TO EXPRESS OUR CONCERN REGARDING STAFF COMPENSATION PRACTICES. WE JOINED THE FUND BECAUSE OF OUR COMMITMENT TO INTERNATIONAL CIVIL SERVICE AND BECAUSE WE KNEW THE FUND TO BE A GOOD AND FAIR EMPLOYER, AND ONE WHICH PROVIDED AN OPPORTUNITY TO CONTRIBUTE TO ITS ACTIVITIES IN A MEANINGFUL WAY. WE FEAR THAT THE APPARENT LACK OF APPRECIATION FOR THE STAFF AS MANIFESTED IN ARBITRARY CONSTRAINTS ON SALARY INCREASES WILL LEAVE THE FUND A CHANGED AND INDEED A DIMINISHED INSTITUTION. THE 1985 HAY SURVEY INDICATES THAT COMPARATOR CASH COMPENSATION LEVELS INCREASED BY 5.5 PERCENT LAST YEAR, WHICH IN ACCORDANCE WITH THE ESTABLISHED SYSTEM FOR GRANTING COMPENSATION INCREASES, WARRANTS AN AVERAGE SALARY INCREASE OF AT LEAST 3.1 PERCENT TO ALL STAFF EFFECTIVE MAY 1. WE BELIEVE THAT THE 1985 HAY SURVEY RESULTS SHOULD BE IMPLEMENTED IMMEDIATELY AND IN FULL, AND THAT THE FROZEN PART OF THE 1984 ADJUSTMENT BE DISTRIBUTED PROMPTLY.