EBAP/85/299

December 6, 1985

To: Members of the Executive Board

From: The Secretary

Subject: *Staff Association Committee - Job Grading in the Fund: Grade Structure and Interim Salary Structure*

There is attached a paper prepared by the Staff Association Committee on job grading in the Fund. The Staff Association Committee has requested that the paper be circulated for the information of the Executive Directors prior to the Executive Board meeting scheduled for Wednesday, December 11, 1985.

Att: (1)

Other Distribution:
Department Heads

International Monetary Fund
Staff Association

Job Grading in the Fund: Grade Structure and Interim Salary Structure

Prepared by the Staff Association Committee

December 6, 1985

I. Introduction

The Staff Association Committee (SAC) has serious unanswered questions about both the methodology used to derive the proposed new job grade structure and the application of an interim salary scale to the new grading system. The arguments developed in EBAP/85/284 (11/21/85) seem to us to be inadequate to support the adoption of a new salary and job grade structure that will have a major and uncertain impact on the staff and on the efficiency of the Fund as an institution for years to come. The paper has not presented a sufficient background on the job grading exercise and how it was conducted to enable Executive Directors and the staff to have confidence that the new salary and grade structures are appropriate and in the best interests of the Fund, or that they will satisfactorily address the problems that prompted the Board to originally call for a review. The SAC feels strongly that, unless Executive Directors and the staff are satisfied with the methodology of the exercise and its application, a decision now to endorse the new grade and interim salary structures set out in the paper will not be based on a clear understanding of how the new structure will meet the Fund's needs, or of its potential risks and problems.

Quite apart from its views on the proposed new system, however, the SAC is dissatisfied with the way in which the Job Evaluation Exercise has been carried out. There has been very limited communication with the staff on the substance of the Exercise as it has progressed, and consequently a great deal of unneccessary uncertainty and concern has been added to the apprehension that many staff members naturally feel about the underlying motivation and possible outcome of the process. The absence of specifics in the present Board paper about how the Exercise was conducted and what the resulting proposals imply serves only to heighten these misgivings. With the present and prospective work load facing the staff and the Fund, the importance of maintaining good staff morale and motivation is obvious. We therefore believe that it is time that steps were taken to restore normal communications with the staff. We would hope that implementation of future changes in policies affecting the welfare of the staff would reflect a more serious effort to ensure that the views of the staff are known and taken into account as part of the normal process of formulating new policies.

The proposed Board decision focuses chiefly on the establishment of new grade and salary structures. In practice it is impossible to assess these proposals without also considering the methodology of the Exercise, how the methodology was applied at the Fund, and how the Exercise is to be implemented. This paper will accordingly undertake a broad overview of the Job Evaluation Exercise before directly addressing the proposed new grade and salary structures. It will also comment briefly on such related issues as the set-asides from previous compensation reviews, grandfathering, and the appeals system which Administration has indicated it will bring to the Board's attention shortly. These issues will be further discussed by the SAC in a forthcoming paper to the Board.

II. Methodology of the Job Evaluation Exercise

The SAC does not disagree in principle with the idea of a systematic re-examination and rationalization of the internal job relativities that have developed within the Fund over the years. Indeed, the SAC supported the original purpose of the current Exercise when it was launched several years ago as a means to identify career streams and enhance prospects for career development. However, we have been disturbed by the frequent changes in the objectives of the present Exercise as it has progressed and its apparent bias toward reducing salaries rather than restructuring them, and we do have major reservations about the methodology that has been used in the current exercise and about the relationship of the results to the proposed interim salary structure.

Perhaps the most fundamental problem is the idea that a "comparable worth" index can be established across the widely divergent occupational groups and levels within the Fund. In previous salary surveys at the Fund, the Hay approach was used to match selected positions at the Fund to those with a "comparable" job content in the outside market. These market comparisons were then used to establish Fund compensation levels. The SAC has accepted the principle that Fund salaries should be related to those of its comparators, and this procedure was well accepted as a means of providing such a link to the market. In the current Exercise, the Hay methodology has been used to establish relativities among very dissimilar occupational groupings, a practice so controversial that the United States Government has formally denounced its use as a market-related basis for establishing salaries. Indeed, while EBAP/85/284 emphasizes the "obvious" choice for adopting the Hay method for the Job Evaluation Exercise, the use of the Hay method to compare dissimilar occupational groupings does not have a good record when subjected to the scrutiny of neutral forums. Hay recommendations have been discarded on several occasions, including a recent study in which the State of Virginia retained Hay Associates for a similar study and then rejected its findings. The Washington State Supreme Court has ruled that job evaluation studies, such as the Hay system, are not the true and reliable measure of the inherent worth of surveyed jobs.

We believe that the way in which the Hay method has been used in the Fund to establish a system of pay relativities among widely divergent occupations before providing a link to the outside market runs serious risks both of reducing the flexibility of the institution to modify its staffing priorities and, more importantly, of creating artificial distinctions that bear little relationship to market realities. As such, the current Exercise is likely to be a step backward rather than forward. We would only note that the tragic consequences of ignoring market developments in establishing staffing and salary policies are amply demonstrated by the deterioration over the years in the quality of civil services in a number of Fund member countries, including some larger ones. It would clearly be a mistake to move in that direction.

We are also puzzled by some aspects of the application of the Hay method for use at the Fund. The method used to develop the recommendations of the report emphasizes value judgments about three key factors in evaluating the contents and requirements of a job, viz., "know-how," "problem solving," and "accountability." Leaving aside for a moment the question of how these three factors were applied, we are surprised that other factors were not considered important in the determination of compensation. Working conditions, for example, are an important aspect of Fund employment where demands upon the staff are unusually high when compared with other institutions, and one which has been taken into account in salary reviews at other institutions. Fund staff members are often called upon to travel frequently at short notice and for long periods, to work long hours under conditions of considerable stress, and to assume health and security risks that are not often experienced by employees of other institutions. Other factors that we believe are important in the choice of Fund staff are their ability to work in several languages, their respect for the confidentiality of the work they undertake, and operational knowledge of the Fund. We consider these omissions to be serious oversight that compromises the value of the study results as a basis for comparison with studies made in other organizations.

Although no information is provided in EBAP/85/284, it is our understanding that the weighting given to the three factors covered by the Exercise emphasized the role of "know-how" to such an extent that final results of the grading exercise show little difference from those based on "know-how" alone. Specifically, the 19 different levels of "know-how" recognized in the Exercise can be directly related to the 19 grade levels in the proposed interim salary structure, as the points derived for "accountability" and "problem solving" were insufficiently delineated to have any significant effect on a position's total Hay point score. Therefore, we feel that it compromises the usefulness of the study as a basis for comparisons with studies for other institutions, for the aspects of "accountability" and "problem solving" appear to us central to the Fund's role in the international financial system.

Finally, there are important questions as to the accuracy and fairness of how the Exercise has been applied. The process of formulating job descriptions and establishing the Hay rating for individual positions was necessarily not as thorough or detailed for the large number of staff in ranges A-I as it was for the more limited number of staff in ranges J and above. While the SAC can understand the need for establishing benchmark positions when large numbers of staff are involved, there is a danger that significant characteristics of individual jobs can be overlooked in such a process. Many of the staff believe that their positions were assessed unfairly, as the assessments were based on a questionnaire which they completed in ignorance of the grading criteria which would be applied to the results, unaware of its importance, and frequently on the basis of a very tight deadline. It would appear only fair that the relationship between these descriptions and the benchmarks should have been reviewed by the individuals and their supervisors to ensure that the final slotting of individuals was appropriate, particularly as many J range and above staff were interviewed to cross-check the job evaluation team's understanding of their jobs. To the best of our knowledge, no such comprehensive review has been undertaken, and many staff members in ranges A-I are understandably concerned about the accuracy of their ratings, particularly as they have no information regarding the skills and experience of those who undertook the grading exercise. These omissions raise a number of questions about how the job descriptions were used in the grading process and how the generic descriptions have been developed, and we believe that no definite grading of the staff should be established until the position descriptions and the benchmark descriptions have been thoroughly reviewed. The outcome, if this is not done, is likely to be widespread discontent and lead to a reliance on individual appeals that will overwhelm any appeals system that is established.

III. The Proposed Interim Salary Structure

While the proposed salary structure appears reasonably consistent with the objectives of translating the current 13-grade salary structure into the 19 proposed grades, we do wonder why it was decided that there should be 19 grades in the new scale. Our understanding of the Exercise indicates that a range of 20 to 22 grades grades would have been suggested by the results of the grading exercise, and we wonder about the apparent arbitrary choice of 19 grades for the proposed salary structure. Is it to facilitate comparisons to the World Bank or member governments, or for some real internal purpose?

Some other aspects of this new salary structure deserve special mention, including important issues of the number of people which will be affected by the Job Evaluation Exercise. EBAP/85/284 classifies the staff into three groups according to the relationship between the maximum of their current salary range and the maximum of their interim salary range, i.e., whether the maximum of their current salary range is less than, equal to, or greater than the maximum salary they can receive under the proposed interim salary structure. Furthermore, it argues that those who confront the same salary maximum under the proposed salary structure as the current system will probably feel relatively unaffected by the Exercise, and those who enjoy a higher maximum salary will feel that they have been "upgraded," while whose who confront a lower salary maximum will feel "downgraded." Using these definitions, EBAP/85/284 concludes that about 23 percent of staff will feel "upgraded," and about 22 percent "downgraded."

The SAC would suggest that the apparent balance between the number of "upgraded" and "downgraded" staff has been biased by the fact that some of those classified as "upgraded" were in line for promotion and would already have been promoted but for delays caused by the Job Evaluation Exercise. In any case, these results are quite different from those at the Bank, where only 12 percent of all positions were downgraded. The paper attempts to rationalize this difference by the not very convincing argument that the Bank previously had more salary ranges than the Fund, and the introduction of additional grades at the Fund has meant that the number of downgraded positions has been increased. In fact, the introduction of grades could easily have resulted in an increase in the number of upgraded positions. The SAC is also concerned that a further "downgrading" of staff salaries might take place when the proposed interim salary structure is replaced by the final salary scale resulting from the work of the Joint Committee on Compensation, even if average salaries are not affected. Moreover, we would emphasize that the salary expectations of a number of staff members have been "downgraded" as a result of the adverse effect on promotion prospects affecting certain positions as a direct result of the implementation of the Exercise. The effect of the Exercise at the Fund has therefore been even more severe than that effected at the Bank than would be indicated by the statistics on downgrading. The SAC would emphasize that much greater downgrading at the Fund than the Bank would not appear consistent with the findings of the 1984 Compensation Review which precipitated the current Job Evaluation Exercise. That study found that many more Fund staff members were underpaid than was the case at the World Bank.

Finally, the Board paper provides no information on an aspect of staff compensation which must be resolved before the salary structure issue can be completed: the set-aside amounts from the 1984 and 1985 Compensation Reviews. The SAC wishes to reiterate that it attaches great importance to an immediate and full distribution of these amounts. The SAC has argued from the outset that it was premature to anticipate the outcome of a study and that these amounts should not have been withheld. In any case, the funds were withheld specifically pending completion of the Job Evaluation Exercise, and further postponement of distribution would clearly constitute a breach of faith with the staff that would inevitably have serious adverse implications for morale. More importantly, as the amounts were withheld from salary adjustments that were determined on the basis of a comparison with market salary developments, anything less than full distribution would have a clear adverse effect on the competitiveness of Fund salaries in the market. At a time when the Job Evaluation Exercise is in and of itself introducing a major element of anxiety and uncertainty into staff career prospects, it would be particularly damaging if competitiveness with the market were to be eroded.

The SAC recognizes that the distribution of set-aside amounts needs to satisfy three criteria: (a) assure that Fund salaries are competitive with the market; (ii) eliminate disparities in compensation shown by the Job Evaluation Exercise, and (iii) ensure that the Fund retains its status as a fair and equitable employer. The first and third objectives argue for full and immediate distribution of the set-aside, for these sums were withheld from the amount that was to be granted by an agreed compensation procedure that has been in effect since 1979 to adjust Fund salaries in light of compensation trends in the market. Accordingly, the salary ranges should be adjusted upward by the levels of the set-aside to restore the competitiveness of the salary structure to the level adjudged correct in 1984. As the second principle indicates that individuals deemed to have been overpaid in the past by the Job Evaluation Exercise should not receive any of the funds set aside, any amounts left over after increasing the salaries of staff members adjudged to have been underpaid in the past should be distributed as a general salary increase to all staff, except for those individuals whose jobs have been downgraded under the Job Evaluation Exercise. This distribution would thus end a major source of staff discontentment, the unilateral withholding of part of its salary increase over the past two years; enable market competitiveness of Fund salaries to be maintained; and be consistent with the understanding that the Job Evaluation Exercise was not intended to be a vehicle designed primarily to give an aura of respectability to simplistic judgments that staff compensation is too high. It should be noted, however, that by not disbursing funds from the set-aside to individuals who have been downgraded, these individuals have been forced to accept a lower salary than they otherwise would have received in the last two years, and the provisions for grandfathering finally adopted should reflect early implementation of the new system.

IV. Recommendations for Future Action

As the above discussion emphasizes, any process of job grading and evaluation is by nature subjective. This is unavoidable. Before approving the results of such an exercise, Executive Directors should therefore ensure that the underlying objectives of the institution and its management of human resources will be furthered by the revised grading system resulting from the subjective value judgments of those making the individual job evaluations. Unfortunately, EBAP/85/284 does not provide sufficient assurances for a clear assessment in this regard. For example, little attention seems to have been given in the paper to a clear and thorough presentation of the effects of upgrading and downgrading on specific occupational ladders. We feel that the paper should have provided a clear statement of what specific objectives and priorities the grading exercise was to achieve. Similarly, a distinction is drawn between support departments and other departments, with the job content of the positions in support departments apparently generally being judged as less important than in other departments, yet there is no indication of how the specific functions and efficiency of support departments may be affected by this result, nor of the impact on the Fund as a whole. Given the subjective nature of the Exercise, the lack of information about its objectives and implications means that Directors are being asked to approve a proposed new grading and salary system without the benefit of a clear explanation.

For these reasons, the SAC believes that final action on the Job Evaluation Exercise and proposed interim salary structure should be deferred until the weaknesses that have been described in this note have been adequately addressed. The lack of sufficient information on how the Exercise has been carried out, the disparity between the results for the Fund and for the similar exercise at the Bank, and the anomalies in the proposed interim salary structure are matters that should be resolved before definitive decisions are taken. Moreover, we would note that earlier assurances that the Exercise would be subject to independent review before it is implemented to ensure its fairness have not been fulfilled. Such a delay need not be lengthy, but a time for independent review of the grading exercise and to formulate adequate safeguards for the staff in the form of specific grandfathering and review provisions. We would expect that these conditions could be met well before time for the 1986 Compensation Review. We would again stress that it is in the best interests of the Fund to maintain its well-known reputation as a fair and reliable employer, for it must retain that image if it is to continue to recruit the highly-qualified international staff as successfully as in the past. In this context, we would also note that in the spirit of parallelism with the World Bank there is one glaring difference that the current paper does not identify: the presence of an independent review board. The Fund staff is unique among employees of international organizations in having no independent review board to protect it. If the Fund is to consider retreating from its previous informal commitment to take due account of the views of the staff, then it is time to institute a formal independent review mechanism.

Once the issues raised in this note have been addressed, it will be important to ensure that the new system is implemented in a flexible manner that is not disruptive to staff morale and the efficiency of the institution. Adequate provisions for grandfathering of staff in positions that are downgraded and for an effective review and appeals procedure will be essential. At this stage, it seems premature to define exactly what these provisions should include. The SAC would only note the following general principles:

On the issue of grandfathering, we are deeply concerned by the apparent confusion between downgrading "positions" and downgrading "staff members" in the current Job Evaluation Exercise. The Staff Association recognizes that Management has the right to downgrade positions as necessary to achieve the objective of rational job relativities in the Fund, but would observe that staff members are not responsible for the content of their jobs nor have they determined the salary they receive. They have been appointed to present positions at a given salary, and their performance and career prospects monitored through successive annual and long-term performance evaluations. Under these circumstances, a sudden change in the employer's perceptions of that position should not negatively impact the welfare and long-term financial prospects of staff members who have faithfully fulfilled their part of the employment contract. Apart from simple fairness, it is in the Fund's interest to maintain the enthusiasm of individuals who occupy downgraded positions as well as provide meaningful incentives to junior staff.

Consistent with our view that the new grading system raises a number of important questions, allowance should be made for a considerable amount of adjustment once the new system is implemented. The Job Evaluation Exercise has been based to a significant extent on subjective value judgments as noted above, and its implementation will inevitably require some changes. If an individual is to be provided adequate protection, the affected staff will have to have access to the relevant documentation pertaining to how his or her position was graded, and most importantly, access to an independent appeals body. Adequate administrative allowance for an orderly set of procedures to implement these changes would be essential. The grounds for appeal should include individual reasons (new information from the staff member that his job content has changed, evidence of unfair or inconsistent grading), as well as evidence that the application of the Hay methodology has led to anomalies.

V. Conclusion

The SAC does not question the right of Management to establish a job structure, but it does question the way in which the current process has evolved, and the lack of communication between the staff and Management on this issue. This is why this report has been lengthier than we might have wished in an attempt to present our side of the issue to Executive Directors. We, the staff, would urge the Board to keep uppermost in mind during its discussion of the proposed interim salary structure that its approval will result in a massive staff reorganization which will have far-reaching implications for the institution and how it is operated, and that it would be in the best interests of all parties for the reasons for, and the direction of, these changes to be clearly understood.