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EBAP/85/320

December 24, 1985

To: Members of the Executive Board

From: The Secretary

Subject: Staff Association Committee - Job Grading in the Fund -  
Treatment of Staff Whose Positions Have Been Downgraded

There is attached a paper prepared by the Staff Association Committee on the treatment of staff whose positions have been downgraded as a result of the 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 on Friday, January 3, 1986.

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# International Monetary Fund Staff Association

## Job Grading in the Fund-- Treatment of Staff Whose Positions Have Been Downgraded

Prepared by the Staff Association Committee

December 24, 1985

The Executive Board has rightly expressed its concern that the implementation of the Job Grading Exercise should contain sufficient safeguards to ensure that the results are consistently and fairly applied and that individuals have full rights to appeal its conclusions. The Staff Association Committee (SAC) supports this concern, and its position on the issues of grandfathering and appeals is consistent with the basic objective that the Exercise should be, and should be perceived to be, equitable. An exceptionally large proportion of the staff stand to lose from the Exercise, and maintaining morale will be a very real problem for some time to come. We do not agree with the assertion in EBAP/85/307 that some of those adversely affected will not view the results as very important; all staff whose positions and prospects are revised downwards will be justifiably concerned--and we believe that the number of these staff could well be much greater than the 20 percent cited. The change from an "interim" to a new, permanent salary structure will almost undoubtedly result in a new set of salary maxima for the various grades--even if average salaries are unchanged--and we would expect a reduction in the overlap of grades in the interim salary structure that would require some salary maxima to be further reduced. Under these circumstances, the number of individuals deemed to have been "downgraded" would be larger than currently estimated.

### I. Reasons for Grandfathering

We see the distinction between the grading of "positions" and the grading of "staff members" as crucial to the Job Evaluation Exercise and consequently to the grandfathering provisions which should apply to those in positions that are downgraded. In this respect, we are deeply concerned by the persistent confusion in EBAP/85/307 between downgrading "positions" and downgrading "staff members" who hold these positions. Staff members have been appointed to their present positions at a given salary, and their performance and career prospects monitored through successive annual and long-term performance evaluations. Moreover, the work load of most staff has increased in recent years, and many correctly feel that the demands on them have risen considerably more rapidly than their salaries. Under these circumstances, a change in the employer's perceptions of a particular position should not negatively affect 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 to provide meaningful incentives to all staff. The normal incentives for hard work would be weakened if individuals were to understand that promotions did not necessarily reflect a permanent career advancement. The Staff Association recognizes that Management has the right to downgrade positions if job relativities in the Fund have to be changed but would observe that the responsibility for the current content of jobs and their associated salary levels rests with the Fund and not with the individual staff member. It is only fair that the major cost of adjustment to any new set of job relativities should be borne by the institution and not by the individual.

We thus strongly believe that staff holding positions that are downgraded should be fully protected from any negative impact on their real salaries. In view of the large proportion of staff that has been downgraded, any other policy would have particularly adverse effects on morale. Many of the staff members currently holding downgraded positions have been good performers whose continued commitment is crucial to the effectiveness of the institution. We would also note that the Fund has particular responsibilities toward the majority of Fund staff who are expatriates the institution has encouraged to leave their home country and who consequently face considerable difficulty in exploring alternative career prospects.

## II. Proposals for Grandfathering

EBAP/85/307 in essence accepts the arrangements planned by the World Bank for treatment of staff whose positions have been downgraded (i.e., a freeze on salaries that are still above the maxima of new ranges after a two-year period) as a basis for their own grandfathering system. It goes on to assert (erroneously) that the solution advocated by the SAC, which it incorrectly refers to as "permanent" grandfathering, is the most generous approach to grandfathering. To set the record straight at the outset, the SAC is recommending only a partial grandfathering that allows staff in downgraded positions to remain in their current ranges but does not allow for any understanding that their current work would result in a future promotion. One possible approach to grandfathering should certainly be to maintain the existing salary structure and promotion prospects for all current staff members holding downgraded positions. We have not advocated such a practice. Furthermore, there are at present many staff members who normally would have been given promotions during the last two years, and individuals who occupy grades that normally involve a promotion after a specified period of good performance, both whom have not been promoted because of the general freeze in promotions applied over the past two years. The SAC would argue that under normal circumstances these individuals should expect to be "grandfathered."

However, the SAC is willing to accept less-than-complete protection of prospective promotions and salary increases as a reasonable compromise between the needs of the institution to adjust the relative positions of different staff members, and the expectations of well-performing staff members about their promotion prospects. We believe EBAP/85/307 has misrepresented our position on this issue.

Nor do we accept the Bank's grandfathering mechanism as some sort of basis on which the protection of affected Fund staff should be determined. The Bank is an entirely different institution, with different objectives and a different staff, and the outcome of their job grading exercise was also, and obviously, quite distinct. Moreover, the possibilities for mobility within the Bank are much greater, and more Bank staff are recruited at mid-career and likely to be eligible for early retirement within the next few years. Finally, and most importantly, only 11 percent of Bank staff have been adversely affected by the Exercise. It thus seems likely that the long-term implications of downgrading can be disregarded more easily. The situation at the Fund, where at least 22 percent of staff have been adversely affected, is much more severe, and the grandfathering arrangements at the Fund must necessarily be more comprehensive unless it is willing to accept massive damage to morale, commitment, and work effort.

The SAC is therefore extremely disappointed that the grandfathering proposal in EBAP/85/307 would, except for a "commitment" to some continued pay for merit to be decided later, provide no more protection to Fund staff than has been provided to the Bank staff, despite the explicit recognition in the paper of the differences in the effect of the grading exercise in the two institutions. We are in no way satisfied with the provision for a later review in which salaries of staff members in downgraded positions would be determined after the two-year grace period. The Fund staff will see vague promises of a later review--no matter how "reasonable" the basis for such a review--as a means of postponing the issue until it can be conveniently avoided altogether. The staff must know now the exact nature of the subsequent protection the Fund will provide them so that they can make rational choices about their career prospects. It is one thing to provide for a review of the established grandfathering mechanism after a certain period to permit modifications in the event of unfavorable developments; it is quite another to leave the amounts and modalities of any arrangements open to be decided at some later point. The latter approach only prolongs the uncertainty about career prospects that has been introduced into Fund employer-employee relations by this Exercise, and erodes the element of trust that has been the hallmark of our relations at the Fund.

The Board should also recognize that the proposal for a two-year grandfathering period is inadequate compared with practices elsewhere. The Board paper notes that the type of grandfathering arrangements advocated by the SAC is relatively common in Europe, which is the home of a

significant number of Fund employees, and for which employee practices are rightly a concern of the Fund and its staff. In this context we would note that the Asian Development Bank, after a Hay Evaluation Exercise similar to that of the Fund, offered its staff the same grandfathering arrangements that we, the SAC, are proposing. In the U.S., there have been cases in which the salary expectations of individuals have been grandfathered for life even though the positions they occupy have been abolished, and not merely downgraded. As for the U.S. public sector, the Board paper notes that as proposed at this time, the Fund's provisions for grandfathering would be even less generous than those explicitly provided for by the U.S. Civil Service, and substantially less generous than those often applied in practice.

### III. SAC's Recommendations for Grandfathering

Although the SAC accepts that the Fund should be free to downgrade positions where necessary, we consider it essential that staff members whose jobs have been downgraded should continue to receive normal merit and general salary increases until they reach the top of their current ranges. Having reached this level, they should continue to receive general pensionable salary increases as well as applicable merit bonuses. We believe that this is the only fair way to proceed. This will require the maintenance of the current salary scale for as long as staff members need the grandfathering provision. This position of the SAC calls for partial, not full, grandfathering (which would include promotions for grandfathered staff). In the long run, the arrangement would apply only to those staff who are not eventually reassigned or upgraded, or who do not retire early. We do not believe, as asserted in EBAP/85/307, that this approach would "perpetuate . . . distortions;" we do believe that it would encourage efforts to help staff who, through no fault of their own, have been unilaterally determined by the institution to hold positions that are overpaid. We would see this statement as the most pernicious example of the confusion between downgrading "positions" and downgrading "staff members" in the Board paper, as Management has the authority to assign new responsibilities so that staff members need not occupy downgraded positions.

Obviously, the number of these staff will depend on the measures taken to reduce them. We would suggest that a generous policy of grandfathering will create its own incentive for the Fund to restructure its work patterns to reduce the number of downgraded individuals. Efforts to remove individuals from the "grandfathered" category should include sustained efforts to:

1. Upgrade the job content of those downgraded positions wherever reasonable.
2. Reassign qualified staff members in downgraded positions to new posts with salaries at or above their former earnings,

giving them priority over: (a) staff members whose jobs have not been downgraded; and (b) outside applicants. Training should be provided if necessary.

3. Create an enhanced mobility scheme for those staff members to whom the normal scheme does not apply.
4. Facilitate early retirement for staff at all levels. We would note here that the extra burden of funding pensions for staff taking early retirement as a result of this exercise should clearly be borne by the Fund and should not result in an increase in pension contributions by the staff.

While the SAC maintains its position that promotion rights should not be grandfathered, it would suggest that the Fund should also study the individual cases of those staff members who have been prevented by the grading exercise from being promoted over the past two years. This proposal would apply, for instance, to staff who have been appointed to a C/D position and who are still at the C level, pending the outcome of the exercise. Similar consideration should be given to J level staff members who would ordinarily have been promoted to K positions during this period.

It should be noted that any decision to provide for less than the partial grandfathering defined in this note would be especially difficult to reconcile with the commitment to the staff implicit in recent Executive Board decisions, such as that on eligibility for expatriate benefits. It would also introduce an extremely negative element of uncertainty into the relationship between the Fund and its employees that can only be to the detriment of the institution.

#### IV. The Appeals System

The SAC believes that the issues of grandfathering and the appeals system are two aspects of the same problem, that of providing adequate protection for downgraded staff. In this context, we also address the very important issue of the appeals system that should be adopted. We do not accept the idea that an appeals system is an administrative decision which can be resolved in due time, but would stress that the appeals system must be a cornerstone of the system as implemented if the Exercise is to be perceived as fair and equitable. To that end, the appeals system must both (i) encompass the range of issues which arise from the application of the Hay methodology, and (ii) ensure full access to due process for each staff member.

With respect to full examination of issues arising from use of the Hay methodology, we would emphasize the general recognition that the Job Evaluation Exercise is an evaluation of positions based on subjective judgments, and that the individual must be able to appeal inconsistencies

in these determinations. These will necessarily arise at three different levels: First is the relationship between individual position assessments and the benchmark position descriptions, or that of relativities between individuals in the same occupational groups. Second is the relationship between different benchmark positions, or the relativities between occupational groups. Since these relative rankings will at some point be relevant to establishing a link to the outside market, a third type of appeal would be that which questions the adequacy of the methodology to establish relationships to jobs outside the Fund. Otherwise, the Fund could be in the anomalous position of establishing relativities which are inconsistent with market forces. The grounds for appeal could then arise from several sources, including insufficient or incorrect information about the job content, the inappropriate use of Hay criteria in the grading process, the relationship of the Hay methodology to the objectives of the grading exercise, and the adequacy of the Hay methodology to fully encompass job content. A related issue which must be addressed by the appeals system is that of acquired rights. The downgrading of staff will involve many aspects, and affected staff should have the right to question unilateral changes in the employer-employee relationship.

With respect to the requirements for due process, Fund staff must be entitled to the same protection as the staff of the World Bank, and have access to an independent review of the grading exercise to ensure that the results have been fairly derived. Otherwise, the credibility of the Exercise will always be in question. The second requirement (in addition to the independence of the review) to ensure the credibility of the review process, and hence the Exercise itself, is the assurance that the appeal will not result in any related downgrading. If these assurances are not forthcoming, many staff will see the appeals system as a potential means of punishing staff who question the results of the Exercise rather than for its actual intent of addressing possible (and inadvertent) inequities. If legitimate appeals are not encouraged, the Fund will lose in the sense that its employees will be undercompensated vis-a-vis the market, and it will not be able to attract the same caliber of staff as it has in the past. In this context, the SAC is particularly concerned that making departments responsible for grading certain positions may (a) prevent legitimate requests being made for administrative reviews if they are not supported at the department level, and (b) bias the results of reviews that are not supported in this way.

The SAC believes that the appeals process itself should involve, first, an internal administrative review in which the basic grounds for appeal would be advanced. The second stage should be an appeals panel which would make its recommendations to Management for an administrative resolution of the appeal. The findings of this panel would first be communicated to the individual appellant, who would determine if this panel's decision warranted further appeal. The third and final stage would be recourse to either an independently-constituted Review Board, or in lieu of a special board, to the U.N. Administrative Tribunal.

This final level of appeal would consider issues of due process, including those of a fair and inclusive hearing at earlier stages of the review process, and the examination of issues relating to classes and groups of staff.

V. Conclusion

In its hiring practices, the Fund has undertaken a responsibility to treat its staff fairly and responsibly. The large majority of its staff who are expatriates accepted the Fund's offer of employment and as a result have over time severed the links to the wider range of employment opportunities that their countrymen who stayed at home enjoy, and the protection of its legal system. If the Fund is to continue to recruit high-caliber candidates both in the duty station country and internationally, it must protect its image as a responsible employer. The SAC believes that this reputation can only be maintained if the Fund acts decisively to ensure that the Exercise has been conducted fairly and equitably through provision of an adequate, broad, and independent appeals system, and by grandfathering those individuals who through no fault of their own are in positions that the institution has decided should be de-emphasized. We strongly urge the Board to act to ensure that these objectives are maintained by adopting the following policies:

- (i) Staff in downgraded positions would continue to be administered in their present salary ranges until they are reassigned to new positions, and would be eligible for general and merit increases until reassigned; and
- (ii) An independent appeals system should be established to provide full review of the grading of individual positions by the Job Grading Exercise. To ensure that any review is perceived to be fair, no individual should be downgraded as a result of the review.

