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December 30, 1985

To: Members of the Executive Board

From: The Acting Secretary

Subject: Staff Association Committee - Job Grading in the Fund -
Use of the Amounts Set Aside in Connection with the 1984
and 1985 Compensation Reviews

There is attached a paper prepared by the Staff Association Committee on the use of the amounts set aside in connection with the 1984 and 1985 compensation reviews. 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 Monday, January 6, 1986.

Att: (1)

Other Distribution:
Department Heads



International Monetary Fund Staff Association

Job Grading in the Fund--Use of the Amounts Set Aside in Connection with the 1984 and 1985 Compensation Review

Prepared by the Staff Association Committee

December 27, 1985

The adoption by the Executive Board of a new grade and interim salary structure on December 11, 1985 will have uncertain but potentially far reaching implications for the staff and the institution. Many staff members, including those whose positions have not been downgraded as part of the Job Evaluation Exercise, are very concerned about the effects that the Exercise will have on their career prospects at the Fund. This concern is heightened by the ongoing work of the Joint Committee of Executive Directors on Staff Compensation and an apprehension that the recommendations of the Committee may be contrary to the interests of the staff. In this atmosphere of anxiety and uncertainty, the decisions by the Executive Board on grandfathering and the distribution of the amounts withheld from the staff at the 1984 and 1985 compensation reviews will have a major impact on the perceptions by the staff of the ultimate purpose of the Job Evaluation Exercise. If these decisions are not characterized by fairness and due regard for existing understandings regarding staff compensation, many staff members will conclude that the entire Exercise was intended only to give an aura of respectability to simplistic views that staff compensation is "too high." The adverse implications of such a result for staff morale and commitment could be very serious. We therefore would wish to underscore the importance that the prospective decisions be, and be perceived to be, fair and in accordance with the understandings given to the staff.

I. Distribution of Amounts Set Aside

In this context, the Staff Association Committee (SAC) reiterates that it attaches the greatest importance to an immediate and full distribution of the amounts set aside in the 1984 and 1985 compensation reviews. The SAC has argued from the outset that these amounts, which had been determined on the basis of a previously agreed set of criteria, should not have been withheld in anticipation of the outcome of a study. In the event, however, these sums were withheld, their disbursement specifically pending completion of the Job Evaluation Exercise. An explicit commitment to this effect was made by the Managing Director and endorsed by the Executive Board. Now that the new grade structure has been adopted, any

further postponement or a less-than-full distribution would constitute a major breach of faith with the staff that would inevitably have serious adverse implications. We therefore endorse option 2 in EBAP/85/312 for disbursement of the set-aside funds, which provides for the full distribution of the set-aside through an upward adjustment to the range minima and maxima specified in the interim salary structure. We are, however, deeply disturbed that the other option outlined in EBAP/85/312 for the treatment of the set-aside amounts would provide for distribution of substantially less than the full amounts that were withheld. Such a course of action would not be consistent with the staff's understanding of the intent of the Exercise, and if implemented, would raise major questions about employee rights and the relationship between the institution and its staff members. We consider the option of less than full distribution of the set-aside amounts to be unacceptable and believe that it should not even have been raised as a possible course of action.

We would also emphasize that the principle of parallelism with the Bank does not, and should not, inhibit full distribution of the set-aside amounts and an accompanying adjustment of the salary structure. As noted in EBAP/85/312, the amounts set aside by the Bank were much smaller than those withheld by the Fund and were intended for a different purpose. In any event, the results of the 1984 Compensation Review, from which the amounts set aside were withheld, showed clearly the need for a larger salary increase at the Fund than at the Bank, and a full distribution of the amounts set aside and corresponding adjustment of the salary structure is necessary to restore the appropriate relationship between salaries of the two institutions. We would also note that such a step would offset to some extent the major anomaly posed by the much more widespread downgrading of positions at the Fund as a result of the Job Evaluation Exercise, despite previous market surveys showing that a larger proportion of Fund staff were underpaid.

II. Modalities of Distribution of the Amounts Set-Aside

Given the Executive Board's clear preference to use part of the general salary increases of 1984 and 1985 in connection with the results of the Job Evaluation Exercise, the SAC has argued that the distribution of set-aside amounts needs to satisfy three criteria: (i) restore the competitiveness of Fund salaries to the levels indicated by the 1984 and 1985 compensation reviews, the established system of determining appropriate compensation levels; (ii) maintain the continued status of the Fund as a fair and equitable employer; and (iii) eliminate disparities in compensation shown by the Job Evaluation Exercise. The first and second objectives argue for full and immediate distribution of the set-aside to bring salaries up to the levels of market comparators in 1985. Anything less would have a clear adverse effect on the competitiveness of Fund salaries in the market. We would also note in this connection that, while full distribution of the set-aside amounts would help maintain the competitiveness of the salaries of staff already employed at the Fund, the ability of the Fund to continue to attract high quality staff depends

of the 1984 Compensation Review was endorsed by the Board and accepted by the staff, and restoring the structure of Fund salaries to that level indicated by it is a matter of basic fairness and of urgent concern. It would be unfair for the Fund to disregard the existing system of compensation, which has guided compensation practices since 1979. In this connection, the SAC wishes to place on record its strong disagreement with any views that the 1984 Compensation Review indicated that the Fund's pay line was incorrectly pitched against the market. Such was not the case. What the Review did show was a wide range of salaries around the pay line, an anomaly that the Job Evaluation Exercise was intended to correct.

The third principle indicates that the amounts set aside should be distributed to bring those individuals deemed to have been underpaid by the Job Evaluation Exercise up to their new pay levels and to provide the increase indicated by the 1984 Compensation Review to all individuals not deemed to have been overpaid. On the basis of these three principles, the SAC believes that the amounts set aside should be used to bring individuals whose positions have been upgraded to the minimum of their new ranges and that the remaining amount should be used to provide a general salary increase to all staff whose current salaries are not above the new maxima of their new grade.

We would stress again, however, that the distribution of the set-aside should not be discriminatory. EBAP/85/312 defines (on p. 7) staff who are not overpaid as being those who "are not above the maxima" of their new ranges, yet in the proposals (p. 10) it recommends the distribution of the set-aside to those staff whose salaries are "below the maxima." In effect, those staff at the top of their ranges will be judged not overpaid, yet will not receive the set-aside. Thus they will fare worse than any other Fund employee who has not been downgraded, for the rest of the staff will receive their full general salary increase. This group of individuals at the top of their salary ranges, which includes many outstanding performers, would find themselves treated worse than more average mediocre performers who happen to be lower down in their ranges. As we have noted earlier, we strongly believe that the salary structure must be modified to preclude such an anomaly. We therefore strongly urge the Executive Directors to approve option 2 of the proposed Board decision in EBAP/85/312, and distribute the full amount of the set-aside by increasing the range minima and maxima specified in the present interim salary structure by the same percentage applicable to those individuals who are at range minima, or by any other method.

III. Conclusion

The full distribution of the set-aside and corresponding adjustment of the salary structure would end a major source of staff discontent--the unilateral withholding of part of its salary over the past two years. It would enable some degree of market competitiveness of Fund salaries to be maintained, and it would be consistent with the understanding of the

staff of the objectives of the Job Evaluation Exercise. 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 which they could reasonably have expected to have been grandfathered under an alternative system. In the view of the SAC, this underscores the importance of adequate provisions for protection of individual staff members whose positions have been downgraded, and we would urge the Executive Board to consider favorably the proposals that we have made elsewhere in this regard.

In summary, the SAC would stress that the staff attaches great importance to a full and immediate distribution of the amounts set aside from the 1984 and 1985 Compensation Reviews. The SAC therefore urges Executive Directors to act promptly to restore the salary structure to the levels of market comparators in 1985. This would require that the modalities adopted for distribution of the set-aside amounts should ensure that all staff members not shown to be overpaid by the Job Evaluation Exercise receive the full amount of the adjustments that they would have received in 1984 and 1985 if the amounts had not been set aside.