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EBAP/83/133

May 16, 1983

To: Members of the Executive Board
From: The Secretary
Subject: Staff Association Committee - Staff Compensation - 1983 Adjustment

There is attached a paper prepared by the Staff Association Committee concerning the 1983 salary proposals. The Staff Association Committee has requested that this paper be circulated for the information of the Executive Directors prior to the Executive Board Meeting scheduled for Friday, May 20, 1983.

Att: (1)

Other Distribution:
Department Heads

International Monetary Fund Staff Association

Staff Compensation--1983 Adjustment

Prepared by the Staff Association Committee

May 13, 1983

In EBAP/83/124, the Managing Director proposes a general salary adjustment to be effective May 1, 1983 of 6.4 per cent, of which about 2.8 per cent reflects the impact of tax changes in the United States. In our view, this adjustment is again at the lower end of the range indicated by the Hay survey results.

The background to the 1983 adjustment

The salary determination system proposed by the 1979 Joint Committee on Staff Compensation Issues (the Kafka Committee) has been accepted by all parties involved. Utilizing regular salary surveys has resulted in a more objective and less politicized salary adjustment system than was the case during the late 1970s. Under the procedures originally established, a full-scale review of comparators' salary levels should have been conducted in 1983, but it was decided last year to postpone this survey until 1984. The Staff Association Committee was prepared to go along with this decision.

In 1984, it will be necessary not only to conduct a full-scale review of salary levels, but also to assess the adjustment methods applied in interim years. It is essential to have an interim adjustment system that tracks movements in comparators' salaries accurately. Such a system should avoid large corrections having to be made at the time of the full-scale review.

1983 Hay survey results

The Staff Association Committee is pleased to see that the consultants were able to collect more accurate data this year than in the past. This was particularly true of bonus payments and step increases in the public sector. Another issue which has troubled the Staff Association Committee in the past, and on which we have commented, has been the difference between the average salary increase and the increase in average salaries: we are somewhat reassured by the additional work

done by the consultants on this matter this year. While some bias still remains in the estimates as a result of inaccurate reporting by comparators, we are prepared to accept that this is the best that could be done in the absence of a more complete review of salary levels.

With three consecutive Hay update surveys available (see EBAP/81/186, EBAP/82/165, and EBAP/83/124), it is possible to assess the consistency of the various comparisons. Methods that give relatively high results one year seem to give relatively low results the next year: this would indicate the need for caution in picking a particular method on the basis of one year's results. For example, in 1982 the average increase suggested on the basis of unadjusted direct compensation data was 6.5 per cent, 1/ while that based on salary structure midpoints was 8.2 per cent. This year the order is reversed, with the former giving 6.25 per cent and the latter 5.65 per cent. In particular, as noted last year in EBAP/82/175, data based on matched positions show particularly large fluctuations from year to year, probably on account of the small sample, among other factors.

The table below shows the increases in salaries necessary to restore competitiveness with comparators. The necessary salary increases are shown both on a one-year and on a three-year basis. The three-year results allow an assessment of the extent to which the interim adjustments have tracked cumulative movements in comparators' pay practices since March 1, 1980.

The Staff Association Committee has always maintained that the PATC adjustment is necessary because of the admitted inadequacies of the salaries of the U.S. Civil Service. The adjusted data call for an increase of 6.45 to 7.05 per cent to restore the March 1982 position, and of 7.75 to 10.0 per cent to return to the March 1980 level. 2/ Unadjusted data (based on actual U.S. public sector salaries) show a need for an increase of 5.65 to 6.25 per cent on a one-year basis, and of 5.45 to 7.65 per cent on a three-year basis. The check on salary developments in the French and German markets does not indicate the need to deviate from U.S. results this year.

1/ Average of increases for A-E and F-J comparators, excluding Fund merit increases.

2/ As discussed in EBAP/82/175, the PATC figures are not presented correctly in the Management's paper. In the Management's presentation, the full Fund merit increase has been deducted from the PATC figures; this procedure is inappropriate since PATC is a matched position survey. When the correct adjustment is made, the required salary increase is 7.9 per cent on a one-year direct compensation basis, 7.3 per cent on a one-year salary structure basis, 9.4 per cent on a three-year direct compensation basis, and 11.75 per cent on a three-year salary structure basis.

Table: 1983 Hay Survey Results

(In per cent)

| | One-Year Comparison | | Three-Year Comparison | |
|-----------------------------|---------------------|---------------------------|-----------------------|---------------------------|
| | Direct Compensation | Salary Structure Midpoint | Direct Compensation | Salary Structure Midpoint |
| Unadjusted | | | | |
| A-E | 4.9 | 4.8 | 3.7 | 6.9 |
| F-J | 7.6 | 6.5 | 7.2 | 8.4 |
| Average | (6.25) | (5.65) | (5.45) | (7.65) |
| PATC adjusted ^{1/} | | | | |
| A-E | 5.5 | 5.4 | 5.7 | 9.0 |
| F-J | 8.6 | 7.5 | 9.8 | 11.0 |
| Average | (7.05) | (6.45) | (7.75) | (10.0) |

Source: Hay Associates; EBAP/83/124; and staff calculations.

^{1/} For the salary structure midpoint data, the same percentage adjustment is made as for the direct compensation data. See also footnote to page 3 in text.

Management's proposal

This year's proposed adjustment is based on the average of the unadjusted direct compensation data for A-E and F-J staff, exclusive of Fund merit increases, which yields an increase of 6.25 per cent. When the same calculation is performed on the data collected for last year's salary review, it gives an increase of 6.5 per cent over the twelve month period, a figure that formed the basis of Management's proposal last year.

We prefer the presentation of the calculations of this year's paper, which represents a considerable improvement over EBAP/82/165. Our fears that the method of calculation might be changed from year to year in ways detrimental to the staff has turned out to be groundless. We continue to insist, however, that Management's proposal should have been based on data adjusted for the PATC survey results. This adjustment should certainly be made in the 1984 full survey of salary levels as was done in 1980. This would be in line with the views of Executive Directors on this matter. The failure to use the adjusted data this year, combined with the cumulative three-year Hay survey results, may give rise to the need for a larger correction in 1984 than would otherwise be necessary.

While we feel the figures would have warranted a higher proposal, we support the idea of a uniform general salary adjustment in 1983. We note that of the 6.25 per cent increase proposed, 2.75 per cent is accounted for by U.S. tax changes. Finally, we note that in order to arrive at a common position with the World Bank administration, the 6.25 per cent multiplicative increase has been changed to a 6.4 per cent additive increase. While this has the result of reducing the differentiated part of the merit increase, the effect is too small to be significant.

Conclusion

The adjusted Hay survey results for 1983 indicate that a general salary adjustment of between 6.45 and 10.0 per cent is called for. On the new additive basis proposed by Management to conform with World Bank practices, this would correspond to a range of about 6.6 to 10.2 per cent. However, while remaining aware of the fact that Management's proposed adjustment for 1983 lies at the bottom end of the indicated range, we remain confident that the objective salary determination process now in place will allow the necessary correction to occur when the full-scale survey is conducted in 1984.