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DS:

EBAP/83/183  
Supplement 1

September 13, 1983

To: Members of the Executive Board

From: The Secretary

Subject: 1984 Staff Compensation Review - Nature and Scope

It is not proposed to bring the attached memorandum to the agenda of the Executive Board for discussion unless an Executive Director so requests by the close of business on Friday, September 16, 1983. In the absence of such a request, the proposal will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Att: (1)

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Department Heads

INTERNATIONAL MONETARY FUND

1984 Staff Compensation Review--  
Nature and Scope

Prepared by the Administration Department  
September 13, 1983

In discussing the staff paper entitled "1984 Staff Compensation Review--Nature and Scope," a number of Executive Directors expressed a preference for expanding the survey in France and Germany somewhat beyond the staff proposal of six private sector comparators (three financial and three industrial) and for including also public sector comparators. It was recognized, however, that such an expansion was likely to involve increased costs as well as delays, and that in any case, agreement on any modification would have to be reached with the World Bank.

In responding to these suggestions, Hay Associates and the Compensation Department of the World Bank were consulted with a view to ascertaining the implications of an expanded survey on time, costs, and the quality of overall conclusions to be drawn from the comparator data base. Hay Associates estimated that, if three public sector comparators (Ministry of Finance, Central Bank, and Foreign Aid Agency) and ten private sector comparators were surveyed in France and Germany, they would add some eight weeks to the delivery date of the draft report, and raise project costs by not less than \$120,000 without adding appreciably to the quality of the overall conclusions that might be drawn from the data base other than for the public sector. The World Bank shared this view and agreed to the inclusion of public sector comparators for France and Germany, even though this expansion of the project could entail some four weeks of additional consultants' services.

It was recognized that expanding the survey to include the public sector in both countries increased the risk of failure to attain the already ambitious completion date of end-May 1984 for compensation decisions. The completion of all aspects of the review by that time is required, if an interim increase or a retroactive adjustment are to be avoided. The avoidance of this course of action is particularly important for the World Bank because of the Bank's recent merging of merit awards distribution with general salary adjustments. A solution, deemed acceptable and broadly attainable by Hay Associates, the Bank's Compensation Department, and the Fund's Administration Department, is to expand the survey to encompass the public sectors in France and Germany, but not to expand the number of private sector comparators beyond that proposed in EBAP/83/183. It is recognized that this approach heightens the risk of failing to complete the exercise within the envisaged time frame. Ways of avoiding this are being explored, e.g., the use of additional consultants.

In the light of these considerations, and recalling the recommendation of the Joint Committee on Staff Compensation Issues, that:

- a. the U.S. market (50 percent public, 50 percent private) form the basis for setting Fund/Bank compensation unless U.S. compensation levels were themselves not competitive internationally; and
- b. non-U.S. compensation levels were intended only as a check on U.S. compensation levels,

it is proposed that the compensation survey of French and German comparators be expanded to include public sector agencies, and that the private sector comparators surveyed be limited to six in each country.