

**FOR
AGENDA**

EBAP/83/124

CONFIDENTIAL

May 6, 1983

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

The attached paper on the 1983 adjustment of staff compensation has been tentatively scheduled for discussion on Friday, May 20, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Keyes, ext. 74408.

Att: (1)

Other Distribution:
Department Heads

May 5, 1983

TO: Members of the Executive Board
FROM: The Managing Director
SUBJECT: Staff Compensation--1983 Adjustment

I. The Survey Process

The process for intermediate-year surveys is designed to permit a semi-automatic adjustment to Fund salaries in line with the findings of a survey of pay movements by comparators in the United States. For staff in Ranges F-M, however, these findings are to be checked against broad pay movements of comparator organizations in France and Germany.

Hay Associates were asked to conduct the survey, collecting the same information on comparators' pay movements as in 1982, i.e.:

- a. the overall average increases granted to eligible staff;
- b. for U.S. comparators, the average increases in salary structures; and
- c. the average pay changes for the jobs that were matched in the 1980 Comprehensive Survey for U.S. private sector comparators.

The Consultant's report "Survey of Compensation Increases in France, Germany and the United States 1982-1983" is attached (see Attachment I).

Hay Associates were requested to exercise special care in ascertaining whether the data provided by comparators on overall average increases for the U.S. private sector was consistent and reliable, bearing in mind especially the questions that arose in the past about the accuracy of reported pay movements. In particular, the small difference between average salary increase and average salary structure increase reported in 1982 made it unclear whether comparators were providing data on the average increase granted or the increase in average salaries.

A separate report on this question was submitted by the Consultant which provides no hard and fast assurance that all comparators are answering in an identical fashion; differences in the compensation philosophy and practices of individual comparators inevitably result in some inexactitude in the survey results. Overall, however, the Consultant ventured the opinion that comparators were providing reasonably reliable information; they were calculating the average increase granted in a manner fully compatible with Fund usage, and the data were not, as feared, those on increases in average salaries.

II. Survey Results

1. General trends in the U.S. market

The information contained in the Consultant's report indicates that a slowdown in the rate of gross salary increase occurred between March 1982 and March 1983 (1982/83). When allowance is made for the deceleration in inflation (from 6.3 per cent in 1981/82 to 3.7 per cent in 1982/83), the rate of increase in comparator compensation was somewhat larger in real terms than it was a year ago.

While the rate of increase of gross salaries for U.S. comparators slowed down, that for net salaries rose somewhat for F-M comparators. This development is primarily the result of the 1982 and 1983 reductions in taxes enacted in the United States under the Economic Recovery Tax Act of 1981 (ERTA). It should be pointed out that the netting down has been affected by the application of the 1983 tax table, which are subject to change should the proposal to rescind the July 1, 1983 tax cut be enacted. Net salaries were also affected by an increase in the ratio of average deductions to gross taxable income in higher income brackets.

The percentage increases in gross and net compensation of U.S. comparators for F-M staff are shown in Table 1 and for A-E staff in Table 2. ^{1/} The percentage increases vary considerably for each staff category depending on the measure used, but when taken cumulatively for 1981/82 and 1982/83 the variations are substantially reduced. For ease of reference, a summary of the results for the two-year period is to be found in Table 3. This table also shows the results that would have been obtained had U.S. public sector results been adjusted to take account of the average pay of comparators of the U.S. Civil Service as reported in the annual PATC Survey as had been done in the 1982 Review. These results are presented merely for illustrative purposes since there was general agreement among Executive Directors at EBM/82/72, that there was no reason to apply automatically adjustments based on the PATC Survey when considering intermediate year reviews.

2. Ranges F-M ^{2/}

In the combined U.S. market results, net average pay increased by 10.2 per cent in 1982/83 (March-March). It is necessary to adjust these results by the Fund's average merit increase (2.4 per cent) if one is to ascertain the extent to which the Fund salary structure needs to be adjusted to maintain Fund salaries in line with those of comparators. The resulting adjustment to the Fund salary structure indicated is 7.6 per cent (Table 1).

^{1/} Data in all tables are presented in terms of weighted average.

^{2/} Results are presented for Ranges F-J; salaries at higher levels in the Fund are determined by extrapolation.

Table 1. Compensation Changes in the U.S. Market

(Average increases in percentage terms)

	Comparator		Fund		Impact of U.S.		
	Increases		Increases		Tax Changes		
	Gross	Net	Merit	Balance	Tax Reduction	Average Deduction	Total
	<u>Ranges F-J</u>						
1. Pay							
Public Sector	7.3	9.1	2.4	6.5	2.7	0.3	3.0
Private Sector	8.9	11.2	2.4	8.6	3.1	1.0	4.1
Combined	8.1	10.2	2.4	7.6	2.9	0.7	3.6
2. Salary Structure ^{1/}							
Public Sector	4.6	6.6	-	6.6	2.5	0.3	2.8
Private Sector	3.7	6.3	-	6.3	2.4	1.0	3.4
Combined	4.2	6.5	-	6.5	2.4	0.7	3.1

^{1/} Refers to increase in salary scale (midpoints) and, therefore, there is no need to deduct the Fund's merit increase.

The average structure increase for the combined market in 1982/83 was 6.5 per cent this year. In examining this measure, it is important to realize that increases in average salary are a result of the application of salary structures established some time previously, for the most part more than one year ago. When our private sector comparators change salary structures, they are merely setting the limits within which future salary increases will be administered without in any way making a commitment to distribute salary increases at the same annual percentage rate. The comparators tend to vary not only the percentage increases in salary structure but also the intervals between such increases. In this connection, all comparators increased their salary structures in 1981/82, but in 1982/83 increases were granted by only six of the nine comparators.

The Consultant also collected comparator data for the core positions matched in the 1980 Comprehensive Review. It will be recalled that data for matched positions had in 1982 shown considerably larger increases than did average salaries or salary structures. The results for the 1983 Survey again deviated significantly from overall movement, in this case, however, in a downward direction; the indicated adjustment to Fund salaries for average salaries for matched positions, which in 1982 was 16.0 per cent, was only

2.2 per cent for 1983. The Consultant stressed that these data are subject to wide variations depending on turnover, fewer matches and variable bonus payments, and that consequently the reliability of inferences that might be drawn from them was diminished.

Data were also collected for the same period, March 1982-March 1983, from public and private sector comparators in France and Germany. The average increase in pay in France was 10.1 per cent which translates into a real increase of 0.7 per cent since the consumer price index increased over the same period by 9.3 per cent. Average pay in Germany rose by 3.6 per cent but, since the consumer price index increased by 3.7 per cent, real income fell fractionally. These changes compare with a real increase in the U.S. market of some 3.8 per cent. On this score, therefore, no deviation is called for from the results for the U.S. market.

Table 2. Compensation Changes in the U.S. Market
(Average increases in percentage terms)

	Comparator		Fund		Impact of U.S. Tax Changes		
	Increases		Increases		Tax Reduction	Average Deduction	Total
	Gross	Net	Merit	Balance			
	<u>Ranges A-E</u>						
1. Pay							
Public Sector	6.4	7.5	2.7	4.7	1.9	-	1.9
Private Sector	6.9	7.9	2.7	5.1	1.9	-	1.9
Combined	6.7	7.7	2.7	4.9	1.9	-	1.9
2. Salary Structure <u>1/</u>							
Public Sector	4.0	5.3	-	5.3	1.8	-	1.9
Private Sector	2.9	4.3	-	4.3	1.8	-	1.9
Combined	3.5	4.8	-	4.8	1.8	-	1.9

1/ Refers to increase in salary scale (midpoints) and, therefore, there is no need to deduct the Fund's merit increase.

Table 3. U.S. Comparator Compensation Increases (Net)
1981/82-1982/83

(In percentage terms)

	1981/82	1982/83	Cumulative 1981/82-1982/83
Ranges F-J			
Average pay <u>1/</u>	7.1	7.6	15.2
Average pay (PATC adjusted) <u>1/</u>	8.7	8.6	18.0
Salary structure	8.6	6.5	15.7
Matched core positions (Average pay) <u>1/</u>	16.0	2.2	18.6
Ranges A-E			
Average pay <u>1/</u>	5.9	4.9	11.1
Average pay (PATC adjusted) <u>1/</u>	7.3	5.5	13.2
Salary structure	7.8	4.8	13.0
Matched core positions (Average pay) <u>1/</u>	4.9	2.0	7.0

1/ After adjusting for Fund's average merit increases, 2.4 per cent for Ranges F-J and 2.7 per cent for Ranges A-E.

3. Ranges A-E

The relationship among the various measures of pay movement for A-E comparators was similar to that for F-M comparators. The largest adjustment, 4.9 per cent, would derive from reliance on the average pay measure. A slightly lower rate of increase, 4.8 per cent, would be supported by reliance on salary structure results. It should be noted that as in the case of F-M staff, only two thirds of the comparators increased their salary structures during the survey period. The compensation increases for matched positions between March 1982 and March 1983 were marked by some of the same problems as encountered in 1982 and for Ranges F-M staff this year, i.e., turnover and inconsistent job matches. Therefore, the reservations expressed by the Consultant on the reliability of the data as a basis for salary recommendations applies equally to this staff category.

It should be noted that all measures of compensation increase for Ranges A-E lag considerably the corresponding results for Ranges F-J. A significant factor accounting for a large part of the difference between results for Ranges A-E and Ranges F-M is the impact of U.S. tax referred

to earlier. A comparison of Table 1 and Table 2 shows that, on a gross basis, the results for average increase in pay differ by 1.4 percentage points while the net increase after deducting Fund merit increases differs by some 2.7 percentage points.

4. Calculation of indicated increase

The indicated adjustments to Fund salaries based on average increases granted by comparators discussed so far have been arrived at by reducing these results to take account of Fund average merit increases in the same manner as in the past, viz., dividing comparator increases by our average merit increases. The Bank has found it necessary to change this method of adjustment because of the change in its reward system that became effective on May 1, 1983. Under this system individual Bank staff members are to receive automatically one half of any adjustment of salary structure. The balance of the adjustment plus the amount hitherto allocated in the annual merit review is being distributed selectively on the basis of individual merit. Because of merging into one increase the merit and structural components of salaries that were previously separate, it has become necessary to arrive at the indicated adjustment by simply subtracting average merit allocation from the overall average increases awarded by comparators. Were the Fund to continue with its customary method of computing the indicated adjustment, the two institutions would, therefore, with identical comparator results, be faced with approving different rates of increase of pay scales--lower for the Fund than for the Bank. In the interest of coordinating approaches to compensation matters, a modification that meets the Bank's need without involving any increase in payroll cost to the Fund is possible.

This modification is to subtract the Fund's average merit increase, but when distributing the increase, it would be calculated not on the new salaries but on those lower salaries that were in effect before May 1, 1983. To illustrate: if pre-May 1, 1983 salaries = 100; these salaries were to be increased by 6.25 per cent; and average merit were to be allocated as in the past, the new post-May 1, 1983 salary would be calculated as follows:

$$100 \times 1.0625 \times 1.024 = 108.8$$

Under the revised Bank approach, an identical result is arrived at as follows:

$$100 + (.064 \times 100) + (.024 \times 100) = 108.8$$

III. Conclusions and Recommendations

In considering the findings of the survey undertaken by Hay Associates, I have had to grapple with the difficult issue posed by the significant real increases in net comparator compensation in the combined U.S. market at a time when income growth in many member countries is, at best, sluggish. At the same time, it has to be recognized that the real growth in net comparator incomes is almost exclusively a result of U.S. tax changes. Given

that the U.S. tax system is the basis for transforming gross comparator compensation to net equivalents for the Fund, I feel that there is no acceptable alternative to abiding by the results in whatever direction they move.

I am also concerned that, for the second consecutive year, there is a significant difference between the results for staff members in Ranges A-E and Ranges F-M. In 1982, I recommended a uniform increase for all categories of staff, somewhat lower than the results might have warranted for Ranges F-M and somewhat higher for Ranges A-E. My recommendation was framed against the differing effects of the U.S. tax legislation for these groups and the desirability of maintaining and fostering a harmonious work environment. I feel we should continue to be guided by similar considerations this year, not least because the 1984 comprehensive review of salaries will allow for any realignment of salaries that may be needed.

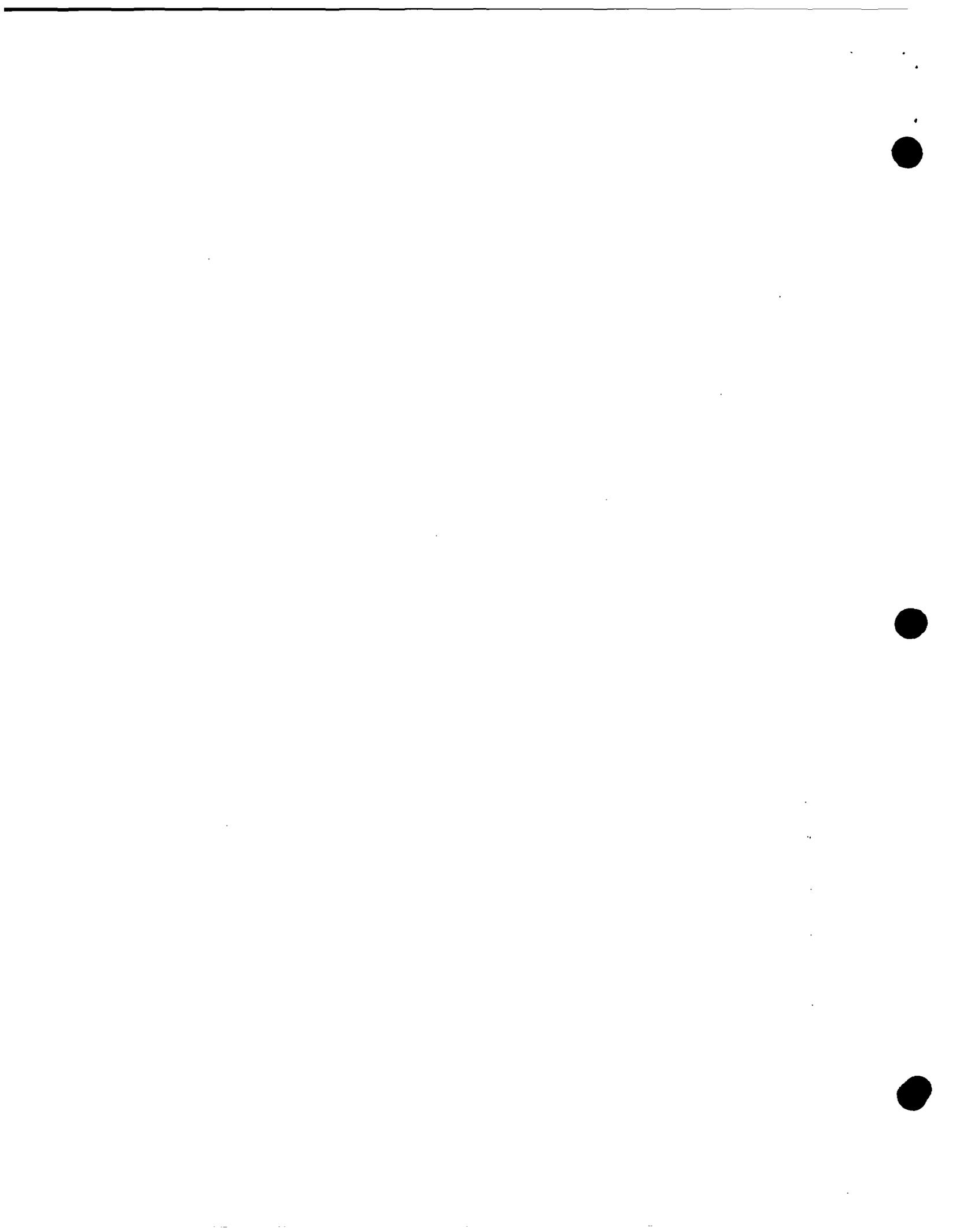
Finally, I am satisfied that the pay measure on which major reliance has been placed for developing recommendations in the past, i.e., overall average increases granted by comparators to all staff, provides a reasonable assurance that Fund salary increases are in line with those of our comparators, at least for intermediate surveys. Based on this measure, an increase in Fund salaries effective May 1, 1983 of 4.9 per cent for Ranges A-E and 7.6 per cent for Ranges F-M is indicated. My preference was, therefore, to recommend an across-the-board adjustment of 6.25 per cent, midway between the A-E and F-M results, computed on the same basis as in the past. In line with the Bank's approach discussed above, this translates, without any increase in payroll cost, into 6.4 per cent on pay scales.

Accordingly, I recommend for favorable consideration by the Executive Board that:

1. Fund salaries be increased by 6.4 per cent, effective May 1, 1983, and
2. Merit increases be computed on the basis of pay scales in effect on April 30, 1983.

The estimated cost for one year of the above proposals is \$5,700,000, all of which is attributable to expenses to be incurred in FY 1984. Accordingly, if the proposal is approved, appropriations for the Administrative Budget for FY 1984 should be increased as follows:

	<u>Approved Budget</u>	<u>Additional Appropriation</u>	<u>Revised Budget</u>
A - Salaries	\$79,900,000	\$4,080,000	\$83,980,000
B - Other Personnel Expenses	54,210,000	1,620,000	55,830,000



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WORLD BANK AND
INTERNATIONAL MONETARY FUND
SURVEY OF COMPENSATION INCREASES
IN
FRANCE, GERMANY AND THE UNITED STATES
1982-1983

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April 1983

Conducted by:



HAY ASSOCIATES
MEMBER — THE HAY GROUP
WASHINGTON, D.C.

WORLD BANK AND
INTERNATIONAL MONETARY FUND

SURVEY OF COMPENSATION INCREASES
IN
FRANCE, GERMANY AND THE UNITED STATES
1982-1983

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I. INTRODUCTION

At the request of the World Bank and International Monetary Fund, Hay Associates has recontacted participants in the 1980 Survey of Compensation in France, Germany and the United States to determine the overall changes in compensation practices for the period March 1982 to March 1983.

The data presented in this report are based on the practices of all 12 of the A-H/A-E comparators participating in the 1980 Survey, and 39 of the 48 non-consulting J-N/F-J comparators participating in the 1980 Survey.^{1/} Formal and informal interim reports have also been provided to the Bank and Fund during the course of the 1983 Survey.

The tabular data presented in this report provide gross and net percentage increases in Direct Compensation at the extreme Bank/Fund grade levels (i.e.: A,H/A,E; J,N/F,J), and for the overall averages (weighted by grade level, i.e.: A-H/A-E; J-N/F-J). The data are presented separately for the Public and Private Sectors. The Private Sector is represented by a consolidation of the Financial and Industrial subsectors for J-N/F-J level positions. In addition, the gross and net percentage increases in salary structure midpoints for U.S. comparators are presented similarly.

The increases reported by comparators reflect overall changes for the relevant Bank/Fund group (i.e., A-H/A-E are distinguished from J-N/F-J).

^{1/}

See Appendix A for a listing of the comparators which participated in the 1983 Survey.

II. METHODOLOGY

A. Introduction

The objective of the 1983 Compensation Update Survey is to determine the extent of overall increases in Direct Compensation and Midpoint of Salary Structure since March 1, 1982 among selected participants in the 1980 Survey. The same methodology as used in the 1982 Update Survey is utilized to satisfy this objective, with the minor changes noted in Section B (Calculations) of this chapter.

B. Calculations^{1/}

The calculations are identical to those utilized for the 1982 Survey,^{2/} except for the following:

1. More recent and detailed data from the U.S. Office of Personnel Management are used for the U.S. Public Sector. These data facilitate two changes relative to the 1982 methodology applied to the U.S. Public Sector:
 - (a) More recent statistics on the distribution of the Federal employee population by step within grade allow computation of an updated step increase factor. The updated step increase factor is approximately 0.4% greater than the factor used in 1982.
 - (b) Data on the distribution of cash bonuses to members of the Senior Executive Service (SES) are applied to the calculation of increases for J-N/F-J jobs matched to SES positions.
2. One U.S. Private Sector A-H/A-E comparator stated that its salary structure would be changed, but the size of the increase is as yet unknown. Therefore, the A-H/A-E Salary Structure movement data are based on the results for 5 of the 6 A-H/A-E comparators participating in this Survey.

1/

All netting was done utilizing 1983 tax tables provided by Arthur Andersen & Co.

2/

See pages 3 and 4 of the Surveys of Compensation Increases in Selected Organizations in the United States, France, and Germany 1981-1982.

C. Terminology

1. General Increases

General increases are defined as compensation increases provided to all employees on the basis of cost of living or pay comparability adjustments. They are not related to individual performance, tenure or other criteria. Although the size of the increase may vary by grade level, all relevant eligible employees must receive an increase for it to be defined as a general increase. In cases where participants award more than one general increase, the cumulative sum is used (e.g., in France).

2. Merit and Step Increases

Merit increases are defined as variable increases in compensation resulting from the recognition of meritorious service. They are awarded on an individual basis, and some eligible employees may not receive merit increases.

Step increases are awarded for a variety of reasons -- typically for tenure and/or quality of performance. Again, not all eligible employees may receive step increases, and the average size of the increase varies.

Merit and step increases are weighted to reflect the proportion of the relevant eligible comparator population receiving an increase.

3. Midpoint of Salary Structure

The salary structure provides the boundaries within which the level of base salary is determined. Most organizations use a control point -- most commonly the midpoint of the range between minimum and maximum -- to control salary expense and distribute salary increases. In the Private Sector, base salaries above midpoint typically reflect above-average performance, while base salaries below midpoint typically reflect below-average performance or the existence of recently hired or promoted incumbents. Individual compensation does not increase commensurately with increases in the midpoint of structure.

In the Public Sector, a formal midpoint is not typically used as a control point, and average base salaries tend to increase above this level. Performance is more generally assumed to follow years of service.

III. SUMMARY OF FINDINGS

A-H/A-E POSITIONS

DIRECT COMPENSATION AND SALARY STRUCTURE MIDPOINTS

Data on changes in compensation were collected from all twelve (12) U.S. comparators in the 1980 Survey.

The U.S. Public Sector Direct Compensation results are based upon the updated step increase factor discussed above for five Public Sector comparators. All six U.S. Public Sector comparators provide a 4.0% general increase, and similar merit and step increases.

The U.S. Private Sector Direct Compensation results are based upon the data provided by all six comparators. Of the six, five provide only merit increases, while one comparator uses a combination of general and merit increases. Gross percent increases in Direct Compensation range from 5.4% to 9.0% across grade levels, by comparator.

The U.S. Private Sector Salary Structure Midpoint results are based upon the data provided by five of the six participants. Two comparators did not adjust their structures, and the average gross and net percent increases in the tables reflect the inclusion of two zeroes in the calculations.^{1/}

The 1983 tax tables used in the computations include changes in both marginal rates and average deductions. See Appendix B for a discussion of the impact of these changes.

The following tables present overall gross and net percent increases in Direct Compensation and Salary Structure Midpoints for the period March 1, 1982-March 1, 1983.

^{1/}

These two comparators indicated that recent economic difficulties accounted for their decisions not to adjust their salary structures.

A. Direct Compensation

1. U.S. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A	6.4	6.9
H	6.4	7.9
A-H	6.4	7.5

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A	6.4	7.1
E	6.4	7.8
A-E	6.4	7.5

2. U.S. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A	6.9	7.5
H	6.9	8.4
A-H	6.9	7.8

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A	6.9	7.5
E	6.9	8.5
A-E	6.9	7.9

B. Salary Structure Midpoints

1. U.S. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A-H	4.0	5.2

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A-E	4.0	5.3

2. U.S. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A-H	2.9	4.3 ^{1/}

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
A-E	2.9	4.3 ^{1/}

^{1/}

If the two comparators which did not change their structures were excluded, the average net percent increase would be 7.2%.

IV. SUMMARY OF FINDINGS

J-N/F-J POSITIONS

DIRECT COMPENSATION AND SALRY STRUCTURE MIDPOINTS

Of the fifteen (15) U.S. comparators in the 1980 Survey, data on changes in compensation were collected on fourteen (14) organizations: one comparator in the Financial subsector was unable to participate this year.

In the U.S. Public Sector, the Federal Reserve Board of New York provides only merit increases, while the other comparators provide general and merit/step increases based on tenure and performance. As indicated earlier, data on SES cash bonuses are included in the calculation of the Direct Compensation results for selected levels. U.S. Public Sector gross percentage increases in Direct Compensation range from 6.4% to 16.6% across grade levels, by comparator. The gross percentage increases in Salary Structure Midpoints range from 4.0% to 7.5%.

All nine (9) Private Sector organizations rely solely on merit increases to provide compensation increases to personnel. Gross percentage increases in Direct Compensation range from 5.7% to 12.0% across grade levels, by comparator. Three (3) U.S. Private Sector comparators did not adjust their salary structures (two in the Financial subsector and one in the Industrial subsector). Gross percent increases in Salary Structure Midpoint range from 5.0% to 8.6% for the remaining comparators.^{1/}

The 1983 tax tables used to compute net figures include the effects of changes in marginal tax rates as well as changes in average deductions. See Appendix B for a discussion of the impacts of these changes.

The following tables present the gross and net percentage increases in Direct Compensation and Salary Structure Midpoints for the period March 1, 1982-March 1, 1983.

^{1/}

One comparator which does not have a Salary Structure is excluded from consideration. Economic conditions were cited by the three comparators which did not adjust their Salary Structures.

A. Direct Compensation - United States

1. U.S. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	6.8	7.5
N	6.8	9.6
J-N	6.8	8.8

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	6.8	7.8
J	8.8	11.3
F-J	7.3	9.1

2. U.S. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	8.9	9.2
N	8.9	12.0
J-N	8.9	11.6

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	8.9	9.4
J	8.9	12.4
F-J	8.9	11.2

B. Salary Structure Midpoints - United States

1. U.S. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J-N	4.6	6.5

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F-J	4.6	6.6

2. U.S. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J-N	3.7	7.1 ^{1/}

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F-J	3.7	6.3 ^{1/}

^{1/}

If the three comparators which did not change their structures were excluded, the average net percent increase would be 11.4% for J-N, and 10.1% for F-J.

C. Direct Compensation - France

Twelve (12) of the sixteen (16) participants in the 1980 Survey provided data for the 1983 Survey (nine in the Private Sector and three in the Public Sector). All twelve provide general increases (related to increases in the cost of living) and merit increases (which average less than 2.0% of gross base salary).

In the Public Sector, gross percentage increases in Direct Compensation range from 7.8% to 9.4% across grade levels, by comparator. In the Private Sector, gross percentage increases in Direct Compensation range from 6.8% to 14.9%.

The following tables present the overall gross and net percentage increases in Direct Compensation for the period March 1, 1982-March 1, 1983.

1. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	8.6	9.9
N	8.6	9.3
J-N	8.6	9.2

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	8.6	8.8
J	8.6	9.5
F-J	8.6	8.8

2. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	12.2	12.9
N	8.9	9.8
J-N	11.0	11.4

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	12.6	12.3
J	8.9	9.7
F-J	11.0	11.3

D. Direct Compensation - Germany

Thirteen (13) of the seventeen (17) participants in the 1980 Survey provided data for the 1983 Compensation Update Survey (five in the Public Sector and eight in the Private Sector).

Public Sector gross percentage increases range from 3.4% to 6.8% across grade levels, by comparator. The average gross percent merit increase is 0.4% (only three of the five provide merit increases).

Private Sector gross percentage increases include one zero for an industrial firm (due to poor financial performance in 1982), and range from 4.0% to 8.4% for the remainder, across grade levels, by comparator. The average gross percent merit increase is 0.3% (only four of the eight participants provide merit increases). Excluding the comparator which did not provide any increase in Direct Compensation, the average gross percent increase is 5.4%.

The results for Germany include all increases provided between March 1, 1982 and March 1, 1983. However, tariff negotiations to be concluded by June, 1983, will set the pattern of increases to occur after March 1, 1983. A judgment based on the survey of the German participants and Hay knowledge of the marketplace is that general increases are expected to range from 3.8% - 4.2% for the Private Sector, with increases of perhaps 4-5% at the upper grade levels. The recent 4% Volkswagenwerk tariff agreement is expected to set the precedent for the Private Sector. Public Sector increases are expected to be in the neighborhood of 2.5%.

The following tables present the gross and net percentage increases in Direct Compensation between March 1, 1982 and March 1, 1983.

1. Public Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	4.8	4.1
N	4.5	3.1
J-N	4.6	3.4

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	4.8	4.2
J	4.5	3.0
F-J	4.6	3.5

2. Private Sector

(a) World Bank

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
J	4.8	4.1
N	4.6	3.3
J-N	4.8	3.2

(b) International Monetary Fund

<u>Grade</u>	<u>Gross % Increase</u>	<u>Net % Increase</u>
F	4.8	4.5
J	4.6	3.3
F-J	4.8	3.6

APPENDIX A

1983 A-H/A-E SURVEY COMPARATORS

Public Sector

Agency for International Development
Bureau of Labor Statistics
Department of Commerce
Department of Treasury
Federal Reserve Board
Office of Management and Budget

Private Sector

American Bankers Association
American Petroleum Institute
Communications Satellite Corporation
Covington & Burling
Potomac Electric Power Company
U.S. Chamber of Commerce

1983 J-N/F-J SURVEY COMPARATORS

FRANCE

Public Sector

Caisse Centrale de Cooperation Economique
Commissariat General du Plan d'Equipment
et de la Productivite
Ministere de l'Economie

Financial Sector

Institute de Developpement Industriel
Compagnie Financiere de Paris et des Pays-Bas
Compagnie Financiere de Suez
Credit Agricole
Credit Industriel et Commercial

Industrial Sector

Compagnie Francaise des Petroles
Creusot Loire
Pechiney Ugine Kuhlman
Rhone-Poulenc

GERMANY

Public Sector

Bundesministerium der Finanzen
Deutsche Bundesbank
Deutsche Gesellschaft fur Wirtschaftliche Zusammenarbeit
Kreditanstalt fur Wiederaufbau
Westdeutsche Landesbank Girozentrale

Financial Sector

Bayerische Vereinsbank
Berliner Handels - und Frankfurter Bank (BHF-Bank)
Deutsche Bank AG
Dresdner Bank AG

Industrial Sector

Bosch-Gruppe
Hoechst Aktiengesellschaft
Metallgesellschaft AG
Thyssen Aktiengesellschaft

UNITED STATES

Public Sector

Agency for International Development
Department of Commerce
Department of the Treasury
Federal Reserve Bank of New York
Federal Reserve Board

Financial Sector

Bank of America
The Chase Manhattan Bank, N.A.
Citibank, N.A.
Lehman Brothers Kuhn Loeb, Inc.
Morgan Guaranty Trust Company of New York
Continental Illinois National Bank

Industrial Sector

General Electric Company
International Telephone & Telegraph
Union Carbide

APPENDIX B

EFFECTS OF U.S. TAX CHANGES, 1982-1983

The following tables illustrate the effects of two changes in the calculation of U.S. taxation factors: (1) legislated changes in marginal tax rates; and (2) significant increases in average deductions at and over \$50,000 gross income. As the results are approximately the same for comparable Bank/Fund grade levels, combined A-H/A-E and J-N/F-J tables are provided. The tables provide the percentage increase in net Direct Compensation due to each factor, expressed as a ratio, using a 50/50 mix of Public and Private Sector results.

Impact of Changes for A-H/A-E Positions

<u>Grade Level</u>		(1)	(2)	Combined
<u>Bank</u>	<u>Fund</u>	<u>Marginal</u> <u>Tax Rate, %</u>	<u>Average</u> <u>Deductions, %</u>	<u>((1) + (2))</u>
A	A	1.2	0	1.2
H	E	2.4	0	2.4
A-H	A-E	1.8	0	1.8

Impact of Changes for J-N/F-J Positions

<u>Grade Level</u>		(1)	(2)	Combined
<u>Bank</u>	<u>Fund</u>	<u>Marginal</u> <u>Tax Rate, %</u>	<u>Average</u> <u>Deductions, %</u>	<u>((1) + (2))</u>
J	F	1.5	0	1.5
N	J	3.4	1.0	4.4
J-N	F-J	3.0	0.7	3.7