



Office Memorandum

To: All Staff and Employees

January 29, 1998

From: Lyn Elatch, Ombudsperson

A handwritten signature in cursive script, appearing to read "Lyn Elatch", is written over the printed name.

Subject: **Eighteenth Annual Report of the Ombudsperson**
October 1, 1996 - September 30, 1997

Overview. This is the Eighteenth Annual Report of the Ombudsperson and my third. My caseload was very high again this year. It included one particularly time-consuming and troubling case on which some progress has been made, but more is needed. Another deeply troubling matter is the denial of access to the PeopleSoft modules controlled by the Treasurer's Department in violation of my Terms of Reference. This and other systemic issues, including Blaming the Victim, are discussed in the second part of my report.

The Asian crisis has placed the Fund very much in the forefront of world developments and stretched its workload beyond previous limits; as noted by the Managing Director in his holiday greetings to the staff, perhaps beyond what should be expected of individuals. There is a growing awareness that periods of respite are needed if staff and employees are to be expected to maintain the high standards for which the Fund is noted. Perhaps the best preparation for handling present or future crises is to ensure that the regular and predictable workload of the Fund is completed in a way that permits staff and employees to have a reasonable balance between their work and their personal lives.

Progress is being made. There is greater recognition of the need to address stress in the workplace, transparency is increasing, the Fund's ethics program is improving, and the Fund has finally changed its smoking policy. But the Fund moves slowly on personnel issues and it has become impractical to report on the status of all previous recommendations. The lack of progress on issues relating to contractual and vendor employees, and on the rules for the exhaustion of administrative remedies on pension issues, is particularly disturbing.

I continue to enjoy strong support from Senior Management. In particular, I have enjoyed working with Mr. Ouattara. He has been consistently supportive and helpful. Even in this busy year, he has always found time to meet with the Ombudsperson. That, and his unfailing good humor, are much appreciated.

It has been a busy but productive year. My respect for Fund staff and employees continues to grow and I am pleased to be a part of their life at the Fund. I look forward to the year ahead.

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Part One -- Data

Inquiries and Interventions. This year I received 206 inquiries, down from the 220 inquiries received last year, but still a very high figure, representing nine percent of all staff, or eight percent of staff and employees. Table 2 gives the number of inquiries received by previous Fund Ombudspersons.

As apparent from Table 1, the level of interventions has been quite consistent -- hovering around the one-third mark each year. This year I intervened in only 31 percent of the cases. The term intervention refers to those instances when, with the consent of the inquirer, I discuss the matter with his or her supervisor, the

Administration Department, or another agreed-upon person at the Fund. In all other cases, complete confidentiality is maintained and no one knows that the individual has sought assistance unless the individual chooses to

disclose that information.¹ I believe the low level of interventions is overall a good indicator. It suggests to me that after getting information and exploring options with the Ombudsperson, Fund staff and employees are quite capable of pursuing issues on their own, without direct intervention from the Ombudsperson. I am often advised of constructive discussions with supervisors and successful outcomes after preliminary discussions with the Ombudsperson.

Table 1 -- Inquiries			
Lyn Blatch (1994-99)	Year 1	Year 2	Year 3
Number of inquiries	122	220	206
As a percent of staff	5.4	10	9
As a percent of all employees ¹	4.6	9	8
Interventions ² as percent of inquiries	33	34	31
Percent of new/old inquiries	100	81/19	70/30

¹ As used here, the term "employees" refers to all fixed-term and regular staff, plus all contractual employees.

² The term intervention refers to those instances when, with the consent of the inquirer, I discuss the matter with his/her supervisor, the Administration Department, or another agreed-upon person at the Fund. In all other cases, complete confidentiality is maintained, and no one knows that the individual has sought assistance from the Ombudsperson unless the individual chooses to disclose that information.

Table 2 -- Inquiries in Previous Years					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gene Herbert (1989-94)	144	156	165	189	194
As a percent of Staff	8%	7%	8%	8%	--
Bob Harris (1984-89)	107	92	114	90	120
Frank Dugan (1979-84)	75	126	103	77	74

¹ Visitors frequently tell me they have told a coworker, or even their supervisor, that they are coming to see me, but I do not count that inquiry as an intervention unless, with the inquirer's consent, I personally contact someone other than the inquirer.

Issues -- Promotion and Performance. Table 3 gives a breakdown of issues for the three years I have been Ombudsperson. As in the preceding year, this year's largest category is promotions/job grading. Although performance cases are listed as a separate category, it makes sense to consider the composite figures for performance cases and promotions/job grading cases, since both involve performance issues.² If these two categories are combined, it represents consistently the largest group of cases each year, although in my first year, this combined group would have tied with Benefits for first place. See note 2 to Table 3.

The feedback I received -- or did not receive -- indicates that progress has been made with respect to performance reports. This year I received far fewer complaints that staff and employees were surprised at the feedback they received in their performance report. For the most part, although inquirers sometimes disagreed with what was said in their performance report, they did not say it was a surprise. I hope this is an indication that staff and employees are receiving more contemporaneous feedback throughout the rating period.³

Security of Staff on Mission. The second largest category of issues is the catch-all other category, representing 18 percent of all inquiries. This category would be smaller if it did not include a group of cases for this year and last year that are not expected to recur. Specifically, the second year figure includes the security of staff on mission cases that represented six percent of all cases last year. I did not receive any inquiries this year on staff safety and protection of their human rights. I attribute this to the fact that SAC has been very active on the issue.⁴ As I recommended last year, I believe Management and the Executive Board should put in place sanctions and administrative measures designed to ensure that the rights and safety of staff and employees are protected. There should be zero tolerance toward any member country that fails to do everything possible to ensure that the safety and basic human rights of staff and employees are protected.

² If inquirers complain about their performance report, but do not appear to be seeking a promotion or an upgrade, the inquiry is counted as a performance case. Obviously, many of those complaining about their performance report are also seeking a promotion, and these inquiries are categorized as promotion/job grading.

³ Compare the feedback I received last year, discussed in the Seventeenth Annual Report of the Ombudsperson, December 13, 1996, pages 4-5. The Seventeenth Annual Report is available on the Fund's internal web site. Click on Bulletin Board ⇨ Resolution of Staff Disputes.

⁴ The Staff Association's page on the Fund's internal web contains a great deal of useful information on this issue. Click on Bulletin Board ⇨ Staff Association ⇨ Reports and Discussion Papers ⇨ Reports on Working Group on Staff Safety.

Table 3 -- Issues¹ (As a percent of Inquiries)			
	Year 1	Year 2	Year 3
Promotions/job grading ²	14	21	20
Other	16	19 ³	18 ⁴
Benefits	18	9	13
Discrimination/Sexual Harassment	7	15 ⁵	12 ⁶
Separation ⁷	11	12	12
Performance ⁸	4	11	9
Management Style ⁹	15	6	6
Harassment (other)/Misconduct	6	4	6
Mobility	9	3	4
<p>¹ Issues are identified from the perspective of staff members and employees, except that "management style" is used only when there is no other issue. For example, if a staff member complains about his or her manager, but is also having a performance problem, the inquiry is counted as a performance case.</p> <p>² If promotion and performance inquiries are combined, the totals would be 18 percent of inquiries for the first year, 33 percent of inquiries for the second year, and 29 percent of inquiries for the third year.</p> <p>³ Approximately one-third of other inquiries, or 6 percent of all inquiries to the Ombudsperson, related to security of staff on mission.</p> <p>⁴ Other inquiries, or 6 percent of all inquiries to the Ombudsperson, related to the proposed transfer of certain BCS teams to other departments.</p> <p>⁵ Inquiries relating to the Discrimination Review are included in this figure. If calculated separately, inquiries relating to the Discrimination Review would constitute 11 percent of all inquiries to the Ombudsperson.</p> <p>⁶ Inquiries relating to the Discrimination Review are included in this figure. If calculated separately, inquiries relating to the Discrimination Review would constitute 10 percent of all inquiries to the Ombudsperson.</p> <p>⁷ Includes redundancy, fixed-term conversion, contract renewal, and Separation Benefit Fund issues.</p> <p>⁸ See note 2.</p> <p>⁹ See note 1.</p>			

Transfer of BCS Teams. This year the other category includes inquiries relating to the proposed transfer of certain BCS teams to the user departments. If counted separately, these would represent six percent of all inquiries. See Table 3, note 4. The information provided by the individuals on the affected teams, the strong support provided by Mr. Ouattara, and hard work on the part of BCS and Administration led to solutions that will better meet the needs of the Fund, and the career goals of the affected individuals.

Discrimination/Sexual Harassment. Again this year, most of the inquiries on Discrimination/Sexual Harassment related to the Discrimination Review. See Table 3, Line 4, and notes 5 and 6. However, the nature of the inquiries differed. Last year, most inquirers wanted to discuss whether they should ask for review of their case, or how to best present their view of the facts and get an appropriate remedy. This year -- while a few came to report a favorable outcome -- most came to express their exasperation, and sometimes outright anger, at the outcome of their case, or cases of those in their class, or the perceived lack of due process in the procedures used. Indeed, the level of frustrations I observed sometimes caused me to wonder if the Discrimination Review will do more harm than good.

Although the Fund is to be commended for voluntarily undertaking the Review, many potential problems could have been avoided if more attention had been paid to the particulars at the outset. Specifically, the announcement of the Review could have expressly stated that no retroactive remedies and no backpay will be awarded. Instead, the announcement talks about the "generally forward-looking" nature of the Review. If you mean no backpay, say that. Employees should not have to guess at what "generally forward-looking" means. The use of the word "generally" is especially troubling. It suggests exceptions will be made, but sheds no light on when, why, or for whom.

Similarly, the initial announcements failed to make clear what the legal relationship was between Discrimination Review and the grievance and arbitration procedures available to staff and employees.⁵ Because the initial announcements were silent on this subject, the assumption was that management would not contest the jurisdiction of the Grievance Committee or the Arbitrator to review decisions made in the Discrimination Review.⁶ It was not until over a year later -- when individuals being offered a remedy were asked to sign a letter stating that they agreed that no new rights under the grievance procedure were created by the Discrimination Review -- that anyone knew that it was management's view that these decisions were not grievable. Ultimately, it will be up to the Grievance Committee and/or the Arbitrator to decide whether a particular decision made under the Discrimination Review can be challenged, but it was a serious oversight for management to be silent on this issue.

Misconduct/Ethics. All six percent of the cases in the Harassment (other)/Misconduct category are attributable to an increase in the number of inquiries

⁵ The staff has access to the grievance procedure established pursuant to GAO 31, and long-term contractual employees have the right to arbitrate disputes pursuant to the procedures established by the American Arbitration Association.

⁶ I was surprised when I saw no reference to this issue in the 1996 announcements of the Review and called Administration to ask about it. I was orally advised that decisions would be grievable.

involving misconduct or ethics issues. See Table 3, line 8. I received no inquiries this year involving harassment that were not sexual in nature. See the comments below at Part Two, Fund Ethics Program.

Profile of Inquirers. As evident from Table 4 below, when compared to the Fund population, more females came to see the Ombudsperson than males, more noneconomists than economists, more regular staff than fixed-term staff, more at the A10 level and below than those above, and more over 40 years of age than under 40. As in previous years, I believe this is consistent with the higher level of discontent among noneconomist staff than economist staff. Those in noneconomist departments continue to seek assistance in greater proportion than those in economist departments, but functional departments again showed a higher percentage of inquiries than area departments.

The percent of B-level inquirers returned to the seven percent experienced my first year, but this year more B-level staff were seeking general advice on how to handle personnel problems. Similarly, I also noticed more times this year when the inquirer told me that their division chief or supervisor had been the one who encouraged them to come to see the Ombudsperson. Although the profile on the nationality of inquirers does not exactly match the Fund population, no group is dramatically under-represented.

Table 4 - Profile of Inquiries

	Year 1	Year 2	Year 3	% of Staff	% of Employees ¹
Gender					
Female	60	57	57	47	47
Male	40	43	43	53	53
Nationality Groups					
United States	34	35	29	26	29
Other English Speaking	20	12	15	14	13
European	15	16	15	21	20
African/Caribbean	7	7	7	8	8
Asian/Middle Eastern	9	13	16	19	18
Latin American	13	16	14	12	12
Unknown	2	1	4	--	--
Age					
31 to 40	21	23	18	33	34
41 to 50	34	37	38	36	34
51 to 60	31	31	30	22	21
Under 30, Over 60, and Unknown	14	9	14	9	11
Years of Service					
5 or Less	25	24	21	31	38
5 to 10	30	33	36	36	33
15 to 25	33	28	23	23	20
25 or More and Unknown	12	15	20	10	9
Type of Appointment					
Regular Staff	70	78	79	84	73
Fixed-Term Staff	11	7	6	14	12
Contractual	12	11	9	--	15
Other	7	4	6	--	--
Economists & Noneconomists					
Economists	22	24	22	47	41
Noneconomists - A9 and above ²	34	34	38	21	32
Noneconomists - A8 and below ²	43	41	38	32	27
Other	1	1	2	--	--
Type of Department					
Area	19	17	19	35	30
Functional	29	39	31	38	38
Information/Liaison/Support	50	43	48	27	32
Other	2	1	2	--	--
Grade Levels²					
A1--A5	16	11	12	11	--
A6--A8	28	29	27	21	--
A9--A10	12	13	10	6	--
A11--A12	12	15	12	17	--
A13--A15	23	26	30	31	--
B Levels	7	5	7	14	--
Others	2	1	2	--	--

¹ As used here, the term "employees" refers to all fixed-term and regular staff plus all contractual employees.

² Grade levels were assigned to contractual employees and vendor employees based upon their title and/or salary.

Approximately 56 percent of contractual employees are at the professional level. Comparable data is not available for vendor employees.

Part Two -- Issues.

Access to Records -- PeopleSoft. The most significant issue this year is the fact that I am being denied access to records in violation of my Terms of Reference and under circumstances that will limit my ability to assist staff and employees in the resolution of employment-related disputes. The immediate problem is that the Treasurer's Department, supported by the Legal Department, has denied access to the PeopleSoft modules controlled by Treasurer's.⁷ This denial has forced me to drop a number of cases, and in many other instances, to pursue cases with only limited information. The long-term problem is more ominous. If the precedent of denying access to the Treasurer's modules is allowed to stand, the same arguments could be raised at any time to deny the Fund Ombudsperson direct access to virtually any paper or electronic record at the Fund. The modules that I have been denied access to include Home Leave, Loan System (that is, salary advances), Tax Equivalency Allowance, Resident Representative Data, Technical Assistance Experts, Employee Payroll Data, Payroll Time Reporting, Paysheets, Active Participant System, Retired Participant System, and Tax Allowance.

The Ombudsperson's Terms of Reference (TOR) are quite clear with respect to access to records. Paragraph 4 states that: "The Ombudsperson shall have access to *all records relevant to the exercise of his or her duties.*"⁸ [Emphasis added.] Notwithstanding this clear language, Legal argues that the Ombudsperson may not look at anyone's file unless the individual(s) comes to the Ombudsperson with a problem, and gives express consent to look at his or her individual file. I infer from this that Legal is of the view that the Ombudsperson may not check the files of similarly situated individuals without first obtaining individual consent and may not research any systemic problem without first obtaining the consent of all affected individuals.

⁷ Over a period of almost two years, this issue has been discussed at meetings with Deputy Managing Directors Narvekar and Ouattara, and at a meeting with the three Deputy Managing Directors. After many discussions of the issue, I asked for and received a written statement of the reasons for the denial of access. I was provided with a statement dated June 17, 1997 that, although unsigned and without attribution to any individual, states that it represents the view of the Legal Department. I was later provided with a similar document dated December 11, 1997, containing substantially the same information. I have been orally advised that the Deputy Managing Directors concur with the views expressed in these documents.

⁸ The full text of the Ombudsperson's TOR is available on the Fund's internal web site. Click on Bulletin Board ⇨ Resolution of Staff Disputes.

Legal's interpretation is both contrary to the clear language of the TOR, and obviously unworkable. How effective could any Ombudsperson be if she or he had to contact all similarly situated staff members and request consent to do a comparative study? Consent by the staff member or employee does not limit access to records, it limits what can be disclosed. The TOR says that the Ombudsperson *shall have access to all records*, but may *disclose* dealings with those who seek assistance only to the extent that the person seeking assistance consents.⁹

Legal and Treasurer's also argue that because *some* information in *some* modules is personal and not employment-related, the Ombudsperson may not have access to *any* information in *any* modules. Further, they argue that giving the Ombudsperson access to the Treasurer's modules would constitute an invasion of staff privacy. They suggest instead that I call the Division Chief in Treasurer's,¹⁰ tell him the name of the individual(s) and the information I seek concerning the individual(s). He will call me back with that information.¹¹ I fail to see how staff privacy would be protected by requiring the Ombudsperson to reveal the names of inquirers and the nature of the inquiry to a Division Chief in Treasurer's. I also note that there are approximately 230 individuals in the Fund who have access to some or all of PeopleSoft, including contractual and vendor employees -- even temporary vendor employees. None is subject to special confidentiality requirements, except the Ombudsperson, who is under professional and contractual requirements to maintain confidentiality. Also, Fund Ombudspersons -- traditionally practicing attorneys and members of the bar -- must maintain client confidentiality.¹²

⁹ Compare paragraph 4 of the TOR with paragraphs 11 and 12 .

¹⁰ Dennis Kelly is the Division Chief of Administrative Expenditures and Control Division in Treasurer's, which has primary responsibility for the PeopleSoft modules in dispute.

¹¹ Legal suggests that this has been the practice and that it has worked quite well. This is not correct. To the best of my recollection, there have been only two instances when, because of this dispute, I have been forced to call Dennis Kelly under protest, and with the individual's consent, to get information. However, there have been many matters that I have been unable to pursue, or have pursued with very limited information because both I and the individual(s) involved believed it would be too risky to reveal the names to the Division Chief.

¹² See, Rule 1.6, *Confidentiality of Information*, of the *Rules of Professional Conduct of the District of Columbia Bar*, and comparable provisions in Rule 1.6 of the *Model Rules of Professional Conduct* of the American Bar Association.

Similarly, how can anyone argue that the amount of someone's paycheck is not employment-related. Employment-related information encompasses any information provided by employees to their employer to permit the employer to administer the compensation, benefits, and services incident to the employment relationship. Indeed, although I have never seen the modules in question, I would hope that these PeopleSoft modules contain *only* the information *absolutely* necessary for the administration of the compensation, benefits, and services extended to Fund employees. There should be no information in these modules that is not employment-related.

The position taken by Legal and Treasurer's has wide and troubling implications. I currently have access to PeopleSoft modules and paper files maintained by the Administration Department. Both contain personal and private information about staff and employees. If this precedent is allowed to stand, Administration could also bar access to its records in the future. When does a record become too private for the Ombudsperson to see? Will future Ombudspersons be told that they may not look at Administration's paper or electronic files and must instead call the Division Chiefs in Staff Benefits or Staff Development?

Direct access to the electronic file is particularly important at the Fund where staff members and employees have long complained about the lack of transparency in employment-related matters and where rumors abound of favored treatment of certain individuals. Staff members and employees are also keenly aware of the Fund's immunity -- no court will ever be able to enforce a subpoena for documents against the Fund. In such an environment, the ability of the Ombudsperson to confidentially examine the original record -- whether paper or electronic -- is an effective way to demonstrate the Fund's confidence in the fairness of its own systems and to ensure that when errors occur, they are corrected amicably and informally.

Management has suggested to me that staff and employees will overwhelmingly support the denial of access to the Treasurer's modules. The feedback I receive from staff and employees suggests otherwise. However, if Management is correct and a clear majority of staff and employees prefer that the Ombudsperson not have access to certain records, I would recommend that SAC and Management renegotiate the TOR and specifically identify the records to which access may be denied. The danger in the present situation is that access is being denied based upon rationales that have no limits and could devastate the effectiveness of the Fund Ombudsperson.

Blaming the Victim. This year, as in previous years, I have encountered a number of situations in which management makes a mistake, but it is the staff member or the employee who ends up being criticized or tainted by a bad image. It happens even when a supervisor or someone in Administration starts out by clearly acknowledging that he or she has made a mistake. Somewhere along the line, the focus shifts from the error made by the manager to some perceived or anticipated shortcoming of the employee. It is as if managers feel relieved

of any obligation to correct their own mistakes if they can find some defect, or the likelihood of some perceived defect, in the employee.

I encourage managers and personnel in Administration to take a careful look at their own attitudes. Have mistakes been acknowledged and corrected irrespective of the response of the staff member or employee? Perceived shortcomings in the employee should not obscure the need to correct errors that are the responsibility of managers or Administration personnel. Managers should be able to correct errors with good will and professionalism.

Fund Ethics Program. Again this year, I believe the ethics issues I encountered might have been prevented if a good ethics program were in place at the Fund.¹³ Intentional violations are rare. Most violations involve otherwise good employees who simply do not recognize the actual or apparent conflict or offense until it is too late.¹⁴ An effective ethics program can sensitize staff and employees to the issues so that they avoid such pitfalls.

Some may question the need to expend resources to improve the Fund's ethics program when relatively few problems come to light -- a sort of "don't fix it if it isn't broken" approach. However, in today's world, it is expected that reputable financial institutions whose staff has access to market-sensitive information have up-to-date ethics programs. Fund staff do have access to confidential market-sensitive information, and the public knows it. If a scandal does occur, the embarrassment to the Fund will be far greater if it is apparent that the violation could have been prevented by an effective and well thought out ethics program. The Fund cannot afford *not* to improve its ethics program, particularly now that it has announced that it will look at governance issues in member countries.

This year, real progress has been made on ethics, though much remains to be done. The Fund's internal web site now has a collection of available ethics and conduct rules so that staff and employees have them readily available;¹⁵ Staff Bulletin 97/13, entitled Conduct of Staff -- Conflict of Interest was issued in September for the guidance of staff and employees; and the Working Group on Ethics and Code of Conduct recently circulated its report and a draft code of conduct for comment to departments. The Working Group is to be commended for completing its work on schedule; striving to make the code transparent and user friendly (including the use of examples); and acknowledging that codes of conduct should seek to balance the institution's need to ensure high ethical standards with the need to interfere as little as possible with the personal lives of the staff.

¹³ See the comments at pages 15-16 of my 17th Annual Report.

¹⁴ In some cases, the manager did not recognize the ethics issue, or did not see that the remedy imposed did not solve the problem.

¹⁵ Click on Bulletin Board ⇨ Ethics and Staff Conduct.

Typically, proposed revisions to ethics rules generate a great deal of comment. The ensuing discussion is part of the education and consensus-building process. Much remains to be decided -- notably the actual provisions of the code and related GAOs and rules, as well as some basic underlying decisions concerning who will investigate alleged violations and who will provide confidential counseling to staff and employees. I encourage staff and employees to participate fully in the discussions to come, and recommend that management continue to provide strong support and a sense of urgency to completing the tasks ahead.

Contractual and Vendor Employees. Both of my previous reports have discussed the many problems associated with the way the Fund treats its contractual and vendor employees. Again this year, I recommend that action be taken to develop a coherent and equitable policy toward the different employment categories at the Fund. There are wide disparities in the terms and conditions of employment of regular staff, contractual employees, and vendor employees. These disparities occur on a random basis -- there is no logical underpinning. Individuals doing exactly the same work on a long-term basis are treated totally different from one another. Avoiding the problem year after year only makes the problem worse. The example below illustrates one disparity that impacts upon a fairly large group of contractual employees and their families.

The Fund does not provide a pension for its contractual employees. Instead it pays a lump-sum benefit, calculated at the rate of five percent of an employee's final salary for each year of service. About half of the Fund's contractual employees are US nationals who are not eligible for a tax allowance. Because the lump sum payment is not made pursuant to a tax sheltered retirement plan, it is subject to US income and self-employment taxes (Social Security and Medicare), and local taxes. The impact is significant, as evident from the following hypothetical.

Ms. X, a hypothetical contractual employee earning \$80,000 per year who leaves the Fund after ten years of service would receive a lump sum payment of \$40,000. However, this \$40,000 payment would be reduced by \$15,870 because of the additional taxes due, leaving Ms. X with a net lump sum payment of only \$24,130.¹⁶ In contrast, if the Fund had

¹⁶ For purposes of this example, I have assumed Ms. X is a US national, married, with two children, lives in the District of Columbia (DC), and there is no outside income attributable to her spouse or investments. Ms. and Mr. X file a joint return, take the standard deduction, and claim four exemptions.

Given this scenario, at 1998 rates, with a gross income of \$80,000, Ms. X would pay \$10,395 in US income taxes, plus \$10,624 in self-employment taxes, and \$5,885 in DC income taxes, for a total tax liability of \$26,904, or 33.6 percent of her salary. Her
(continued...)

established a tax sheltered 401(k) plan for contractual employees -- something that is far easier to set up and manage than the complex Staff Retirement Plan -- the same \$40,000 expenditure by the Fund would have provided Ms. X with a pension account worth approximately \$65,000 at the conclusion of ten years.¹⁷ Further, under US tax laws, if Ms. X chose to match the Fund's contribution by contributing \$4,000 each year out of her salary, the account would be worth close to \$130,000 at the conclusion of ten years.¹⁸ In addition, the \$4,000 she contributes each year could be offset from taxes, saving her approximately \$1,500 in taxes each year.

The Ms. X example demonstrates how much the Fund's failure to set up a simple 401(k) plan has disadvantaged a fairly large group of long-term Fund employees. But glaring disparities in terms and conditions of employment are not limited to US nationals, or to financial issues.¹⁹ There is no logical basis for many of the disparities between regular staff, long-term contractual employees, and those vendor employees for whom the Fund is either the de facto employer, or a co-employer. If there are to be different categories of long-term

¹⁶(...continued)

after tax income it would be \$53,096.

However, in the year she receives a \$40,000 payment in lieu of pension, her gross income would be \$120,000. She would then pay \$21,445 in US income taxes, \$11,695 in self-employment taxes, and \$9,634 in DC income taxes, for a total tax liability of \$42,774, or 35.6 percent of \$120,000. Her after tax income would be \$77,226.

¹⁷ This assumes that the Fund contributed \$4,000 each year to Ms. X's 401(k) account, and that the account earned a ten percent return. If one assumes the account earned a 7½ percent return, it would be worth over \$57,000. (Actual amounts may vary depending upon when deposits are made and interest posted.) Because a 401(k) plan is a tax sheltered retirement plan, Ms. X would not be required to pay taxes on the Fund's payment or the earnings on the account until Ms. X begins to draw on it when she retires.

¹⁸ This also assumes the account earned a ten percent return. If one assumes the account earned only 7½ percent, the account would be worth approximately \$114,000. When Ms. X leaves the Fund after ten years, she could roll her account over into another tax sheltered retirement plan. Ten years after leaving the Fund, with no further investments, the roll-over account earning a ten percent return would be worth over \$330,000; and the roll-over account earning 7½ percent would be worth over \$230,000.

¹⁹ See the discussion at pages 8-12 of my 16th Annual Report, and pages 12-14 of my 17th Annual Report.

employees at the Fund, the distinctions in their terms and conditions of employment should be grounded in good human resource management principles and linked to the Fund's long-term strategic planning. The current situation treats individuals arbitrarily and should not be tolerated by an international organization.

Job Grading. Both managers and the staff are very frustrated with the Fund's job grading procedures and policies. The most immediate problem is the total lack of transparency. No one knows how the system works. The job standards are not on the Fund's internal web site. There is no staff bulletin or GAO explaining what promotions must be reviewed by the Compensation Division in Administration (basically all noneconomist positions); what is the nature of the review (it ranges from cursory to a detailed review); what are the respective responsibilities of the staff member's department and the Compensation Policy Division in Administration (the staff member does not know who is responsible for what); what are the job grading criteria when the job standard is out of date (many are) or does not exist; and what is the appeal process (there is one). Audits have been conducted in which the auditor never spoke to the staff member whose position is being audited.

I have had a number of discussions with Administration concerning job grading, and am aware that efforts are underway to address at least some of these issues. I strongly recommend that some immediate action be taken to improve transparency. If no information is published to staff until all substantive and procedural issues have been resolved, it will be years before anything is published. Both managers and staff need information now to deal with current problems.

Stress from Heavy Workload. Last year I identified stress from the heavy workload as the most pervasive underlying systemic issue. The response I received from staff and employees was overwhelming, reinforcing my view that this is a serious issue. The *Health Services Report on Employee Health at the Fund*, issued in September 1997, also confirmed that this was a serious issue. The report noted that coronary artery diseases were 47 percent higher at the Fund than at the Bank; tendinitis was 50 percent higher; and stress-related psychological disorders were 24 percent higher. Given the similar populations at the Bank and Fund, these differences are startling.

Management and the Executive Board appear to be paying closer attention to the issue of stress from heavy workloads, as evidenced by the many references to this issue in discussions of the work program and budgetary planning. Staff and employees appear to take pride in their willingness to give their all in dealing with international financial crises, and this commitment is laudable. The danger is that giving one's all to work can become a way of life even when there is no crisis. There appears to be an increasing awareness that it is not in the best interest of the Fund to encourage a culture of workaholics, however dedicated they may be.

Leave, Travel, Training. One way to monitor this issue is to pay close attention to heavy workload indicators such as the amount of annual leave used and forfeited, days in travel status, and days in training or professional development. Management may wish to continue to focus on these indicators during annual performance discussions with department heads, and follow through until improvements are evident. Care should also be taken to avoid interrupting staff and employees when they are off on annual and sick leave unless it is absolutely necessary. Most questions can wait or be answered by someone else. My feedback also indicates that departmental practices in granting compensatory time vary widely for no apparent reason. Greater consistency is needed. Compensatory time for staff and employees who worked extraordinary amounts of unpaid overtime due to the Asian, or any other crisis, should not depend upon which department they work in.

BRS Data. Although Management and the Executive Board are paying closer attention to the workload issue, meaningful strategic planning cannot be done without reliable underlying data. I am told that some useful data is collected by the Budget Reporting System (BRS) -- for example on Article IV consultations -- but that much of the other data is viewed as irrelevant for planning purposes. The codes used do not reflect actual work practices. I am told the BRS would permit departments to develop a more meaningful system of codes, but that most departments do not make the effort. Departments should be provided with incentives to do this. With a little effort, the BRS can be an effective management tool.

The second part of the problem is that there is no accountability built into the system. Much of the data is viewed as fictional. Staff are not asked to sign their BRS reports and many simply ask their assistants to fill in the report based upon whatever they may have filed before. I am told there is massive under-reporting of unpaid overtime. If the manager of a group does not report unpaid overtime, those reporting to that manager usually do not. Because of the overwhelming carelessness with which most BRS data is reported, it has little credibility. I recommend that everyone be required to sign their BRS report and attest to its accuracy, in the same way that you sign a travel voucher and attest to its accuracy. Without accountability, the system is a waste of time and energy.

Workers' Compensation. I have noticed increased reports of stress-related illnesses, though often staff and employees are afraid to let their supervisors know this for fear it will impact adversely on their career. Many are not familiar with the Fund's workers' compensation program, particularly those who are not U.S. nationals. Some stress-related illnesses caused or aggravated by working conditions may be covered by the Fund's workers' compensation program. If an illness is covered, the Fund pays 100 percent of related medical expenses,²⁰ and workers' compensation leave may be used in lieu of sick leave. Staff and

²⁰ There is no double coverage. If a claim is paid under workers' compensation, it will
(continued...)

employees suffering from stress-related illnesses that may be caused or aggravated by their working conditions may wish to discuss the issue of workers' compensation coverage with their doctor.²¹

Separation Benefit Fund (SBF) Criteria. Rumors of generous packages being awarded to favored senior officials abound at the Fund. Without access to the appropriate PeopleSoft modules, I do not know if abuses occur, but I do know the rumors are exaggerated. Nonetheless, the potential for abuse is real, and there is a strong belief among most staff members that B-level people get better packages than lower-graded individuals.

I believe that revision of one of the criteria for the SBF would assist in ensuring that B-level staff do not receive favored treatment. Specifically, the criteria now provide that when discretionary SBF resources are made available for reasons of inadequate performance, supervisory staff at all levels are to be given priority over nonsupervisory staff.²² The rationale is that the performance problems of supervisors create greater problems because of the impact upon the individuals and the work they supervise. Therefore it is in the interest of the Fund to provide a greater enticement to leave. In effect, this creates a presumption that those in supervisory positions can get bigger packages.

The presumption in favor of larger packages for supervisors is not well-founded. The performance problems of nonsupervisory staff often have as much or more impact upon both the work and other individuals in a division or office. Further, in many instances, once the organization begins to have problems with someone, particularly a B-level manager, it reassigns some or all of the work and/or the individuals being supervised. Although the individual may retain a supervisory title, he or she is doing little or no supervision at the time discussion of packages takes place. In any event, there appears to be no need for a special presumption in favor of supervisors. It should be sufficient to deal with the actual facts present in a particular situation. Elimination of the presumption may also assist in overcoming the perception that senior people receive favored treatment.

Performance Reports for Department Heads. Last year I recommended that department heads be given written performance reports so that they are held accountable in a

²⁰(...continued)

not be paid under the Fund's medical insurance plan.

²¹ Standards for coverage differ somewhat among the surrounding jurisdictions. You may wish to inform your doctor that the Fund in general follows the standards used by the District of Columbia. See GAO 20, section 10.01.

²² The criteria provide that for all levels of staff, use of the SBF resources is not a substitute for careful performance management.

systematic way on personnel management issues. Senior Management agrees that some sort of a procedure for evaluating department heads should be established, but thus far has engaged only in oral discussions. The feedback I received on the oral discussions suggests that the focus may be more on the work of the department than on the department head's personnel management skills. I continue to believe that a written performance report format would increase the likelihood that meaningful feedback is given on personnel management issues rather than having the discussion focus on the department's technical work. There is a real gap in accountability at this level on personnel issues. Though some department heads are known to have problems, the approach seems to be to wait until the person retires.

Procedures for Handling Harassment Complaints. I have recommended that the procedures to be used in handling harassment complaints -- sexual and other -- be written and published. My experience has been that personnel in departments and in Administration, either have no idea of how to proceed or have differing views of what the procedures are. Staff and employees also need to know the procedures in advance so that they can decide how to handle their particular situation. In fact, a variety of procedural approaches have been used, depending upon the circumstances of the case. In the cases I am aware of, the procedures ultimately decided upon appear to have been appropriate. The problem is the lack of transparency.

Rules for Exhaustion of Administrative Review on Pension Issues. Last year I pointed out that although the Administrative Tribunal was established in 1992, the Fund has still not published rules informing staff members and retirees on how to exhaust administrative review prior to submission of a pension issue to the Administrative Tribunal. The rules still have not been issued. There is no excuse for a delay of six years.

Fund Smoking Policy. I close on a positive note. In my sixteenth annual report issued on December 11, 1995, I recommended that the Fund's policy be changed so that smoking is permitted only in designated areas. The change was recommended to reduce the impact of second hand smoke on the health of non-smokers, and to take the burden of objecting to smoking of more senior staff off lower level staff. I am happy to report that effective August 18, 1997, the policy was changed. The focus now shifts to enforcement -- I am told not everyone is observing the new policy.