

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES
ROOM C-525

0414

EBAP/98/45

May 8, 1998

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Human Resources in the Fund—Issues and Policies**

Attached for consideration by the Executive Directors is a paper on issues and policies relating to human resources in the Fund, which will be brought to the agenda for a Seminar discussion on a date to be announced. An Executive summary appears on pages 3–6.

Mr. Baumgartner (ext. 37307) is available to answer technical or factual questions relating to this paper prior to the Seminar discussion.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

**Human Resources in the Fund—
Issues and Policies**

Prepared by the Administration Department

Approved by Ulrich Baumgartner

May 7, 1998

Contents	Page
Executive Summary and Issues for Discussion	3
I. Introduction	7
II. Human Resources and the Mandate of the Fund	8
III. Personnel Policy Objectives and Human Resource Situation	9
Work pressures	12
Work environment	14
Diversity	16
Human resource policy framework	17
IV. Skill Requirements and Recruitment	17
What skills does the Fund need?	17
Recruitment	18
V. Employment Policy	19
Current employment policy and practice	19
Review of categories of employment and employment policy	20
VI. Compensation	22
Salaries	22
Benefits	24
VII. Human Resource Development	26
Career development	26
Training	28
Management development	29
Performance management and evaluation	30

VIII.	Separation Policy	30
IX.	Work Program for FY 1999–FY 2000	32
Text Boxes		
1.	Institutional Objectives	10
2.	Personnel Policy Objectives	11
Figures		
1.	Economist Program Rejection Rate, 1992–1998	15
2.	Resignation of A9–B5 Staff, 1992–1997	15
Appendix Tables		
1.	Number of Staff and Contractual Employees	34
2.	Age Profile and Length of Service of Staff	35
3.	Nationality Distribution of Staff and Contractual Employees	36

EXECUTIVE SUMMARY AND ISSUES FOR DISCUSSION

The purpose of this paper is to provide an overview of the Fund's human resource situation and to discuss the main challenges facing human resource policy. Against the backdrop of the Fund's principal personnel policy objectives (see Box 2), the paper presents the broad framework for human resource policy over the medium term. Having established this framework, the paper outlines in Section IX a work plan for specific areas of personnel policy for the next 1–2 years.

On the whole, the Fund's human resource policy has served the institution well, and the Fund has had at its disposal the human resources necessary to fulfill its mandate. While human resource policy faces challenges at this juncture that require important adaptations, a drastic change in direction or approach would not seem to be indicated. The Fund has had available an experienced career staff, which has a first-rate training in economics and other fields, a broad skill base in macroeconomic analysis, as well as experience stemming from the close working relationships with member countries. The Fund's human resource policy has emphasized these qualities as well as the need for geographic diversity, strong professionalism, diplomatic skills, readiness to adapt to changing work requirements, and the ability to work in teams. These have been important strengths of the Fund's human resources. However, there are also a number of weaknesses and tensions in the Fund's human resource situation relating mainly to work pressures, some aspects of the work environment, and unfairness and inefficiencies in the employment situation. The evolving nature of the skill mix needed by the Fund is another issue that deserves special attention at the current juncture. Adaptation of the employment, compensation, and human resource development systems is also required. All of these issues need to be addressed if the Fund is to continue to serve its membership well.

Main human resource policy issues

Skills and recruitment: For the majority of jobs in the Fund, skill requirements have remained broadly unchanged. However, in the past few years the Fund has had to deal with economic problems that have resulted in some new skill requirements, and recent crises have resulted in a sharp increase in the need for financial sector expertise. The Fund has aimed to meet these new needs through recruitment, mainly of mid-career staff, and training. No significant change is envisaged in the recruitment of macroeconomists, with broadly equal shares of young university graduates (Economist Program) and mid-career economists with relevant work experience. Improvements will be sought in the present system of recruiting mid-career staff to help ensure high quality and facilitate the adaptation of recruits to the Fund's work environment. A reasonable rate of staff turnover will be maintained to support skill renewal. In this context, the experience with the expanded Separation Benefits Fund will be reviewed within one year.

Diversity: Diversity in the Fund's staff is important for the intellectual climate of the institution and its effectiveness in dealing with its member countries. The gender, nationality, and regional diversity of the staff in the Fund has improved, but further progress needs to be made. This should be achieved mainly through appropriate search methods and general recognition of diversity needs in career development. Issues and policies with regard to diversity are described in more detail in the 1997 Annual Report of the Special Advisor on Diversity, which is to be issued shortly.

Employment policy: The Fund has sought to maintain a career staff to provide a skill base of sufficient quality and depth, to ensure continuity and independence of its work, and to allow a flexible and rapid response to members' needs. At the same time, the Fund has resorted to shorter-term contractual employment relationships and the outsourcing of activities in response to what were often believed to be temporary needs and to save costs. However, this approach has also led to an ad hoc application of employment policy and abnormalities in the employment situation. The staff is currently undertaking a review of employment policy with the aim of allowing the Fund to better meet its needs for quality personnel on open-ended staff appointments, shorter-term employment relationships (staff and/or contractual), as well as vendor arrangements, on the basis of the principles of fair and transparent labor practices and cost-effectiveness.

Compensation: One issue is the serious erosion in recent years of the competitiveness of salaries at mid and senior levels with respect to the U.S. market. A review will be undertaken this year of the Fund's payline to provide for better alignment with the U.S. market and to maintain an appropriate margin of international competitiveness. A second issue concerns parallelism with the Bank. Changes recently made by the Bank in the benefits area have resulted in a departure from parallelism. In addition, the Bank is reviewing its salary policy to make it better fit its employment environment and skill needs, both of which have become increasingly different from those of the Fund. If the Fund and the Bank were to adopt different salary structures, the Fund will need to have comparators, jobs, and weights which have the right profile for the institution. Thus, this aspect of the salary system will also be reviewed in the period ahead. The recent Quadrennial Benefits Survey shows that the overall level of Fund benefits is somewhat below that provided by German comparators, closely in line with that in France, and above the level of benefits offered by U.S. employers. This result is broadly unchanged from earlier surveys. A small team of staff from ADM and other departments, as well as the SAC, is looking into developments in retirement programs elsewhere and is examining aspects of the Fund's Staff Retirement Plan that might merit more extensive review. Any changes will need to be carefully weighed, taking account of the Fund's multinational environment, employment policy, and other personnel objectives.

Work pressures: The expansion in the role and the activities of the Fund, the high frequency and the unpredictability of travel, rapidly changing work processes, and increasingly tight deadlines have greatly intensified work pressures in the Fund. The crisis in Asia has pushed these pressures far beyond tolerable limits in many parts of the institution. While the crisis

itself will end at some point, it will leave behind new areas of activity for the Fund. Allowing the present level of work pressures to continue would risk, on the human resource side, the erosion of human capital, burnout, a decline in morale, and an increasing inability of staff to balance work and private lives, all resulting in recruitment problems and an exodus of talent. To some extent this is already happening.

Reestablishing a sustainable balance between the amount of work and the available resources is thus a pressing concern. This is primarily a matter of budget policy and institutional priority setting. The increase in staff positions in the FY 1999 budget can be expected to provide some relief to work pressures, but aligning the workload with available resources will also require a careful and realistic setting of priorities in the work program of the institution. An important task for human resource policy is to find solutions, in a work environment that is likely to remain demanding and fast-paced, which will enable staff to better balance work and private life (e.g., leave policies, flexible work arrangements). Another key issue is to help ensure that staff have sufficient recovery time and opportunities for intellectual renewal and to develop fresh thinking (e.g., external assignments, mobility, study leave). This is vital for a knowledge-based institution.

Work environment and human resource development: Given its mandate and role in the world economy, the Fund has been one of the most attractive places for economists to practice applied economics, engage in policy work, and contribute toward helping countries. Staff in other professions also generally find that the Fund provides challenging work. However, the Fund's work environment also shows weaknesses.

First, with regard to "people management," progress has been made since the time of the Staff Survey in 1992 through the creation of the Senior Personnel Manager (SPM) function and the development and expansion of management training, career development programs, and subordinate feedback exercises. However, work pressures pose a serious risk to these achievements, as the development of skills and talents is crowded out by the focus on immediate output. To rectify this situation, work pressures need to be eased substantially, while some of the human resource development programs also have to be reviewed and improved.

Second, the Fund had for a long time given insufficient attention to formal professional training and managerial development, falling far behind other institutions in this respect. As a result, the Fund acquired a poor image with regard to efforts made by the institution to maintain human capital. While much has been done to expand and improve training, staff have had less time to attend the courses they need. That training is a high priority has to be more clearly established.

Third, the distribution of tasks between economists, research assistants, and staff assistants may no longer be optimal, especially in view of recent developments in technology. This situation needs to be reviewed and appropriate changes made.

Health: Another priority issue is the follow-up to the recent report by the Health Services Department on Employee Health in the Fund, which has identified several areas of concern (stress, travel-related health problems, tendinitis, coronary heart disease, and breast cancer). Action has already been taken to deal with ergonomic problems, and initiatives in the other areas have been formulated. An important issue is to ensure that the resources are available for appropriate follow-up.

Main issues for discussion:

Do Executive Directors share the view that the main objectives and key elements of the Fund's human resource policy remain appropriate and that a fundamental change in approach and direction is not required?

What are the views of Executive Directors on the strengths and weaknesses in the Fund's human resource situation?

Do Executive Directors agree with the main human resource policy issues discussed in the paper and the general approach suggested to address these issues?

Do Executive Directors endorse the work program outlined in the preceding paragraphs and summarized in Section IX of the paper?

I. INTRODUCTION

1. The purpose of the paper is to provide an overview of the Fund's human resource situation and to discuss the main challenges facing human resource policy. The last time personnel policy was discussed in a comprehensive manner by the Executive Board was in 1991. There have been significant developments since then, both in the external environment and within the Fund. It is, therefore, timely to revisit the principal issues for human resource management.

2. Recruiting staff with the required qualities, providing a competitive compensation package, maintaining an appropriate employment system, ensuring cost-effectiveness, retaining the staff the Fund wants to keep while separating those who do not meet required performance standards, developing the human capital of the staff, and providing challenging assignments and opportunities for career growth, all these are important tasks of human resource policy. This policy cannot be static, as it has to respond to changes in the tasks and responsibilities of the Fund, the rapid advance of technology which affects the work environment, and developments in the markets for the skills required by the Fund. Thus, the intention of this paper is not to present a detailed blueprint for human resource management, but to discuss a broad framework for policy over the medium term. It will be followed up by a number of initiatives in specific areas of personnel policy over the next 1–2 years. Another important point has to be made at the outset: personnel policy, budget policy, and institutional organization and design are all closely interrelated and have to be seen as a whole. In this respect, the discussion in this paper, which focuses on personnel policy, covers only part of the broader human resource picture.

3. Section II puts the human resource issues in the broader context of the Fund's role and responsibilities, including their evolution over time. Section III presents the main personnel policy objectives and discusses the current human resource situation in the Fund, including identifying areas of weakness and tension. Issues concerning skill needs and recruitment are addressed in Section IV. Employment policy is discussed in Section V, and compensation issues are considered in Section VI. Section VII addresses questions related to human resource development while Section VIII discusses separation policies. The paper concludes with Section IX which provides a summary of the work program in the human resources area over the next year or two. Appendix Tables 1–3 provide information on the number of staff and contractual employees, the age profile and length of service of staff, and the nationality and gender distribution of staff and contractual employees.

4. The following papers provide useful background information for this discussion of human resource issues: Staff Recruitment and Retention Experience in 1997, EBAP/98/32, March 25, 1998; Staff Compensation—1998 Review, EBAP/98/34, April 2, 1998; 1997 Quadrennial Benefits Survey, EBAP/98/40, April 17, 1998; and Overview of the Fund's Compensation Programs, EB/CAP/97/4 and Supplement 1, July 14, 1997. In addition, Executive Directors may wish to consider in this context the forthcoming 1997 Annual Report of the Special Advisor on Diversity.

II. HUMAN RESOURCES AND THE MANDATE OF THE FUND

5. The Fund's human resource policies must be firmly grounded in the mandate of the institution. While the fundamental purposes of the Fund have remained unchanged since it was founded in 1944, the Fund's role and its activities have grown dramatically. This evolution of the Fund's role was driven by such factors as the large increase in the number of developing countries achieving independence in the 1960s and the Fund's growing involvement in low-income (ESAF) countries; the two oil price shocks; new policy challenges emerging in industrial countries alongside more traditional macroeconomic imbalances; the debt crisis; the transformation of the formerly centrally planned economies of Europe and Asia to market economies and their inclusion in the world economy; the trend toward regional integration in many parts of the world; and the rapid growth in world trade and the even sharper increase in the international mobility of capital. The Fund has had to adapt its operations and activities—surveillance, the availability of its resources subject to conditionality, and the provision of technical assistance—to these changes in the international environment and the challenges they posed, often in the face of acute economic or financial crises which required quick responses.

6. This continuous adaptation to the changing and growing needs of the Fund's membership was achieved without serious internal disruption or the need for a major overhaul of the institution. The Fund has traditionally emphasized the need for a versatile career staff with first-rate training in macroeconomics, expertise in economic policy formulation and implementation, and diplomatic skills. These characteristics have allowed the institution to adapt its work to take account of changes in the world economic environment and developments in member countries, as well as new developments in economic thinking. Over the years the work of the staff has also become more diverse and complex and more technically demanding. From an organizational perspective, this adaptation has been facilitated by the small size of the Fund, an organizational structure that is flat but has a clearly defined hierarchy, and the tradition of building teams from various organizational units to deal with specific issues and tasks.

7. While the new challenges to be met by the Fund were manifold and different in nature, they did not require fundamentally new skills of the staff. To a large extent, the new requirements could be met by drawing on existing human capital, regular replacement recruitment to replenish and update the Fund's skill base, and the use of contractual arrangements for more specialized expertise. At times of large increases in membership or important additions to the tasks of the Fund, increases in the number of staff with the requisite skills were also sought. Furthermore, the rapid growth in the demand for technical assistance, especially in the wake of the collapse of the Soviet Union, required a substantial increase in the number of experts working for the Fund on a contractual basis. Similarly, the need to upgrade information technology in the Fund resulted in a large expansion in the number of employees in this area, mainly under contractual and vendor arrangements.

8. Maintaining the adaptability demonstrated in the past would also seem to be the key to preserving the relevance of the Fund to its membership in the future. The events in the past year in Asia have provided a powerful demonstration of the kind of challenges the Fund is likely to encounter in an environment of increasingly globalized markets and high mobility of large amounts of capital. This environment brings with it the need for a quick and flexible response to financial and economic developments, which unfold with great speed, and for new skills especially in the area of financial markets. At the same time, the Fund's mandate would be broadened by the planned amendment of the Articles of Agreement making the liberalization of capital movements one of the purposes of the Fund. Yet another issue is the growing importance given to the quality of economic growth and its human development dimension and the need to build strong and accountable public institutions and to establish appropriate regulatory systems ("second generation of reforms"). The current events in Asia are also likely to accelerate the trend toward openness, transparency, and public scrutiny of the Fund, which has an impact on how the institution functions and the skills required of the staff. All these factors have stretched the staff's ability to cope with new skill requirements and intense work pressures, perhaps more so than at any other time in the Fund's history.

9. From the current perspective, the developments listed above might, indeed, be those exerting the strongest influence on the mandate and the operations of the Fund in the medium term. However, experience shows that key developments that shaped the role of the Fund in a fundamental way frequently arrived without much advance warning. There is no reason to believe that this pattern will change in the future. Many of the events that the Fund will have to deal with in the period ahead will be "surprises" and developments in the world economy that are not now anticipated. A key concern of personnel policy, therefore, will be to help ensure that the Fund has the human resources to deal successfully with such unforeseen developments.

III. PERSONNEL POLICY OBJECTIVES AND HUMAN RESOURCE SITUATION

10. Given the institutional objectives of the Fund (Box 1), the Fund's human resource policy has been guided by the following principal values: high professionalism and first-rate qualifications of Fund employees; adaptability of the staff to meet the changing tasks of the institution; diversity in terms of gender, nationality, and regional distribution of the staff; fairness and equity in personnel policy; and cost-effectiveness. Human resource policy has pursued the broad objectives listed in Box 2.

Box 1. Institutional Objectives

Papers on the medium-term budget outlook in the past few years have provided the following formulation of the Fund's institutional objectives:

- The Fund must continue to foster a close working relationship with each of its member countries and be responsive to members' needs within the overall environment of globalization by providing intellectually sound and timely policy analysis and advice to senior officials of member countries and by ensuring that our resources to assist members, in particular our liquidity position, continue to remain adequate.
- The Fund must be able to respond quickly and effectively to unanticipated events and problems such as the recent events in Asia. This requires maintaining staff and institutional structures that allow an immediate response while ensuring that the essential ongoing work of the Fund is not compromised.
- The Fund must continue to build on recent efforts to be more open and transparent, and to disseminate widely its views, analyses, and research.
- The Fund needs to remain decision oriented—this is best achieved by keeping the institution's decision-making structure simple.
- The Fund must ensure that personnel policies are in place to continue to attract and retain a well-trained, motivated, and diverse multinational staff able to react quickly to new challenges. It is also necessary to ensure that the intellectual capital of the Fund, its greatest asset, is maintained at a level sufficient to meet the challenges of today and that the working environment supports this objective.
- The Fund must keep up with the pace of technology advances in order to provide the staff and the Executive Board with effective working tools that allow regular increases in the productivity of the institution. The achievement of these gains requires investment in new technology and continued modification of existing work practices and management systems, together with relevant staff training.
- The Fund must continue to work closely with the World Bank (and other international institutions) to ensure that maximum efficiencies are obtained by minimizing duplication and allowing specific initiatives to be undertaken by the organization which is best positioned to work in a given area.

Source: The Budgetary Outlook in the Medium Term—The Managing Director's Statement, EBAP/97/127, Dec. 30, 1997.

Box 2. Personnel Policy Objectives

- **Recruit and retain a career staff of the highest quality and professionalism, which has the ability to respond to changing needs, by providing an internationally competitive compensation package, challenging work assignments, the opportunity to develop and foster versatility through training and varied assignments within and outside of the organization, and an environment that affords reasonable security and a balance between work and private lives.**
- **Maintain a recruitment system that provides for the rigorous and objective selection of candidates. For economists, recruit career staff from among younger candidates with excellent academic qualifications and mid-career candidates who have gained experience outside the Fund in formulating and implementing economic policy or who have a demonstrated expertise in areas required by the Fund.**
- **Promote diversity in terms of gender, nationality, and regional distribution of the staff at all levels.**
- **Maintain an employment system that meets the needs of the Fund for career staff and shorter-term employment relationships, and that establishes a clear policy on outsourcing. This system should be fair and cost-effective.**
- **Maintain a compensation system, including both salaries and benefits, that is sufficiently competitive to attract and retain personnel with the qualities needed. This system must take account of the expatriate status of most of the Fund staff.**
- **Provide for appropriate skill renewal through a reasonable rate of staff turnover and a strong training program.**
- **Motivate staff through appropriate opportunities for career progression and growth. Encourage the development of managerial skills.**
- **Allow staff members to achieve their fullest potential. Skills already acquired should be broadened and new skills developed in order to permit staff to handle changing work requirements and to assume higher responsibilities within the institution. For this purpose, provide staff with access to continuing training and mobility assignments.**

11. Key strengths of the institution have been the availability of an experienced career staff, which can be deployed rapidly and has a first-rate training in economics and other fields, a broad skill base in macroeconomic analysis, and experience in policy making stemming from the close working relationships with member countries. The staff has also shown strong professionalism and discipline, readiness to adapt to changing work requirements, and the ability to work in teams. On the whole, Fund staff have highly interesting and rewarding jobs, receive adequate compensation packages—though salaries at mid and senior levels are an issue—and have the job security needed to carry out their functions.

12. There are, however, a number of significant weaknesses or areas of tension in the Fund's human resource situation. These weaknesses relate primarily to work pressures; some aspects of the work environment, in particular with respect to people management, the maintenance of human capital, and the distribution of tasks among groups of staff; and fairness and institutional efficiency in the employment situation. Other challenges facing human resource policy are the evolving nature of the skill mix needed by the Fund and the adaptation of the employment, compensation, and career development systems in order to enable the Fund to recruit and retain the staff it needs. Furthermore, diversity among the Fund staff needs to be reinforced. To help set the stage for the subsequent discussion of skill needs, recruitment, compensation, employment policy, human resource development, and separation policy, this section discusses issues related to work pressures, the work environment, diversity, and the human resource policy framework.

Work pressures

13. The Fund can expect its staff to respond readily to special and unforeseen work pressures, to work a reasonable amount of overtime, and to accept some inconvenience to their personal lives. However, the staff has been working under steadily increasing pressure, as the role and the activities of the Fund have expanded substantially and many new tasks have been added to its work, while the Fund's ability to shed activities has been limited. In addition, the Fund has had to respond to major economic and financial crises. In the event, these crises not only required a great deal of temporary attention, but each of them added permanently to the work of the Fund in one form or another (e.g., the introduction of the Special Data Dissemination Standard following the Mexican crisis). The recent events in Asia have created unsustainable work pressures in many parts of the Fund. At the same time, this crisis is also likely to leave a permanent legacy on the activities of the Fund, as it has given rise to new issues that will require the Fund's attention.

14. The rapid advance in information technology has had an important impact on the work environment and has, in some respects, intensified work pressures. While new technologies have increased productivity and facilitated communication, they have also resulted in new demands and have accelerated work processes. Furthermore, the amount of information which needs to be reviewed, absorbed, and analyzed has increased dramatically.

15. Being highly professional and committed to the institution, the staff has responded well to the intense work pressures. Indeed, the leading role of the institution and the relevance of its work have carried with it increased work satisfaction. However, the intense work pressures have resulted in stress and health problems, as indicated by the recent Report on Employee Health in the Fund, excessive travel, and leave not taken.¹ In an institution composed of high-performing professionals, who have strong ambitions for their work and their careers, competition and stress are inevitable and indeed necessary to ensure high quality output. These individuals will push themselves to do more and do it better. But the present situation has gone beyond the limits of healthy and "positive" stress. Allowing it to continue would risk, on the human resource side, the erosion of human capital, burnout, a decline in morale, and an increasing inability of staff to balance work and private lives, all resulting in recruitment difficulties and an exodus of talent from the Fund. To some extent this is already happening. In addition, the quality of work may suffer, as quality controls weaken and the time for reflection is reduced.

16. Reestablishing a sustainable balance between the amount of work and the available resources is, thus, a pressing and immediate concern in the human resources area. This is primarily a matter of budget policy and institutional priority setting. The increase in staff positions provided in the FY 1999 budget will provide some help to alleviate work pressures, but further efforts are required to reduce existing imbalances. In this context, particular importance attaches to a careful and realistic setting of priorities in the work program. The main task of human resource policy in a work environment that is likely to remain demanding and fast-paced is to enable staff to better balance work and private life. Ways will need to be found to eliminate excessive overtime and to ensure that employees can and do take sufficient leave. Work arrangements will also have to be made more flexible, taking advantage of the developments in information technology, and new services (e.g., child care) may be needed. Improvements in work practices and procedures, some of which are being undertaken in the context of the introduction of new technologies, can also reduce work pressures, albeit only at the margin.

17. A related task of human resource policy is to help ensure that an institution like the Fund, whose main asset is technical expertise, provides enough room to its staff to think and do research. Intellectual renewal and fresh thinking also require sufficient recovery time. This is not only a matter of overall work pressures, but also of providing opportunities for training, including outside the institution, and internal and external mobility. Furthermore, care must be taken to avoid overburdening senior staff with administrative and budgetary requirements, which are already substantial.

¹Stress-related psychological disorders and coronary heart disease are higher in the Fund than in the Bank.

Work environment

18. The mandate of the Fund and its role in the world economy provide an excellent basis for creating an attractive work environment. Indeed, the Fund has been one of the most attractive places for economists to practice applied economics, engage in policy work, and contribute toward helping countries. Staff in other professions also generally find that the Fund provides stimulating and challenging work. However, in today's labor market, highly trained and mobile professionals pay less attention to the name of the employer and the prospects for career employment than to the main elements of the work environment. The Fund faces a very competitive environment, especially for the highly trained economists and other professionals that are essential for the institution to fulfill its mandate successfully. The rate of rejection of employment offers for economists, both at junior and senior levels, has increased, and the Fund has recently also experienced a sharp rise in the voluntary separation rate, with a large number of highly-rated economists having joined private sector financial firms (Chart 1). In addition to competitive salaries and benefits, an attractive work environment is important for recruitment and retention. Here, the Fund shows some weaknesses.

19. Some of these weaknesses are in the area of "people management." Following the 1992 staff survey, a number of important measures were taken to strengthen people management, including the creation of the SPM function, the introduction of better career development programs, the expansion of management training, the increased attention being given to managerial skills of staff proposed for promotion, and the initiation of the Supervisory Feedback Exercise. Increased work and budget pressures now risk reversing some of the achievements. It is important to regain the momentum of improvement. To do so requires first an easing of work pressures that would allow supervisors to focus somewhat less on immediate output and more on developing the skills and talents of staff. This would also give supervisors the time they themselves need for managerial training. Second, it requires some further development of the programs and mechanisms in place to train and assess managers and stronger incentives for staff to take advantage of these training opportunities. Finally, career planning for junior staff will need to be strengthened (much of the attention is now focused on staff approaching Division Chief level and above). These initiatives would require additional resources.

20. A second aspect of the work environment that needs to be looked into is the distribution of tasks and functions between economists and staff in other professions, research assistants and staff assistants. The current division of tasks among these groups and the skill requirements and job grading of research assistants may no longer be optimal, in particular, in view of the changes in technology. For example, we will examine to what extent some of the more routine tasks now handled by economists could be taken care of by research assistants. The Fund also needs to ensure that it provides state-of-the-art technology support; the Fund's technology environment has been relatively slow to react to the fast pace of developments largely for budgetary reasons.

Figure 1. Economist Program Rejection Rate, 1992-1998

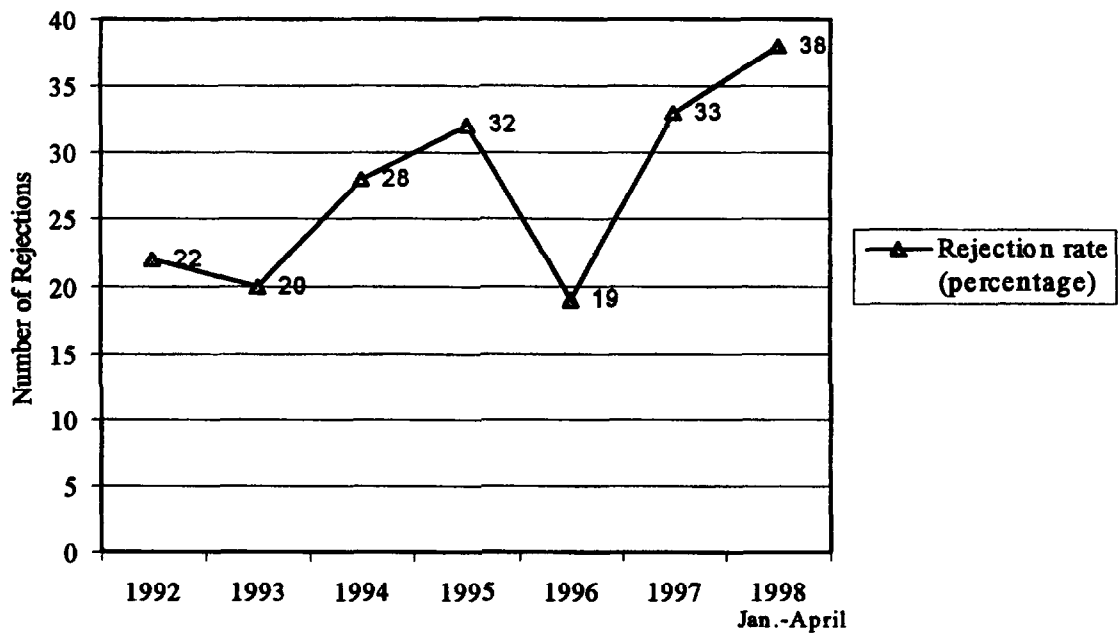
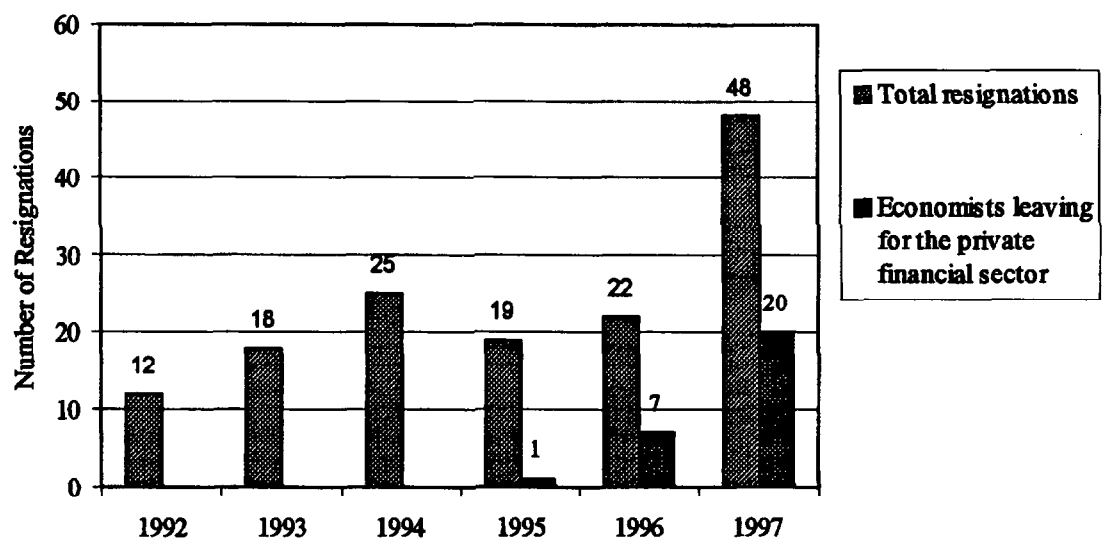


Figure 2. Resignation of A9-B5 Staff, 1992-1997 1/



1/ Data on economists leaving for the private financial sector are available only from 1995.

21. Furthermore, the Fund had for a long time given far too little attention to formal professional training and managerial development, falling behind other institutions in these important areas of human resource development. Substantial efforts have been made in recent years to remedy this situation, but more needs to be done.

22. The adherence to a strict hierarchy and the degree of control over the work of the staff exercised by supervisors have sometimes been criticized by both potential recruits and staff leaving the Fund. This aspect of the Fund's culture is bound to result in tensions in an institution that seeks to recruit intellectual "high flyers." There is no doubt that the action orientation of the Fund and the need to respond quickly to crises require discipline and cohesion. At the same time, staff must have the room to develop their intellectual potential fully, to take initiatives and to be creative, and they must have the opportunity to be heard. Motivation also requires that staff be given challenging responsibilities sufficiently early in their careers. Furthermore, it is important to keep staff up to date on Fundwide developments and give them a sense of the "big picture," allowing staff to see how their contribution fits into the whole.

Diversity

23. An international institution needs to pay particular attention to diversity with respect to gender, nationality, and regional distribution of staff. The intellectual climate of the Fund and its effectiveness in dealing with its member countries benefit importantly from diversity in its staff. Achieving diversity is a long-term project that requires a shared belief in the benefits of diversity, commitment by senior management, and accountability of managers. It also requires appropriate and effective action plans, suitable indicators of diversity to measure the achievement of objectives, and strong follow-up. In pursuing diversity, the Fund places emphasis on an intensified search for diversity candidates at the recruitment stage and general recognition of diversity needs in career development. While progress has been made, in particular with respect to the regional balance of staff and the recruitment of women economists, diversity still falls short of what it should be. It has to be recognized, however, that efforts to redress imbalances quickly are impeded by supply constraints with respect to both scarce nationalities and women economists. The 1997 Annual Report of the Special Advisor on Diversity notes the progress that has been made in identifying diversity candidates, the improvement in the share of underrepresented nationalities on the staff, and the progress made in diversity training. It also comments on the implementation of the diversity action plans, the success of which has varied across departments, and observes that the share of women in senior positions in the Fund remains low. Furthermore, it stresses the importance of monitoring the pipeline profiles of staff in the various career streams, and emphasizes the need to broaden and deepen the improvements made with respect to transparency of personnel policies, performance evaluations, promotion procedures, and mentoring and training.

Human resource policy framework

24. It should be kept in mind that in formulating human resource policy trade-offs between objectives (e.g., between continuity and flexibility, or between internal equity and close alignment with external market conditions) frequently have to be made. The environment in which human resource policy has to be formulated is characterized by change, both outside and within individual institutions, complexity, constraints, and conflict. What may be the correct trade-off between objectives today may no longer be the appropriate solution tomorrow. Rather than adhering to a fixed blueprint, human resource policy has to evolve over time. It is also important that personnel policy rules are simple, transparent, and fair, and that there is open communication with the staff about personnel policies and practices.

25. The role of the human resource function, as carried out by the Administration Department in the case of the Fund, is to put in place the human resource policy framework and to oversee its application. As discussed below, there are areas where improvements in this framework should and can be made. Beyond this, successful human resource policy in the Fund requires that managers at all levels in the institution give high priority to the practice of sound personnel management, especially developing the skills and talents of staff. Human resource policy has to equip them with the appropriate tools, and managers, in particular SPMs, need to be given sufficient time to spend on personnel matters and the incentives to do so. Much of personnel management and guidance provided to junior staff in the Fund has traditionally been left to departments and, in particular, their SPMs. The small number of staff available in ADM for career development and counseling has been too much occupied with having to deal with a relatively small number of problem cases at the expense of spending more time providing support to managers in developing the careers of their staff. A fresh look will be taken at the structure of personnel management, especially the roles of departments.

IV. SKILL REQUIREMENTS AND RECRUITMENT

What skills does the Fund need?

26. The Fund needs staff in a broad range of disciplines, such as economics, accounting, law, human resources, information technology, administrative services, external relations, and language services.

27. Numbering about 1,000 in total, economists are by far the largest profession in the Fund. The skills required for the majority of economist jobs in the Fund have been a strong background in macroeconomics and quantitative methods. In addition, the Fund needs economists with highly specialized knowledge in a number of areas mainly covered by its functional departments. Equally important have been practical experience in policy formulation and implementation. The Fund has also paid attention in its recruitment to diplomatic and interpersonal skills and the ability to work in teams.

28. The large majority of jobs for economists in the Fund is expected to continue to require a broad skill base in macroeconomics, a thorough knowledge of quantitative methods, and relevant policy experience. At the same time, some of the new issues in program work, surveillance, and technical assistance call for skills in areas outside the traditional macroeconomic fields. At present, the Fund needs, in particular, financial sector experts. This poses an immediate challenge for recruitment as well as training. The need for specialized skills is likely to continue to change both in terms of magnitude and type of speciality. To accommodate these changes, flexibility in recruitment and appropriate terms of employment, a reasonable rate of turnover (a separation rate somewhat higher than typically experienced in the past), and a strong training program are required.

29. Developments in information technology and work practices have substantially changed the role of staff and administrative assistants away from clerical duties to a number of other and frequently more complex activities. A task force reviewed these issues and made recommendations on work practices and deployment of assistants, grading and promotion policies, recruitment, and training and development. Follow-up action has been taken in a number of these areas and progress in the implementation of the task force's recommendations will be reviewed by mid-1998.

30. The research assistant/research officer career ladder needs to be reexamined. While a recent review has made progress with respect to the grading and job descriptions of the current career stream, a more comprehensive look needs to be taken at the appropriate number of research assistants and officers, the required skills, and the grade levels and terms of employment.

Recruitment²

31. To meet its need for economists, the Fund has traditionally hired a combination of young recruits with advanced academic qualifications, but little work experience, as participants in the Economist Program (EP), and well-trained mid-career staff with prior work experience in areas relevant to the work of the Fund. The EP has been very successful in attracting a large number of highly qualified economists who can serve in a broad range of economic departments. Similarly, mid-career recruits have provided the Fund with expertise and with practical experience in a wide range of economic policy issues that are vital to its operations.

32. Regarding economists, the recruitment mix of roughly equal shares of recent university graduates and mid-career economists has provided a good balance of economists with state-of-the-art technical knowledge and those with hands-on experience in policy formulation and

²Recruitment policies and practices were described in "Staff Recruitment and Retention," EBAP/97/30, 3/28/97, discussed in an Executive Board seminar in May 1997. See also "Staff Recruitment and Retention Experience," EBAP/98/2, 3/25/98.

implementation, and no substantial change is envisaged in this approach. Participants in the EP have come from a broad range of academic institutions known for the excellent education they provide in economics. The need for economists with adaptable first-rate skills and familiarity in modern technology argues in favor of maintaining a strong EP. With regard to the recruitment of EPs, the principal issue is to maintain the highest standards of technical qualification. At the same time, attention will continue to be paid to geographic diversity and gender balance.

33. The main issues in the recruitment of mid-career economists are to improve the identification of suitable candidates with the skills needed by the Fund and, given the much greater diversity in terms of training and experience of this group, to strengthen quality control at entry. At the same time, measures are needed to facilitate the integration of mid-career recruits into the Fund and their adaptation to the Fund's work environment (the separation rate after the initial two year fixed-term appointment is much higher for mid-career recruits than for EPs). This may include special training programs, including language training. The need for economists with specialized skills will continue to be met through mid-career recruitment. At present, the main challenge is to recruit the staff needed to deal with complex financial sector issues. This effort is rendered difficult by Fund compensation levels.

34. In the professions other than economics, recruitment will continue to focus on individuals who have significant professional experience. The share of U.S. nationals among Grades A9-B5 staff in these professions is relatively large, and efforts are underway to diversify recruitment sources.

35. External appointments at senior levels have been critical for bringing new perspectives and skills to the Fund and it is intended to maintain this approach (on average, about 20 percent of appointments to the B level have been from outside the Fund).

36. The Fund has emphasized the need for an international, geographically diverse staff. As a result, recruitment of staff in Grades A9 and above has been international. Grade A1-A8 level staff have traditionally been recruited locally, except when specific skill needs required international recruitment, as the Washington market has provided a sufficient supply of non-U.S. nationals at these grades. Such staff have access to expatriate benefits, which has helped to attract a geographically diversified staff.

V. EMPLOYMENT POLICY

Current employment policy and practice

37. The Fund has sought to maintain a career staff in order to provide the institution with a skill base of sufficient quality and depth, to help ensure continuity, independence, and impartiality in its work, and to allow a flexible and rapid response to members' needs. This approach would continue to be appropriate. However, some jobs and skills required by the

institution do not meet the criteria for open-ended appointment, and shorter-term contractual employment relationships or the outsourcing of activities are appropriate in these cases. Like many other institutions, the Fund has resorted to greater use of contractual employment relationships and outsourcing since the mid-1980s. This has been a pragmatic response to a rapidly changing technology environment, a sharp increase in the demand for technical assistance, and the need to contain costs. The share of contractual employees in total Fund employment rose from close to nil in the early 1980s to 14 percent in 1997 (which is somewhat less than half the share of "non-regular staff" in the Bank). Vendor arrangements also grew substantially.

38. However, the approach followed has also led to an ad hoc application of employment policy. As a consequence, fairness in the employment situation has been compromised and the needs of the Fund are not being met in the best possible way. Past practices have resulted in inequities, situations where contractual employees have for many years effectively carried out the work of staff, differences in compensation packages among contractual employees, questions regarding mutual commitment, and tensions among different categories of employees. Some of the practices are ad hoc, unfair, and divisive; would be inconsistent with labor law and practice in many member countries; and have resulted in real costs to the institution. A number of factors have contributed to this situation. In many cases, the type of budgetary allocation available (staff, contractual position, or dollar resources) rather than the nature or the duration of the job has determined the actual employment relationship. This was facilitated by employment guidelines which are insufficiently specific in such areas as defining temporary requirements and the characteristics of vendor arrangements. The absence of a mechanism to review employment relationships—to examine whether jobs or skill requirements previously deemed temporary have become permanent or vice versa—has also been a factor.

Review of categories of employment and employment policy

39. Given these anomalies in the employment situation, the staff is preparing a review of the categories of employment and employment policy in the Fund. It is planned to issue a paper for discussion by the Executive Board in the near future. The categories of employment in the Fund were last reviewed by the Executive Board in 1989.³ The guidelines adopted at that time defined the following employment categories: staff appointments, which are either "regular" appointments of an indefinite tenure⁴ or 2–5 year nonconvertible fixed-term appointments; contractual employees hired for projects which are typically either of a short

³See "Categories of Employment in the Fund," EBAP/89/101; 4/13/89.

⁴Open-ended staff appointments follow an initial fixed-term appointment, which is generally for two years.

duration or which require specialized skills not needed on an ongoing basis by the Fund; and vendor arrangements.⁵

40. Employment policy should meet the following criteria:

- high quality of all employees (the provision of high-quality services to member countries requires not only a first-rate staff in the institution's core activities but also a high quality standard for other functions);
- fairness and equity (as a minimum, consistency with fair labor practices in main member countries is required); the Fund should differentiate categories of employment only when justified by clear business needs and should provide for equal treatment of employees in each category; and
- cost-effectiveness.

41. Without prejudging the outcome of the review, the Fund appears to need three broad categories of employment relationships:

- open-ended appointments in functions, including support functions, essential to the basic operations of the Fund and requiring institutional knowledge and long-term commitment;⁶
- limited-term staff and contractual appointments to provide services of limited duration or in areas in which the Fund does not have or wish to have long-term institutional expertise;
- vendor arrangements that would be defined more tightly than at present in the context of a clear outsourcing policy. Vendor arrangements would apply to functions where the Fund has determined that an external provider will undertake the activity—based on considerations of quality, flexibility, and cost-effectiveness—and have full responsibility for this activity.

42. Employment practices should strictly follow policy; for this to work, the categories of resources provided in the budget will have to be consistent with the established employment policy.

⁵Contracts with vendor companies for the provision of certain services.

⁶Such appointments would be preceded by an initial fixed-term appointment of generally two years.

VI. COMPENSATION

43. **Main objectives:** establish a compensation system that is broadly consistent with practices in major member countries and that provides for internal equity; maintain a level of compensation that is highly competitive in major comparator markets; provide incentives and recognition for performance; permit a reasonable replacement income following employment, and protection in the event of sickness, disability and death; respond to the needs of a diverse staff; and ensure cost-effectiveness.

Salaries

44. For both prospective candidates and staff, base salaries are the single most important element of the Fund's overall compensation system. Salaries have to be competitive and the salary system has to offer prospects for salary growth compatible with sound performance and the assumption of greater responsibilities during the career. There is evidence that the competitiveness of salaries in the middle and upper professional grades has been severely eroded in recent years.

45. The Fund's present system of annual reviews of the salary structure was intended to be objective and reasonably automatic, while still allowing judgments to be made each year about the continuing international competitiveness of salaries and the size of any adjustment needed to support staff recruitment and retention. Uniformity of treatment and equal-pay-for-equal-work have been important principles in guiding the administration of the salary system; adhering to these principles is essential for creating an employment environment in which staff drawn from a large number of countries can work together effectively. Proposals made in the past to provide selectively recruitment bonuses or other pay incentives for "scarce" nationalities have been rejected as being inconsistent with these principles. The salary system provides substantial room for differentiation of annual salary adjustments given to individuals and thus in rewards for performance. However, in practice, the scope for differentiation is not fully exploited.

46. Another important feature of the Fund's salary system is its single payline. The fact that a very large majority of the staff at Grades A9-B5 are economists provides a strong argument for a single payline at these levels. The number of staff in these grades with professions other than economists is substantially smaller, and they are distributed among a sizable number of different professions (e.g., accountants, editors, external relations specialists, human resource specialists, information technology personnel, lawyers, librarians, and various professions providing administrative services). Similarly, staff in Grades A1-A8 are predominantly assistants. Thus, maintaining several paylines with a relatively small number of staff in many of them would not be cost-effective, could cause problems of internal equity, and could reduce transparency. Rather than having different paylines, the Fund has sought to achieve pay differentiation through the job grading structure built around a uniform payline. An objective framework for evaluating responsibilities and structuring jobs in the Fund as a

whole was established by the job grading system introduced in 1986. The main objectives of the job grading system are to establish a systematic internal structure of job and grade standards and to facilitate comparisons between Fund jobs and salaries and those in outside markets.

47. Parallelism between the Fund and the Bank—meaning primarily the maintenance of the same compensation system and salary structures—has been applied since the 1970s. However, in order to support a new employment environment that differs substantially from that of the Fund (e.g., generally shorter-term employment relationships and worldwide decentralization with more local staffing), the Bank has recently made significant changes in the benefits area that depart from parallelism. The main changes are in the Bank's retirement plan, post-retirement medical benefits, disability benefits, the separation grant, and severance payments. Changes in the eligibility for expatriate benefits are also planned. Furthermore, the Bank is reviewing its salary policy to fit the new employment environment and to better accommodate skill needs that, in comparison with the Fund, are much more diverse and subject to more frequent and larger changes. These developments raise the very real possibility that parallelism with respect to salaries will have to be reconsidered by both institutions.

48. A number of issues will have to be addressed by the Fund in the area of compensation policy:

- If separate salary structures were to be adopted by the Fund and the Bank, the annual salary survey would have to be restructured or delinked, with each institution using its own comparators, jobs, and both job and staff weights. A review of the Fund's comparators will be undertaken this year.
- Since the inception of the current compensation system, the payline of the U.S. market has become much more convex, as higher salaries have risen substantially faster than salaries at the lower end. However, the Fund's payline has continued to follow the relatively flat slope of the French and German market. As a consequence, the U.S. market is now well above Fund salaries at Grades A14 and above, while it is below the Fund payline at Grades A9–A13. The lack of competitiveness of Fund salaries at the equivalent of senior economist and above has contributed to difficulties in mid-career recruitment and in retention. A review will be undertaken this year of the shape of the Fund's payline to provide for better alignment with the U.S. market and to maintain an appropriate margin of international competitiveness.
- A third issue is finding an appropriate balance between market alignment and relationships with staff salaries in the compensation of contractual employees. New salary scales have been introduced for technical assistance experts, but difficulties continue to be encountered in some IT areas and for highly priced expertise in the financial sector area. Options will be explored to provide greater compensation flexibility in the recruitment of contractual employees and staff with highly specialized skills.

Benefits

49. In maintaining the appropriateness and comparability of benefits, mainly security benefits (primarily health care, retirement, separation, death, and disability benefits) but also other benefits such as leave and loans, the Fund's policy is to relate them to the same comparator markets as those employed in the salary system. The level of the Fund's benefits is compared with the average level of benefits in the public and private sectors of the United States, France and Germany in the Quadrennial Benefits Surveys. The 1997 Quadrennial Benefits Survey shows that the overall level of Fund benefits is above that provided by comparators in the United States, closely in line with those in France and below the level of benefits provided by German comparators.⁷

50. In addition to these benefits, the Fund also provides relocation allowances and expatriate allowances (home leave travel allowances and education allowances for dependent children). These allowances are intended to help staff meet identifiable costs arising from relocation to the greater Washington area and from expatriation. The provision of such benefits is a common practice among organizations that employ or assign personnel on an expatriate basis.⁸

Medical Benefits Plan (MBP)

51. The Fund's indemnity plan has generally been appropriate for the institution's multinational staff, most of whom are recruited from countries with generous and publicly supported medical plans. Over the years, a number of measures were introduced to contain the costs of the Plan, which are shared between the Fund and the staff, while maintaining the freedom of staff to choose their providers of medical care. It is not intended to change the basic design of the MBP at this time. However, some of the features of the MBP may have to be reviewed, in particular, if there were to emerge a cost shifting to indemnity plans like the MBP by health care providers in the United States. In this event, the Fund may wish to consider offering or shifting to lower cost options, which would also reduce the cost to the Fund as well as to staff for enrollment and copayments.

⁷For details see "Results of the 1997 Quadrennial Benefits Survey," EBAP/98/40, April 17, 1998.

⁸A summary of the practices of other international organizations and private sector employers in North America, Europe, and Asia was provided in "Review of the Fund's Compensation Programs," EB/CAP/97/4, July 14, 1997.

Retirement programs

52. The present Staff Retirement Plan (SRP) is a defined benefit plan designed primarily to provide staff members with a reasonable replacement income after some 20–30 years of service. In recent years, some employers—especially in the United States—and some governments have switched, in whole or part, to defined contribution or capital accumulation savings plans from the more traditional defined benefit pension plans. As part of its new policy of seeking higher staff turnover and shorter-term employment, the Bank has replaced its defined benefit plan with a new plan for new entrants that combines a much smaller defined benefit component and a defined contribution plan. The Bank has fully grandfathered current participants in the prior retirement plan and has also provided to them much more generous early retirement provisions than were previously available. Furthermore, the Bank has introduced a savings plan for some of its contractual employees.

53. A group of Fund staff from various departments is looking into these and other developments in retirement plans of other institutions, as well as possible changes in the needs of Fund staff, in order to identify issues or options that could merit more extensive review. The SAC is also examining these issues and will be fully consulted. Possible issues include: portability of benefits; assignment of risk; unpackaging of retirement, survivor, and disability programs; and early retirement provisions. Any changes will need to be carefully weighed, taking into account the Fund's multinational environment, employment policy and other personnel objectives. In addition, it is planned to introduce a savings plan for contractual employees to replace the present ad hoc lump-sum and annuity arrangements.

Expatriate benefits

54. The rationale for expatriate benefits—mainly home leave and education allowance—is based on the requirement that the Fund employ an international staff recruited on a wide geographical basis. Experience has shown that expatriate allowances play an important role in the recruitment and retention of staff. It has also shown that maintaining targeted benefits is the most cost-effective and equitable way to provide these benefits. They are designed to meet specific needs and costs that typically arise with expatriation. These needs and costs persist as long as expatriation continues. The expatriate benefits provided by the Fund are broadly similar to those of both private and international organizations.

55. A key issue is eligibility for expatriate benefits: in 1985, the criterion was changed from nationality to G–IV visa status; staff hired after that date who hold U.S. permanent resident (PR) visas no longer qualify for expatriate benefits. However, for all other purposes (e.g., indicators of nationality distribution), PR visa holders are treated by the Fund as nationals of their home country. The eligibility of PR visa holders for expatriate benefits will be reexamined later this year.

Work/life issues

56. Past efforts in this area have focussed on developing, often jointly with the Bank, a number of work/life initiatives and providing counseling on legal issues, immigration questions, and retirement planning. With work pressures having risen substantially, many staff members have not taken, or have not been able to take, sufficient annual leave, have accumulated excess leave balances, and have also lost leave. In view of these developments, leave policy will be reviewed in the next few months. Modern technology is changing the way people work and the Fund will explore the possibility of introducing more flexible work arrangements. None of these work/life initiatives is likely to succeed, however, unless the underlying work pressures are reduced. Issues concerning family leave arrangements and the provision of benefits to domestic partners will also be considered.

57. Another important issue has been the follow-up to the Health Report, which has identified several areas of concern (stress, travel-related health problems, tendinitis, coronary heart disease, and breast cancer). Action has already been taken to deal with ergonomic problems, and initiatives in the other areas are underway. An important issue is to ensure sufficient resources for appropriate follow-up.

58. With the number of two-career families increasing, the ability of spouses of Fund staff to find suitable jobs in the greater Washington area is important for recruitment and retention. There are four issues concerning spouse employment: the availability of appropriate jobs in the Washington area; the qualifications needed to enter the U.S. labor market; contacts with employers; and administrative procedures to secure work permits. The Fund can provide help with respect to the last two issues. A program operated jointly with the Bank is designed to facilitate job search in the Washington area and to provide career counseling to spouses. With regard to the administrative procedures, in 1996 the Fund staff set up a task force consisting of some of the Washington-based international organizations, developed proposals for a substantial easing of the administrative process for securing work permits, and discussed these with the U.S. Executive Director in the Fund. The matter is now for consideration by the U.S. authorities.

VII. HUMAN RESOURCE DEVELOPMENT

Career development

59. A strong career development program is critical for an institution like the Fund which attaches importance to maintaining a career staff. It should provide for flexibility in assignments based on a formal mobility program, growth in responsibility as careers progress, and objective and transparent promotion procedures.

60. The objective of mobility is to promote versatility and cross-fertilization of ideas and increase job satisfaction by exposing staff members to various assignments. Most staff should be mobile and take on assignments in different parts of the Fund. The majority of Fund staff—macroeconomists with a broad skill base—have been able to move readily and frequently among departments, and the Fund has encouraged this internal mobility. In fact, many area and functional departments have expressed concern about the large movement of economists in recent years. The mobility policy for economists (including assignments to resident representative posts) will continue to strike a balance between the need for continuity and the need to change assignments. As mentioned above, career planning for junior staff will be strengthened. In contrast to economists, other staff have found it more difficult to be mobile in the Fund. To help the mobility of staff mainly in these career streams, an Expanded Mobility Committee was recently formed whose task it is to suggest mobility arrangements. So far, such arrangements have been made in a small number of cases.

61. The Fund has also provided leave arrangements to enable staff to gain experience through external assignments. Most of these assignments have been to other international organizations or to member governments. (Because of potential conflict of interest, staff who wish to assume a policymaking position in government or to work for a private sector financial institution have to resign from the Fund.)

62. Promotion policies have emphasized technical performance as well as managerial ability for promotion to positions with supervisory responsibilities. High flyers can and do progress rapidly in their careers. To ensure uniform standards for career advancement, promotion decisions to Grade A14 and above are subject to Fund-wide scrutiny, exercised by the Review Committee or the Senior Review Committee.⁹ Recent changes have been the extension of the vacancy list system to all positions at Deputy Division Chief and above, the mandatory attendance by all Deputy Division Chiefs at the Management Development Center, and more comprehensive assessment of candidates in the Review Committee.¹⁰ A job ladder

⁹The Review Committee, which is composed of eight senior staff members appointed for three years and is chaired by the Director of Administration, advises management on all proposals for promotion to Grades A14–B2. All promotions to Grades B3–B4 are examined by the Senior Review Committee, which comprises the three Deputy Managing Directors, the Director of Administration and eight other Department Directors, who are appointed for two years. Furthermore, to help ensure the promotion of the best candidates in the Fund as a whole for promotion to administrative assistant at Grade A7, an Administrative Assistant Review Committee was established in 1990.

¹⁰To facilitate the selection of the best internal candidates and to promote transparency, all jobs in the Fund, with the exception of economists in Grades A11–A14, must be advertised internally. For vacant positions at Grades A15 (A14 Deputy Division Chiefs) –B4, departments may consider external candidates simultaneously; for other advertised vacancies

(continued...)

review, which is currently underway, is expected to result in less cumbersome promotion procedures in the specialized career streams while avoiding grade creep.¹¹

Training

63. Providing training is critical to maintaining a high caliber staff, keeping the Fund competitive as an employer, raising job satisfaction, and reducing performance problems resulting from skill deficiencies. In the past the Fund paid little attention to either formal technical or managerial training. Over the last twenty years or so, as the Fund's activity expanded continuously, it made intensive use of its human capital but devoted little effort to maintaining it through means other than on the job training. Priority was given to operational activity and few resources and very little time were provided for formal training. Compared with other organizations, the Fund has spent far less on training (about 2 percent of payroll expenditure, only about half the level of other knowledge-intensive institutions, including in the Bank). The average time Fund staff spent in formal internal training (including technology and language training) was less than 4 days in FY 1998, down from 5 days in FY 1997; economists received an average of about 1.5 days of training in their field in both years. These figures fall far short of the target, endorsed by the Executive Board in 1991, of 9 days of total training per Grades A9-A15 staff and 5 days of training per B-level staff per year.

64. In the past few years action has been taken to improve managerial training, step up technology training and provide training in negotiating skills. A much expanded program of training in economics was also put in place, which includes special courses for senior staff. The response of staff to the increased training opportunities, especially in economics, has been enthusiastic. However, constraints on the time staff can devote to training and the lack of support by supervisors remain issues; too often immediate work pressures take precedence.

65. Future efforts will focus on expanding the current training program to cover all grades and career streams and ensuring that it is relevant to the tasks of the Fund, cost-effective, and provides state-of-the-art knowledge. Efforts will also be undertaken to refine training standards and to hold supervisors accountable for discussing training needs with their staff and

¹⁰(...continued)

(i.e., positions up to but excluding Deputy Division Chief (Grade A14) in the specialized career streams) candidates from outside the Fund would normally only be considered after a search has failed to identify a well-qualified internal candidate.

¹¹The principal issues to be addressed in the specialized career streams are whether ladders and positions as currently graded correspond to present responsibilities; whether there are inconsistencies in the grading of positions and the processes governing the grading and promotion decisions; and whether the present system is overly complex and lacks transparency.

for releasing staff for training. These efforts require, of course, adequate provision of budgetary resources. Specifically,

- the need for **technology training** will remain large; work practices will need to be reviewed to make most effective use of technology;
- **management training**, based on standards of managerial performance, that have already been developed, will concentrate on the assessment of managerial skills and the development of additional managerial training; a revised curriculum of managerial courses is being established covering the main career stages;
- **economics training** will continue to be expanded to cover “second generation” reform issues and other topics of relevance to the Fund’s work with the aim to achieve two days of training per economist in FY 1999 and three days in subsequent years;
- training with respect to **negotiating skills** will be reviewed and expanded;
- **sabbatical leave** and **study leave** have been encouraged through a number of measures and an internal sabbatical program will be considered;
- **language training** remains very important, including training in English for new staff as part of the diversity effort; ADM has initiated a review of all language training to ensure its cost-effectiveness.

Management development

66. A Supervisory Feedback Exercise (SFE) was introduced in 1994 and is currently being implemented throughout the Fund for development purposes. This exercise involves extensive feedback from subordinates, peers, as well as supervisors and follow-up to ensure that managers and staff derive benefits from it. Following the completion of this exercise, some form of ongoing informal and less resource-intensive subordinate feedback will be retained.

67. A set of managerial competencies has been established, which is used in the performance evaluation exercise, the SFE and the Management Development Center (MDC). The MDC is designed to assess the managerial skills of prospective B-level staff and to assist participants in developing these skills. It is also an input in the Review Committee’s considerations for promotions. Another mechanism to help staff develop their management skills is the individual coaching program, which was introduced recently and is available to new Division Chiefs and SPMs. Also, individual managers and departments can avail themselves of internal consulting services to help them resolve difficult management or organizational issues.

Performance management and evaluation

68. The purpose of performance evaluation is to identify the strongest and weakest performers, provide a basis for determining the size of merit pay, and for promotion or separation decisions. However, performance management also serves to strengthen and develop performance and to ensure that the skills and capabilities of staff are well utilized throughout their career. The Fund's system of performance evaluation has undergone a number of changes over the years. The present system combines a written assessment with a formal performance rating on a four-point scale. In a recent extensive review of the performance evaluation system by the Personnel Committee it was decided to keep the current system basically unchanged, but to add comments on a list of specific competencies relevant for the career stream and grade level. An issue that will be looked into is whether full performance assessments are needed for all staff every year.

69. The quality and frankness of performance evaluation has improved in recent years, with more explicit attention being given to areas in need of development. (ADM reviews the quality of all performance assessments each year.) However, supervisors remain reluctant to make use of the full range of merit pay increases and ratings to differentiate performances. Additional efforts are required, in particular, to identify performance problems at an early stage and to take corrective action (see next section).

VIII. SEPARATION POLICY

70. The objective is to separate individuals whose performance, following appropriate efforts to bring about change and improvement, does not meet current needs and/or required standards.

71. In designing and administering its separation policy the Fund has to take account of special factors:

- G-IV visa holders cannot stay in the U.S. labor market and have to leave the United States within 60 days of resigning from the staff;
- mid-career expatriates are out of touch with their home labor market;
- staff often have no access to unemployment insurance or social security benefits in their home countries;
- the rights and the protection that employees enjoy in national labor markets do not exist for Fund employees because of the Fund's immunity. Thus, by creating the Grievance Committee and the Administrative Tribunal, the Fund has internalized the legal protection provided to employees elsewhere.

72. The Fund's experience has been that most performance difficulties arise in the very early phase of employment and again late in a career, often after 15–20 years of fully satisfactory performance. Separation in the early stage of a career works well since the introduction of an initial two-year fixed-term appointment in the mid-1980s, which allows sufficient time to assess the suitability for a Fund career. About 15 percent of mid-career staff do not receive offers for open-ended appointments; the non-conversion rate is much lower for EPs, but they undergo much more extensive pre-employment screening than other candidates. Separation of underperformers in late career stages is facilitated by the possibility of bridging to a pension through the provision of resources from the Separation Benefits Fund (SBF). For the reasons mentioned above, separation of poor performers in mid-career is a more difficult issue. To help staff find other jobs, the Fund has used outplacement services. In all, about 20 staff members are separated each year for reasons primarily of poor performance (through non-conversion of fixed-term appointments, resignation or early retirement).

73. The following measures are intended to deal more effectively with performance issues and to strengthen separation policy:

- To help prevent performance problems, increased efforts will be made to identify problems at an early stage and to provide remedial action through training, career counseling, and internal and external mobility. The monitoring and management of weak performers in mid-career need strong support from ADM. To deal more effectively with those cases where separation does become desirable, the rules have been tightened and better documentary procedures introduced that should help departments with separations.
- As budget consolidation is expected to continue in the medium term, staffing levels are expected to be flat or to decline. A larger number of separations will be needed to improve promotion prospects of younger high-performing staff, to create additional room for external recruitment and to promote skill renewal. The Executive Board has endorsed a doubling of the amount of the SBF in the next three years. This initiative is not a general redundancy scheme, but it is intended to increase selectively the separation of individuals, especially in the operational areas of the Fund, who have plateaued in their current positions. These separations will be effected on the basis of the current SBF policy. The experience with the expanded SBF will be reviewed in mid-1999.
- Greater portability of benefits under the Staff Retirement Plan would make it easier for mid-career staff, including weak performers, to leave the Fund.

IX. WORK PROGRAM FOR FY 1999–FY 2000

74. The paper has identified a number of areas in human resource policy in which significant initiatives and reviews are currently envisaged. The following provides a summary of the main activities planned and establishes a broad timetable:

- A paper discussing the categories of **employment** in the Fund and employment policy will be issued in the next few months for discussion by the Executive Board.
- The following issues relating to **salaries** will be addressed prior to the compensation review in April 1999: the shape of the Fund's payline; and the comparators used in the salary survey. Technical issues such as the smoothing of comparator data and the alignment with the comparator market could also be revisited.
- The staff is currently looking into some aspects of the Fund's **Staff Retirement Plan** (portability of benefits, assignment of risk, unpackaging of retirement, survivor, and disability programs, and early retirement provisions) which could lead to a review at a later stage. A savings plan for contractual employees will be considered for introduction in FY 1999 independently of any review of the SRP.
- It is expected that the rationale for the current eligibility criterion for **expatriate benefits** will be reviewed later this year.
- A review of the **Medical Benefits Plan** may become necessary in the period ahead. Substance and timing of such a review would depend on developments in the U.S. health care market, which are being closely monitored.
- A review of **family leave** and a few other benefits issues is planned for the second half of FY 1999.
- The experience with the **expanded SBF** will be reviewed by mid-1999.

75. The following reviews would not require consideration and decisions by the Executive Board as long as the changes made remain within the approved policy frameworks:

- A review of **job grading and progression policies in the specialized career streams** was initiated in late 1997. The principal issues to be considered are: (a) whether ladders and positions as currently graded correspond to present responsibilities; (b) whether there are inconsistencies in the grading of positions and the processes governing grading and promotion decisions; and (c) whether the present system is overly complex and lacks transparency. The various job ladders in the specialized career streams will be reviewed one by one, but a common framework will be used to ensure consistency. It is projected that the entire review of job grading and related policies will be completed in FY 2000.

- A review of the tasks and assignments of **junior economists and research assistants/officers** will be carried out to increase job satisfaction and the appropriate use of skills of both groups. A review of the role of administrative and staff assistants was completed in early 1997. A number of recommendations were made, the implementation of which will be reviewed in mid-1998.
- A number of initiatives are already under way or are planned for FY 1999–FY 2000 to address **work/life issues** and to follow up on the report on **Employee Health in the Fund**. In addition, the scope for more flexible work arrangements will be explored, and the staff will follow up with the U.S. authorities on proposals to simplify work permit procedures for spouses.
- Improvements will be sought in the **recruitment** of mid-career economists with the aims of being more effective in identifying suitable candidates and facilitating their adaptation to the Fund's work environment. In this context, a fresh look will also be taken at current practices concerning secondments, special appointments, and visits to better meet the needs of the Fund as well as of member countries.
- Efforts will be made to further strengthen the Fund's program for **selecting and training managers** and to improve incentives for good people management.
- A review will be undertaken of the way personnel management is structured in the Fund, and, in particular, of the **role of SPMs**, which is critical for good human resource management in the Fund.

**Table 1. Number of Staff and Contractual Employees 1/
(as of 12/31/1997)**

	Women	Men	Total
Staff			
A1-A8	593	100	693
A9-A15	389	790	1,179
B1-B5	31	278	309
Total Staff	1,013	1,168	2,181
Contractual Employees			
Support level	129	42	171
Professional level	68	146	214
Total Contractual Employees	197	188	385
Total Employees	1,210	1,356	2,566

Source: Compensation Policy Division, Administration Department.

1/ Contractual employees include headquarters-based experts, but excludes technical assistance experts in the field; it also excludes local staff of overseas and resident representative offices.

Table 2. Age Profile and Length of Service of Staff
(as of 12/31/1997)

Age	Staff Count	Average Length of Service (Years)
20-24	5	1.41
25-29	81	2.28
30-34	288	3.35
35-39	404	6.43
40-44	367	9.34
45-49	401	13.75
50-54	376	18.38
55-59	194	20.88
60-64	65	22.95
Total	2,181	

Source: Compensation Policy Division, Administration Department

Table 3. Nationality Distribution of Staff and Contractual Employees
(as of 12/31/1997)
(excluding Offices of Executive Directors)

Region 1/	Staff A1-A8		Staff A9-B5		Contractual Employees		Fund Financial Quota
	Number	Percent	Number	Percent	Number	Percent	Percent
Africa	43	6.2	78	5.2	27	7.0	4.5
Asia and Pacific	136	19.6	223	15.0	59	15.3	16.5
Australia	9	1.3	33	2.2	6	1.6	1.6
China	9	1.3	24	1.6	8	2.1	2.3
India	32	4.6	57	3.8	18	4.7	2.1
Japan	2	0.3	24	1.6	2	0.5	5.7
New Zealand	8	1.2	12	0.8	2	0.5	0.5
Other Asia	76	11.0	73	4.9	23	6.0	4.3
Europe	125	18.0	494	33.2	63	16.4	40.7
France	20	2.9	67	4.5	10	2.6	5.1
Germany	4	0.6	57	3.8	4	1.0	5.7
Italy	6	0.9	42	2.8	0	0.0	3.2
United Kingdom	57	8.2	104	7.0	11	2.9	5.1
Other Europe	38	5.5	224	15.1	38	9.9	21.6
Middle East	27	3.9	91	6.1	14	3.6	9.2
Western Hemisphere	362	52.2	602	40.5	222	57.7	29.1
Canada	18	2.6	52	3.5	10	2.6	3.0
United States	186	26.8	380	25.5	177	46.0	18.3
Other Western Hemisphere	158	22.8	170	11.4	35	9.1	7.9
Total	693	100.0	1,488	100.0	385	100.0	100.0

Source: Compensation Policy Division, Administration Department.

1/ Regions are defined on the basis of the country distribution of the Fund's area departments.