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GRAY/06/1366

April 18, 2006

**Statement by Ms. Jacklin and Ms. Donovan on Staff Compensation—2006 Review
(Preliminary)
Executive Board Meeting 06/38
April 19, 2006**

- We support the proposed decisions as consistent with the new compensation framework agreed by the Executive Board on April 14.
- One major aim of the ECBR was to determine whether the IMF's salary structure and benefits were either under-competitive or over-competitive. The proposed decisions seek to address the conclusions of the competitiveness review through the steepening of the Fund payline and reduction in the salary structure, as well as through the judgment made to make a special merit pay allocation for grades A14-B5 which are currently found to be "under-competitive."
- While the proposals inherently contain difficult judgments, and we would prefer a less rapid increase in the upper end of the payline and greater use of bonuses not base pay for senior staff, we can accept management's proposal. We appreciated the Managing Director's April 17 statement elaborating on the proposals, including his reasoned assessment that the proposals meet the Fund's needs for international competitiveness. The report on Staff Recruitment and Retention Experience in 2005 also indicates that the Fund generally has a very stable level of employment and no significant recruitment or retention problems. (However, we clearly continue to need to strengthen and centralize our human resources function, in order to assure improvements in diversity and mid-career recruitment and retention.)
- We note that the proposals result in an overall increase in the wage bill of 2.1 percent and can be met with "no real increase" in the budget, using a true external deflator. We also consider it critical that the 2006 merit pay be allocated under a strengthened system as explained in paragraph 51 of EBAP/06/38, and that further improvements in the Fund's merit pay system be promptly implemented as outlined therein.
- With this decision behind us, we urge the staff and the Board to give the new system time to operate, while continuing to move forward expeditiously on outstanding issues: functional paylines or regrading, compensation reviews for the A1-A8 positions, and reform and modernization of our pension and medical benefits system.