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October 27, 1976

correction

To: Members of the Executive Board

From: The Acting Secretary

Subject: Minutes of CAP Meeting 76/8 - Staff Compensation Review, 1977

There are attached the minutes of the meeting of the Committee on Administrative Policies held on September 20, 1976, as approved yesterday, October 26, 1976.

Attention is drawn to the fact that these minutes will serve as background for the Executive Board's forthcoming consideration of the proposal of the Managing Director on the procedures to be followed for the 1977 Staff Compensation Review (EBAP/76/242, 10/20/76).

Att: (1)

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COMMITTEE ON ADMINISTRATIVE POLICIES

Meeting 76/8
September 20, 1976

H. J. Witteveen, Chairman
W. B. Dale, Deputy Managing Director

Executive Directors	Alternate Executive Directors
S. Y. Cross	T. Leddy
	D. Lynch
H. R. Monday	
	G. Laske
	L. F. Vílches, Temporary
	J. Foglizzo

J. W. Lang, Acting Secretary

Also Present

C. P. Caranicas
M. Pietinen, Temporary
M. A. Wasfy, Temporary
E. Sacerdoti, Temporary
A. Malek, Temporary
T. de Vries
P. Kent
S. Sevilla
A. G. Morris, Temporary

Administration Department: P. Thorson, Director; K. N. Clark, Deputy Director; P. N. Kaul, Deputy Director; C. Ahl, T. Andresen, T. Cole, W. B. Hobbs, R. J. Powell, A. Wright. Secretary's Department: A. W. Rhodin. Personal Assistant to the Managing Director: D. W. Green. Advisor to Executive Directors: J. K. E. Cole. Technical Assistants to Executive Directors: V. Alipui, V. Amiel, D. Berthet, R. De Beckker, B. Goos, G. Heyden Q., A. Karimi, C. J. Lohmann, G. Meissner.

1. STAFF COMPENSATION REVIEW, 1977

The Committee considered a memorandum from the Chairman on the procedures, nature and scope of the staff compensation review for 1977 (EB/CAP/76/14, 9/15/76).

Mr. Kent remarked that the Chairman's proposals would avert some of the difficulties of the previous year's compensation review, and that he could accept the tentative timetable for the 1977 review. Although an open system might possibly inhibit discussion rather than promoting complete and honest exchange of views, he would agree that representatives of the Staff Association Committee could be present throughout the initial meeting of the Executive Directors. The Board should be able to defend its position in the event of dissent from the Staff Association Committee.

However much data were used for a review, Mr. Kent said, it would inevitably be subject to various interpretations. All parties--the Executive Board, member governments, the staff, the management and the Staff Association Committee--would no doubt emphasize those comparisons with previous years and with other institutions which best supported their predispositions. The presentation of data in a more concise form would be useful, but it was essential that the data paper not point to any conclusions nor be open to accusations of selective and therefore slanted pruning.

The paper on the issues underlying decisions on staff compensation, to be distributed at Step 2, would be valuable, Mr. Kent said. The climate for salary negotiations between employees and employers had changed over the years, and institutions like the Fund could no longer be paternalistic. It was the responsibility of increasingly active staff representatives to secure the most advantageous settlement for their constituents. Staff representatives would begin by making excessive demands and move to a more moderate position in the course of negotiations. A collision of employer and employee interests could not be avoided, and the issues paper would help to forestall the misunderstandings and enmity that had emerged last year.

Mr. Cross remarked that he had difficulties with the Chairman's proposals in several respects. First, he feared that a reduction of the statistical data might produce a bias toward one argument over another. He would not support a blanket decision to eliminate data without a careful examination of the figures in question.

The list of proposed survey participants was not at all representative of the Fund's membership, Mr. Cross added. With the exception of the Central Bank of Venezuela, all of the Central Banks were drawn from the major industrial countries; and the private sector list was also confined to a narrow range. Germany appeared in all three public sector categories, replacing even Japan among the Civil Services, and it was not appropriate that one country should be given so much weight. The survey would be a more valid basis for comparison if the list were altered to include civil services and central banks from a broader range of countries.

The role of the Staff Association Committee in the review process was a critical question, Mr. Cross said, and in that connection he had serious doubts about the proposed procedures. An open discussion of staff compensation would be inadvisable, as would the participation of the Staff Association Committee to the extent proposed by the Chairman. The staff representatives would aim for an increase in staff salaries and benefits, but the Executive Board would have different considerations. If staff representatives were privy to the Board's discussions, staff expectations might be raised on the basis of preliminary positions but not fulfilled by the final decision. That had been the problem last year, with the result that the staff had regarded as meager what in many respects had been a generous increase.

The Chairman noted that the role of the Staff Association Committee would be the same under the present proposals as it had been the previous year. He wondered whether Mr. Cross was suggesting that the Staff Association should not be permitted to present its views to the Board.

Mr. Cross replied that he had no objection to a presentation by members of the Staff Association Committee. He was particularly concerned with the proposed Step 4, the informal consultations by the management with Executive Directors and with the Staff Association Committee. In the period between the Executive Board's initial discussion and its consideration of the Managing Director's formal recommendations some three months later, there was a risk of unfounded assumptions about the likely outcome. If the management's proposal were made without any consultation with the Staff Association Committee, the problem would be averted.

Mr. Laske supported the Chairman's proposals. The simplification of data would help to make the compensation review less tedious than it had been in the past two years, when a wealth of data had lent itself to differing and often opposite interpretations, causing confusion on all sides. The abandonment of the tentative proposals, which had given rise to some tension in previous years, was another welcome change in the procedures. The efficiency of the review process would no doubt be enhanced by proceeding directly to formal and final recommendations.

The Fund operated in a democratic country, Mr. Laske observed, yet the staff had been allowed a negligible role in setting its own working conditions. The Staff Association Committee deserved a greater role in the review process--though not to the extent of entering into negotiations with management--in order to represent the interests of the staff more fully.

In connection with Mr. Cross' comments about the proposed survey participants, Mr. Laske remarked that as the Deutsche Bundesbank and the German Ministry of Finance used the same compensation scale, the Finance Ministry might well be replaced with the civil service of some other country.

Mr. Lynch commented that the Chairman's proposals were likely to eliminate many of the difficulties and confusions of last year's compensation review. The presentation of data in a more concise form would be particularly useful, permitting a clearer analysis than the overwhelming volume of information on which the previous review had been based. It was, however, important that the essential material be retained. The submission of the data paper and the issues paper directly to the Executive Directors rather than to the Committee on Administrative Policies was also an appropriate change given the importance of the subject.

Any extensive participation by the staff in the Executive Board's discussion would be inadvisable, Mr. Lynch considered, but free communication between the staff and management was imperative, and the staff should understand the Board's views. The problem with staff participation in the initial discussions was that the preliminary reactions of the Executive Directors might differ from the final positions they would take on the basis of instructions from their authorities.

Mr. de Vries supported the proposed procedures for the compensation review. The increased role of the Staff Association accorded with the pattern of employee-employer relations in the United States, and indeed with the rapidly changing pattern of these relations in most of the countries of his constituency, and the staff's objections to withdrawing after a presentation to the Executive Board were understandable. The active participation of staff representatives in a Board discussion would be unacceptable, but the Executive Directors would surely benefit from having the reactions of the Staff Association to such major points as usually developed in a meeting. He could not agree with Mr. Cross that the Managing Director should make a proposal without even consulting the Staff Association Committee.

The data for the review could well be streamlined, Mr. de Vries remarked, since any figures were likely to be interpreted as reinforcing a previously held view. Minor modifications in the proposed list of the survey participants would also be acceptable.

Mr. Monday stated that he accepted the Chairman's proposals and the tentative timetable. Like other Executive Directors, he endorsed the participation of the staff in the compensation review process.

Mr. Foglizzo agreed that the data for the review should be more concise; the objectivity of the Chairman would ensure that the relevant figures were made available. It was also expedient to bypass the Committee on Administrative Policies and to discuss the issues and data papers in a meeting of the Committee of the Whole. During the period of informal consultations following that meeting, it would perhaps be useful for the Committee on Administrative Policies or the Committee of the Whole, to have an interim report from the Chairman on the range of positions and a possible compromise.

The Staff Association would certainly benefit from a first-hand impression of the Board's views, Mr. Foglizzo said. He could accept the presence of staff representaives throughout the Board meeting, but not their active participation.

Mr. Caranicas remarked that the proposed procedures, which reflected the lessons of the last year, represented a more simple and timely approach to the difficult issue of staff compensation. It would indeed be useful to have more concise data, but it would perhaps be necessary to examine the figures further before deciding what to eliminate and what to retain; any semblance of a bias against Staff Association views should be avoided.

Close communication with the Staff Association Committee was important Mr. Caranicas said. If staff representatives were to be present at the Executive Board's initial meeting, they might be permitted to pose quescions to the Executive Directors as well. At the same time, the participation of staff representatives in a compensation review had to be kept within limits, and their presence at the Executive Board's discussion of final recommendations would be inadvisable. The concept of collective bargaining could not be applied in the Fund, whose staff was in many ways unique. Mr. Cross had made a valid point about the disparate interests of staff and management, and the veiled threat of a strike had an adverse influence in consultations with the staff.

Regarding the survey of data, Mr. Caranicas suggested that a comparison be made between the salaries of Fund Executive Directors and those of Directors or Board members in the list of proposed survey organizations. The upper limit of staff salaries in the Fund was already above the maximum for Executive Directors, not to speak of that of Alternate Executive Directors, whose salary increases had not been approved by the Board of Governors.

Mr. Leddy, responding to comments about Mr. Cross' intervention, stressed that Mr. Cross had not been excluding the possibility of any consultation with the staff. His concern had rather been the extent of staff involvement in the process of decision-making by the Executive Board. It seemed to him that under the procedures that had been proposed, the submission of a concrete proposal to the Executive Board would not come until a very late stage of the salary review, and the outcome would already be determined. Even in collective bargaining, it was highly doubtful that labor and management shared in the decision of what each party's negotiating position would be.

The Deputy Director of the Administration Department commented that the change in the presentation of data was not intended to eliminate any essential figures which would be helpful in reaching decisions. A number of tables used in the past had been repetitious. As an example, the same material was presented in dollar amounts and in indices. If the dollar amounts were excluded, the same information could still be found in the index tables.

Responding to comments from Mr. Cross, the Deputy Director explained that the proposed survey participants were drawn primarily from the industrial countries because it was primarily in those countries that the Fund competed for staff. In practice, the salary level considered appropriate for the industrial countries applied for other countries as well, and the Fund could not attract staff on the basis of lower salaries.

So as to avoid having three German organizations on the survey list, the Deputy Director added, it would be possible to substitute the Belgian Ministry of Finance for the German Ministry of Finance, which, as Mr. Laske said, used the same basic salary scale as the Deutsche Bundesbank. The list of bilateral aid agencies, in which Germany was represented, offered direct comparisons with World Bank salaries and could not be altered.

The Director of the Administration Department said that an effort would be made to collect information on Directors' salaries in some of the organizations being surveyed, as Mr. Caranicas had proposed.

The participation of the Staff Association Committee was of course subject to the discretion of the Executive Directors, the Director of the Administration Department noted. It seemed important, however, to prevent the kind of misunderstanding which, when hopes were disappointed, had led to a sharp reaction from the Staff Association Committee in 1976. That was the basis for the proposed change in procedures.

Mr. Kent suggested that the Board's initial discussion of the data paper and the issues paper might take place in two phases. If the staff were present to hear the Executive Directors' preliminary reactions, the problem of misunderstanding would be overcome to some extent; after the staff representatives had withdrawn, the Executive Board could then discuss the matter more fully and informally.

Mr. Foglizzo observed that staff participation would be most useful in a discussion of data and issues, rather than in a decision itself. If the Board were to vote on proposals, for example, the presence of the Staff Assocation Committee would not be called for.

The Chairman remarked that there seemed to be some confusion about the nature of his proposals, which provided for two separate discussions by the Board. The question he had raised about staff participation pertained only to Step 3, the Board's initial discussion: whether staff representatives should be present throughout that discussion or whether, as in the past, they would have to withdraw after presenting their views and answering questions. He was by no means suggesting that staff representatives should be present at the Board's subsequent meeting--Step 6--when a formal decision would be taken on his final recommendations.

The past practice seemed very limited, the Chairman continued, since only one or two of the Executive Directors had asked questions of the Staff Association representative, who had then replied and left. There was a psychological advantage in giving Staff Association representatives--perhaps as observers only instead of as participants--a better sense of the Board's views, and their presence was unlikely to hamper free discussion by the Board.

Mr. Caranicas wondered whether there was anything more than a psychological advantage in the staff's presence during discussion of the data paper. The primary interest of the Staff Association Committee would seem to lie in specific proposals, and staff representatives would no doubt wish to counter the arguments of Executive Directors with their own.

The Chairman agreed that the staff would gain little from being present at the discussion of the data paper. However, some indication of the more general thinking of the Executive Directors would no doubt emerge.

Mr. Leddy said that he still had some misgivings about the proposed role of the Staff Association Committee. The views expressed by Executive Directors at their initial discussion would be tentative and perhaps uninstructed, and the staff's presence would perhaps increase the likelihood of misunderstanding or erroneous interpretations on the part of the staff.

His chair was less concerned with the question of staff participation in the early stages of reviewing salary data, Mr. Leddy noted, than with the compression of the review process. It appeared that the Executive Board would have nothing concrete to consider until a very late stage, and the submission of a tentative proposal earlier on might be advisable.

The Chairman, summarizing the Board's discussion, observed that there was widespread support for a more concise presentation of the data. Some of the Executive Directors had perhaps feared that important data would be left out, but his proposal clearly indicated that the essential material would be retained.

There also seemed to be majority support for the proposed sequence of steps, the Chairman noted. The Committee seemed willing to accept the presence of a Staff Association representative throughout the Board's initial discussion. The Board's gesture could help to improve relationships with the Staff Association.

With respect to the list of organizations participating in the survey, the Chairman remarked that emphasis had to be placed on industrial countries to reflect the competitive needs of the Fund. He therefore wondered whether the Executive Directors would agree to replacing the German Ministry of Finance with that of Belgium.

Mr. Sacerdoti wondered whether there had to be three U.S. banks in the private sector category.

The Deputy Director of the Administration Department replied that it was preferable to include three organizations in order to merge the data and preserve its confidentiality. The private sector category included three U.S. institutions for that reason; it was not the staff's intention to emphasize comparisons with the United States.

Mr. Foglizzo remarked that the inclusion of the Belgian Ministry of Finance would add a third Brussels-based institution to the survey list, which already included the European Communities and the Bank Bruxelles-Lambert. For a broader list, the Netherlands Ministry of Finance could be used instead.

The Deputy Director of the Administration Department noted that it might be easier to survey the Belgian Ministry of Finance, since the staff would be visiting Brussels anyway. Apart from time constraints, however, there was no particular reason why the Netherlands Ministry of Finance could not be included.

The Director of the Administration Department remarked that Common Market salaries in Brussels were not based on Belgian salary levels but were settled in the light of the cost of living and changes in salaries in the civil service of member countries.

The Deputy Director of the Administration Department said that the staff would look into the possibility of including either the Netherlands or the Belgian Ministry of Finance, instead of the German one, in the national civil services category.

Mr. Caranicas wondered whether the President of the World Bank planned to follow similar procedures to those proposed by the Chairman.

The Chairman said that that would be the case.

Mr. Caranicas asked whether the same procedures would also be used by the Inter-American Development Bank.

The Director of the Administration Department replied that in the past two or three years, the Inter-American Development Bank had waited until the Fund and the World Bank had completed their compensation reviews.

Mr. Leddy objected to the proposed procedures on the grounds that they would weaken the role of the Executive Board; the matter would require further thought. Moreover, it was difficult to react to the proposed changes in the data without knowing which dollar figures would be eliminated. His chair utilized both dollar figures and indices in their analyses, and it might well be useful to retain the dollar amounts as well as the indices.

The Chairman agreed that some dollar figures would have to be retained, and he suggested that the staff might consult with Mr. Cross and Mr. Leddy to ensure that nothing they considered essential would be eliminated.

The Committee members approved the procedures outlined by the Chairman, with Mr. Leddy dissenting.

2. REPORT AND RECOMMENDATIONS ON STAFF STUDY PROGRAMS

The Committee members considered a report on the operation of the individual study programs, covering the year ended April 30, 1976 (EB/CAP/76/13, 9/7/76).

The Chairman observed that the report on individual study programs included recommendations on changes in the sabbatical leave policy and the establishment of a new study program involving leave at half pay.

Mr. Caranicas inquired whether staff study programs in the World Bank were similar to those in the Fund.

The Director of the Administration Department replied that the three programs presently offered in the Fund were also available in the World Bank, but there was greater participation in the Bank than in the Fund, particularly in other external training programs. Although the World Bank had not yet introduced a fourth program for leave at half pay, as was being proposed for the Fund, the Bank would certainly consider such a program.

The Committee members approved the proposed modification of the sabbatical leave program and the proposal to establish a fourth program for leave at half pay.

The Committee adjourned at 11:10 a.m.

Approved: October 26, 1976