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EB/CAP/76/14

CONFIDENTIAL

September 15, 1976

To: Members of the Committee on Administrative Policies
From: The Acting Committee Secretary
Subject: Staff Compensation Review, 1977

The attached memorandum on the procedures, nature and scope of the staff compensation review for 1977 is scheduled for consideration by the Committee on Administrative Policies on Monday, September 20, 1976.

Att: (1)

CONFIDENTIAL

September 15, 1976

TO: Members of the Committee on Administrative Policies
FROM: The Chairman
SUBJECT: Staff Compensation Review, 1977

This paper sets out my proposals on the procedures to be followed for the 1977 Staff Compensation Review, and on the nature and scope of the related survey.

I. Procedures

The Executive Directors will recall that at the conclusion of the discussion on the 1976 Staff Compensation Review (EBM/76/64, 4/21/76), I expressed serious concern about some aspects of the procedures which had applied and indicated that I intended to review them. In my view the major shortcomings of those procedures were the following:

- (i) So much statistical data was presented, and in so many ways that it lent itself to differing interpretations and Executive Directors, member governments, and the Staff Association Committee found it confusing and difficult to digest.
- (ii) Too little attention was given to the underlying issues and possible systematic approaches to the compensation problem, with the result that each year the process turned essentially into a difficult controversy over the specific percentage increase to be allowed.
- (iii) The final views of a number of member governments on the compensation package seemed to come into the process so late that expectations of the staff tended to be built up only to be deflated.

I have discussed these difficulties with the President of the World Bank and have concluded that the following procedure should be adopted to try to minimize them in the 1977 compensation review. (The procedure and related timetable are summarized in Attachment I.)

Step 1

The data would be presented in more concise form, without reducing coverage of any essential comparative material. This would be achieved by deleting some tables which only presented the same data in a different form and others which had no direct bearing on the main decisions. Some of the participants in last year's survey would be dropped and a few new ones substituted, as explained later.

The data paper would be issued with a succinct analysis and commentary but without pointing to any conclusions, on or about January 7, 1977, simultaneously to the Executive Directors, Department Heads, and the Staff Association Committee.

Step 2

Shortly thereafter, a companion paper would be issued to the same groups setting forth the underlying issues that should be addressed in the process of making decisions on staff compensation. Various considerations that would apply to particular issues would be indicated. Out of discussions of such a paper, hopefully, might come a start on a more systematic approach that could obviate at least some of the detail and tensions of the annual reviews.

Step 3

The data paper and the issues paper would both be discussed by the Executive Directors in the last week of January. The Staff Association Committee would be invited to present views on both subjects and to answer any questions Executive Directors might direct to them. The Executive Directors and the management would then exchange views on the data and the issues.

It may be noted that the proposal would be to submit these papers direct to the Executive Directors rather than to the Committee on Administrative Policies, as in prior years. The CAP has not been expected to arrive at Committee conclusions or make formal recommendations to the Executive Board on those subjects. Moreover, past experience has shown that because of the interest involved almost all Executive Directors have in fact taken part in those meetings of the CAP at which compensation surveys were discussed. For these reasons it would seem preferable to submit these papers for discussion by all the Executive Directors, perhaps meeting as a committee of the whole, rather than as the Executive Board.

Step 4

Following the meeting of Executive Directors in the last week of January, there would be a period of six to eight weeks during which the management would have extensive informal consultations with all Executive Directors and with the Staff Association Committee with a view to arriving at a position that could be acceptable to a sufficient

number of Executive Directors and the staff. The hope would be that during the course of the discussions over the extended period, the Executive Directors would be able to obtain any instructions from their governments that would be pertinent to their final positions so as to avoid unexpected shifts with unsettling consequences in the final stages.

Steps 5 and 6

Based on the above, I would plan to submit my formal recommendations to the Executive Board around March 14, and they could be discussed in the Executive Board in the week starting March 28.

The President of the Bank and I believe that the procedures proposed above would simplify the compensation review somewhat and reduce the risk of the type of difficulty which developed last year. The Staff Association Committee, with whom the proposed procedures have been discussed, agree they would be preferable to last year's procedures. The SAC has however, urged that instead of withdrawing after making their presentation at the initial discussion of the Executive Directors, as in previous years, they be allowed to remain throughout that meeting. The Executive Directors are aware that I have considerable sympathy with this point of view and feel the presence of the SAC representatives should not inhibit Executive Directors' discussion at that early stage and could indeed prove useful in giving the SAC a first hand impression of the reactions of Executive Directors. I should be glad to have views as to what the participation of the SAC should be.

II. Nature and Scope

My proposal would be to follow the same procedure for conducting the survey of data for the basic paper as in previous years. Attempts would be made to update the existing data by mail to the greatest extent possible, and the visits by the joint team of the Fund and Bank staffs would be held to a minimum. If it becomes necessary we may, as in the past, use limited help from the overseas offices of the consultants--Towers, Perrin, Forster & Crosby, Inc.--who have previously assisted us--to collect data for F to M staff, and from the same expert as in previous years for additional data on local comparisons affecting the A to E staff.

As indicated earlier the list of proposed survey participants would differ in minor respects from that of last year. Four participants in the F to M survey would be dropped. UNDP and IADB add little data to that derived from other organizations. The data from the Japanese Ministry of Finance have proved difficult to put on the same basis as the rest of the data, and the particular salary administration techniques of the Royal Bank of Canada did not allow precision in grade matching. On the other side, at least three employers have to be in each category in order to preserve confidentiality of data where the employers require it. Accordingly, it is proposed to again include the Canadian International

Development Association to bring the Bilateral Aid group to three. The German Ministry of Finance replaces the Japanese Ministry of Finance. Also, the Royal Bank of Canada would be replaced by a major U.S. bank. Consideration will be given to including a major consulting firm which may furnish better data than that provided by the corporate headquarters of Exxon. In the A to E survey it is proposed to drop the private sector altogether as the U.S. Government is so much the dominant employer in the area.

In connection with the data, the UN International Civil Service Commission is recommending to the General Assembly that the method of differentiating pay between staff with and without dependents should be to have separate net salary scales for each. While not recommending such a step, it is planned for comparative purposes to present the salary data for F to M levels on the basis of both single persons and married persons with two children.

The paper, as in previous years, would have data on real income changes elsewhere, and on the Fund's recruitment and retention experience.

Finally, the changes in the Washington Consumer Price Index will be reported to the Executive Directors as soon as they become available in the fourth week of March.

III. Expatriation Allowance

A number of Executive Directors requested that a study regarding the feasibility of introducing an expatriation allowance should be undertaken. A paper for the consideration of the Executive Directors is expected to be ready by the end of this calendar year.

IV. Other Aspects

The President of the Bank is submitting similar proposals to the Bank Executive Directors. The Bank may ask the consultants to update last year's study on the value of its benefits as compared with those of the survey participants. We do not believe it is worthwhile to have the benefits valued each year because, unlike salaries, the relative values change slowly from year to year. Once in perhaps three years would seem to be more appropriate. On balance no significant change in the overall value of Fund Benefits is apparent. The recent increase in required pension contributions would to some extent affect our advantage, but this would be offset by the improvements made in our Medical Insurance Program earlier this year.

The Bank has also left open the possibility that if the informal consultations (step 4 of the proposed procedures) are inconclusive, a meeting of the Executive Board might be called to discuss the issues before the President formulates his recommendations. I do not envisage a need for such a meeting.

Attachments

1977 COMPENSATION REVIEW - TENTATIVE TIMETABLE

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|---------|----------------------------|--|
| Step 1. | January 7 | Distribution of data paper to Executive Directors and the Staff Association Committee with succinct analysis and commentary, but without conclusions or recommendations. |
| Step 2. | January 14 | Distribution of short paper outlining the principal issues involved. |
| Step 3. | Week of January 24 - 28 | Meeting of Executive Board Committee of the Whole at which Staff Association representatives would present their views on data and issues papers and answer questions. Thereafter, Management and members of the Committee would exchange views on the two papers. |
| Step 4. | January 31 - March 11 | Informal consultations with Executive Directors and the Staff Association Committee. |
| Step 5. | March 14 | Distribution of Management's formal recommendations to the Executive Directors. |
| Step 6. | Week of March 28 - April 1 | Executive Board Meeting. |

(Note: Consultation with the Bank would be undertaken at appropriate stages throughout the process.)

INTERNATIONAL MONETARY FUND/BANK GROUP COMPENSATION SURVEY 1977

List of Participating OrganizationsSurvey for Staff in Ranges F-M (IMF)/J-Q (Bank)Dropped from 1975/76 SurveyInternational Organizations

United Nations Secretariat
 European Communities
 Organization for Economic Co-Operation and Development

UNDP
 IADB

Bilateral Aid Agencies

Kreditanstalt für Wiederaufbau
 Caisse Centrale de Cooperation Economique
 *Canadian International Development Association

Central Banks

Deutsche Bundesbank
 Bank of France
 Bank of England
 Federal Reserve Bank of New York
 Central Bank of Venezuela

National Civil Services

U.S. Treasury
 Canadian Department of Finance
 *German Ministry of Finance

Japanese Ministry of Finance

Private Sector

(*First National City Bank
 (*Chase Manhattan Bank or similar institution^{1/}
 Morgan Guaranty Trust
 Exxon Corporation or a U.S. consulting firm
 Barclays Bank International
 Banque Bruxelles-Lambert
 Banco Itau S.A.

Royal Bank of Canada

*New organizations

^{1/}One of the three organizations bracketed to be included

INTERNATIONAL MONETARY FUND/BANK GROUP COMPENSATION SURVEY 1977

List of Participating Organizations

Survey for Staff in Ranges A-E (IMF) A-I (Bank)

Dropped from 1975/76 Survey

International Organizations

Inter-American Development Bank
Organization of American States
Pan American Health Organization

COMSAT

U.S. Public Sector

Federal Reserve Board
U.S. Treasury
Office of Management and Budget