

EBAP/08/1
Correction 1

January 16, 2008

To: Members of the Executive Board

From: The Secretary

Subject: **Facilitating Staff Separations—Reform of the Separation Benefits Fund**

The attached page 3 of EBAP/08/1 (1/16/08) is being reissued to remove the fourth sentence in paragraph 5, which refers to a section (Section IV) that has not been included in the paper.

Questions may be referred to Ms. Serrano (ext. 34349) in HRD.

This document will be posted on the secure page of the extranet website for Executive Directors and member country authorities.

Att: (1)

Other Distribution:
Department Heads

5. **The remainder of the paper is organized as follows.** Section II articulates current policy on use of the SBF. Section III presents proposals for immediate changes to the SBF policy that would be implemented as part of framework for the near-term restructuring of the Fund. Annex I provides data on use of the SBF since 1999, the time of the last report to the Executive Board on its use.² Annex II highlights the salient elements of the severance pay policies of other international organizations.

II. CURRENT POLICY ON USE OF THE SBF

6. **The SBF is effective in helping to maintain a lean and productive staff.** It is one of several instruments the Fund uses to manage the employment and separation of staff. In addition to SBF support for involuntary separations, these instruments include fixed-term appointments to assess new staff and renewable three-year appointments for staff appointed or promoted to the most senior managerial positions. As a complement to other instruments, the SBF enables the Fund to deal efficiently with longer-serving staff whose performance or skills have plateaued and who can be encouraged with financial assistance to separate voluntarily.

7. **GAO No. 16 provides the framework for use of the SBF.** Payments made through the SBF are designed to: (i) provide temporary financial compensation to staff members who are separated involuntarily under specific conditions; and (ii) encourage the voluntary separation of staff whose departure is deemed to be in the interest of the Fund. In the case of involuntary separations, payments from the SBF are mandatory. For voluntary separations, such payments are discretionary.

A. Involuntary Separations with Mandatory SBF Payments

8. **Separation payments are normally required when the Fund acts unilaterally.** The Fund may separate staff without an obligation to provide payment upon the expiration of fixed- or limited-term appointments and in cases of unsatisfactory performance or serious misconduct. However, there are two carefully circumscribed situations under which separation payments must be made: (i) when a staff member is separated from the Fund owing to organizational change, and (ii) when a staff member with a severe medical condition is separated for health reasons and does not have access to a disability pension. In these cases, compensation for involuntary loss of employment serves as a temporary financial safety net.

9. **Organizational change accounts for the majority of involuntary separations.** For the purposes of this paper, organizational change encompasses *abolition of positions* and *reductions in strength*, both of which result in the elimination of positions, and *changes in job requirements*, as a result of which the incumbent is no longer qualified to perform the redefined job. In these cases, an effort is made by the staff member in collaboration with the

²*Separation Benefits Fund (SBF)—Recent Experience* (EBAP/99/36, 4/1/99).

Human Resources Department (HRD) over a period of six months³ to find an alternative position within the Fund.⁴ If efforts to identify a reassignment fail, the staff member is given 60 days of notice prior to termination of the staff appointment. This notice period may be extended to 120 days by the Director of HRD to allow staff to sort out personal matters prior to separation. Staff who are ultimately separated from the Fund through this procedure can therefore remain on staff for 8 to 10 months prior to receiving separation payments.

10. **Severe medical conditions can also result in involuntary separations.** When a staff member suffers from a medical condition that affects his or her ability to carry out his or her assigned duties, the joint Bank/Fund Health Services Department conducts an evaluation of the staff member's *fitness for duty*. If this evaluation concludes that the staff member is not fit for duty or is fit for duty with restrictions that could not be accommodated by the Fund, the Director of the Human Resources Department may decide to terminate the staff member's appointment. In such cases, the staff member would be entitled to notice and a mandatory separation payment, if he or she did not have access to a disability pension.⁵

11. **Involuntary separation entitles the staff member to outplacement assistance.** In addition to in-house career counseling, the Fund provides affected staff access to external training (up to a cost of \$2,000) and the services of an external outplacement firm (up to a cost of \$7,000). The Fund may also provide one round-trip economy class air travel ticket and limited ancillary allowances to assist in job search and interviews outside the metropolitan area of the duty station.

12. **GAO No. 16 sets out the formula for calculating mandatory payments.** Staff separated involuntarily are entitled to an amount equivalent to 1¼ months of salary for each year of Fund service, up to a maximum of 22½ months of salary after 18 years of service. However, mandatory separation payments cannot exceed the amount of salary that would otherwise have been payable to the staff member between the last day of duty and the mandatory retirement age of 65.

³Although affected staff are charged to their respective departmental budgets during the search period, this has been flexibly construed to allow them the opportunity to seek alternative employment and relieve them of their usual work duties; at their discretion, departments may even allow such staff not to report to duty during this period. For staff who are not interested in finding an alternative position at the Fund, the search period may be waived by mutual agreement of the Fund and the staff member.

⁴During this period, staff have access to appropriate training to facilitate reassignment or outplacement.

⁵The threshold for access to a disability pension is high, i.e., to be totally and permanently incapacitated for the performance of any duty that the staff member might reasonably be called upon to perform. Illness falling short of this threshold may still make it impossible for staff to effectively perform the duties of their specific position or a comparable one.