

EB/CAM/11/11

July 5, 2011

To: Members of the Committee on Executive Board Administrative Matters
(Mr. Hockin, Chairman; Mr. Alkholifey, Mr. Bakker, Mr. Chia,
Mr. Mac Laughlin, Mr. Majoro, Mr. Nogueira Batista, Mr. Temmeyer)

From: Kenneth Meyers, CAM Secretary

Subject: OED Assistants' Salary Adjustments—Proposed Approach for FY 12

At the request of the Chairman of the CAM, please find attached an interim proposal for implementing the FY 12 annual salary adjustments for OED Administrative and Staff Assistants, in order to permit timely completion of this process pending the Committee's review of the OED employment framework.

This proposal will be taken up at a meeting of the CAM to be held at **2:30 p.m. on Thursday July 7, 2011** in the Board Committee Room (HQ1 12-120B).

This paper will shortly be posted on the extranet, a secure website for the Executive Directors and member country authorities.

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OED Assistants' Salary Adjustments—Proposed Approach for FY 12

I. INTRODUCTION

1. In order to maintain a linkage to the recently approved salary adjustment system for staff, it is recommended that the Board decision which sets the compensation framework for OED Administrative and Staff Assistants be modified. The determination of merit increases for OED Assistants, which have typically been finalized in June and backdated to May 1, has been delayed pending action on this matter.
2. Accordingly, this note proposes:
 - New provisions for all OED Assistants to be eligible for an **annual structural salary adjustment, effective May 1 of each year**, on a similar basis to that for Fund staff;
 - **Revision of the timing of OED Assistant merit-based salary adjustments**, from May 1 to July 1 each year, to parallel the staff salary adjustment system;
 - **The determination of a global merit envelope for OEDs** that broadly preserves the relation between the salaries of OED Assistants and the salaries of Fund staff.
3. Support by the CAM for the proposals set out in the paper would provide the basis for the immediate submission of a recommendation for implementing the FY 12 OED Assistant salary increases to the Executive Board, for approval on a lapse of time basis.

II. BACKGROUND

4. The separation of salary adjustment rules for staff and OED Assistants is a reflection of the Fund's governance structure. There has, however, been a longstanding linkage between the compensation frameworks for staff and for OED Assistants.
5. Current Executive Board decisions provide for OED Assistants to receive a "merit increment" on May 1 of each year.¹ Under these rules, each Executive Director receives a "merit budget" equivalent to the average merit increase approved by the Executive Board for Fund staff at comparable salary grade ranges, as applied to the sum of the salaries of the Assistants employed in each Office of Executive Director. Within the merit envelope calculated for his/her Office, an Executive Director may make performance-based awards at his/her discretion.

¹ These provisions, adopted by the Board in 1989 (EBAP/89/194), aligned the annual salary adjustments for OED Assistants with changes approved in the staff compensation framework at that time, which provided for an annual salary adjustment based solely on merit.

6. The recent changes in the staff salary adjustment system give rise to two issues:

(i) **Clarification of the eligibility of OED Assistants for separate structural salary adjustments.** A key objective of the recent reforms of the salary adjustment system for staff was to achieve greater transparency of the separate aspects of staff salary increases. Thus, structural adjustments are now made in May, and merit adjustments are handled separately in July. As the existing Board decision providing for merit increases for OED Assistants envisages a *single* adjustment, the basis for OED Assistant's eligibility for a separate structural adjustment, outside of a merit award, is now unclear. Assuming that Directors wish to maintain broad parallelism in the treatment of OED Assistants and comparable Fund staff, it is recommended that a new Board decision be taken which explicitly provides for OED Assistants to be eligible for an annual structural salary adjustment on the same basis as comparable Fund staff.

(ii) **Revision of the methodology for calculating the merit budget envelope for each OED.** The 1989 Board decision provides that the merit budget envelope for each Executive Director is calculated with reference to the "*average merit increase*" for comparable Fund staff. The new staff salary adjustment system no longer provides for the merit envelope to be expressed as an average percentage increase. In view of this change, the basis for calculating merit increases for OED Assistants is unclear; a new methodology would bring clarity. While a benchmark to the staff merit budget envelope continues to be appropriate, it needs to be redefined.

Proposals for addressing these issues are set out below.

III. IMPLICATIONS OF THE OED EMPLOYMENT FRAMEWORK REVIEW

7. The rules governing OED Assistant salary adjustments touch on a number of recommendations made by the Working Group on the Review of the OED Employment Framework (EB/CAM/11/12). Considering the question of OED Assistant salary adjustments in the context of these broader elements would permit these inter-linkages to be considered and addressed in a comprehensive way. A broader analysis of this kind could also permit consideration to be given to bringing the rules for OED Assistants salary adjustments into full alignment with the new staff salary adjustment system. At present, a full alignment is not possible as key elements of the staff system, especially an annual performance system, are not in place for OED.

8. The CAM has agreed that the Working Group's recommendations shall be taken up after the review of the OED budget framework has been completed. Given the significance of this review for all OED personnel, this work should not be rushed and is unlikely to be completed until later this year. In the meantime, OED Assistants would have no certainty as to how their salary adjustments will be handled.

IV. PROPOSED INTERIM APPROACH

9. In order to avoid further delays in the award of the FY 12 OED Assistant structural adjustments and merit increases, an interim decision is proposed to provide a framework that could be immediately implemented. It is expected that CAM would return to this issue again in the context of the OED Employment Framework Review. The rules for the FY 12 OED Assistant salary adjustments would be broadly aligned with those for comparable Fund staff as set out below.

OED Assistant Structural Salary Adjustments:

- All OED Assistants would be eligible for a structural salary adjustment (effective May 1), on a similar basis as comparable Fund staff.
- Executive Directors may determine whether, on the basis of performance, any Assistant should not receive a structural adjustment.
- Resources for OED Assistant structural salary adjustments would be equivalent to the average annual structural increase approved for Fund staff salaries, as applied to the salaries of OED Assistants as at April 30 each year.
- Individual allocations to Assistants would reflect each Assistant's position in his/her respective grade salary band, on the same basis as comparable Fund staff.²
- The "merit increase protection provisions" approved in the context of the 2009 OED Assistant regarding exercise (see EBAM/09/40) shall be deemed also to cover OED structural salary adjustments; accordingly OED Assistants whose salary is currently above the grade salary ceiling due to these grandfathering arrangements shall be eligible to receive a salary award equivalent to the segment 3 structural increase;
- Structural increases for OED Assistants will be payable retroactive to May 1.

OED Assistant Merit Awards:

- OED Assistants will be eligible to receive an annual, performance-based merit adjustment to their salary, effective July 1.

² In FY 12, the approved average structural adjustment is 1.5%. In 2011, the adjustment for relative position in each grade salary range is as follows: Segment 1: 1.81%, Segment 2: 1.45%; Segment 3: 1.09%.

- A total annual OED merit budget envelope will be calculated each year to reflect the changing relationship between average actual OED salaries and Fund average actual salaries as follows:
 - OED Assistants (A4 – A9) average actual salaries and the average actual salaries of Fund staff (A1 – B3) will be calculated as of June 30, to establish the dollar difference between these two benchmarks. The difference will be recalculated again on July 1, following staff merit increases, to determine the dollar figure required to restore the difference between OED Assistants’ average actual salaries and average Fund salaries as of June 30. The OED merit envelope is therefore the product of this dollar figure and the number of eligible Assistants.
 - Within the total OED merit budget envelope, each Executive Director will be allocated a merit budget envelope for his/her office proportional to the number of eligible Assistants employed in each Office.³
- Within his/her office merit budget, an Executive Director may make individual awards to OED Assistants based on the Directors’ determination of each Assistant’s performance.
- Merit awards for OED Assistants will be payable effective July 1.

V. BUDGETARY IMPLICATIONS

10. Increases in OED Assistant salaries have implications for the OED personnel standard costs, and need to be accommodated within the OED budget envelope. The FY 12 standard cost for REG3 was formulated using the OED Assistants’ FY11 average actual salaries, and assumed a 1.5 percent structural increase and average benefits. No allowance was made at that time for an additional merit increase. Accordingly, the FY 12 standard cost for REG3 will need to be slightly adjusted based on the amount of the FY 12 merit increase for OED Assistants. Going forward, further consideration needs to be given to ensuring that these salary increases are fully taken into account at the time of formulating the OED budget and can be accommodated within the OED budget envelope.

³ The merit budget envelope allocated to each Executive will therefore be calculated as follows: Merit budget envelope for OEDXX = ([Total OED merit budget envelope]/[Total number of OED Assistants]) * (number of Assistants employed in OEDXX).

VI. PROPOSED RECOMMENDATION

It is proposed that the Committee:

- (i) recommends, for Executive Board approval, an interim approach for the FY 12 annual salary adjustments for OED Administrative and Staff Assistants as set forth in paragraph 9 above, in order to permit timely completion of OED Assistant salary adjustments; and
- (ii) revisits the issue of OED Assistant salary adjustments in the context of its broader review of the OED Employment Framework.