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EB/CAM/89/65

September 15, 1989

To: Members of the Committee on
Executive Board Administrative Matters

From: The Committee Secretary

Subject: Interim Salary System for Assistants to Executive Directors

The attached paper, prepared by the staff, proposes the introduction of an interim salary scale and the implementation of a salary adjustment for Assistants to Executive Directors, effective May 1, 1989. The Chairman has suggested that Committee members consider these proposals without the need for a meeting. Accordingly, in the absence of a request to the Committee Secretary by noon on Wednesday, September 20, 1989, that this matter be considered in Committee, the proposals set forth in the attached paper would be deemed approved by the Committee for submission to the Executive Board on a lapse of time basis.

Mr. Swain (Ext. 6565) is available to answer any questions of the paper.

Att: (1)

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Members of the Executive Board

INTERNATIONAL MONETARY FUND

Compensation System for Assistants to Executive Directors:
Proposal for an Interim Salary System

Prepared by the Administration Department
September 13, 1989

I. Background

At its last meeting (CAM/89/6, 9/5/89) the Committee on Executive Board Administrative Matters (CAM) discussed two alternative compensation systems for Assistants to Executive Directors which were described in staff paper (EB/CAM/89/57, 8/22/89). While some Directors were in favor of a revised Assistant pay scale linked to Fund staff salaries (the so-called Option 3), others expressed support for the alternative, single flat rate system.

Following some discussion there appeared to be an emerging consensus to adopt Option 3 as an interim measure, pending a further study of the flat rate option. Meanwhile, in order to ensure an approach consistent with that of the Bank, the Committee decided to await the outcome of a meeting of the Bank's Committee on Directors' Administrative Matters (CODAM) scheduled to discuss Directors' Assistant (EDA) salaries on September 8, 1989.

II. Developments at the World Bank

At its September 8 meeting, the CODAM decided to address the 1989 salary adjustment for EDAs but to postpone adoption of a new salary system pending further study and preparation of a paper by the staff. Accordingly, CODAM approved a two-part salary adjustment for EDAs, effective May 1, 1989, comprising an increase of 7.7 percent of salary (equivalent to the minimum merit pay increase for Bank staff) and an across-the-board lump sum increase of up to \$2,500, payable in two equal tranches of \$1,250 on May 1 and November 1, 1989. 1/ On the basis of the pre-May 1, 1989 average salary of EDAs (\$50,260), this yields an average salary adjustment of 12.7 percent for EDAs. It was also agreed that, pending introduction of a new salary system, the existing salary scale for EDAs would be adjusted upward by 7.7 percent. Thus the range of starting salaries would extend from \$36,370 for a B.A. with no work experience up to a maximum of \$61,000. 2/ If

1/ The lump sum approach was also used under the previous compensation system for EDAs.

2/ Salary progression would be up to a ceiling of \$65,500.

this formula should be changed with the implementation of a new salary system, any adjustments arising from the change would be made retroactive to May 1, 1989.

III. Interim Salary System for Assistants to Executive Directors

In light of the CODAM's decisions and reflecting the sense of the last CAM meeting, Committee members might wish to consider the following proposals for the introduction of an interim salary scale and the implementation of a 1989 salary adjustment for Assistants to Executive Directors.

1. Salary scale

Option 3, described in EB/CAM/89/49 (7/12/89) and EB/CAM/89/57 (8/22/89), together with the "rule of thumb" formula used for staff salary determination could be introduced as follows:

(a) The midpoint of the Assistants' scale would be defined as the average of the Grade A11 and A12 midpoints (\$54,130). The range would extend from a minimum of \$42,300 (the entry level for an individual with a two-year M.A. and no work experience) to a maximum of \$65,970 (\$660 below the proposed new base salary of Advisors); a spread of 56 percent.

(b) A range subceiling would be retained and, on the new scale, would be set at the top of the third quartile (\$60,050). The subceiling would act only as a cap on entry salary, however, and would no longer limit salary progression of Assistants.

(c) The revised "rule of thumb" for setting salaries of economist staff would also be applied to Assistants. In keeping with previous practice, individual Executive Directors would have the discretion to increase the salary derived from the formula by up to 3.5 percent where they consider that other factors should be taken into account in establishing the starting salary.

2. May 1, 1989 salary adjustment

The salaries of Assistants to Executive Directors would be adjusted, effective May 1, 1989, on the basis of an allocation to each Executive Director's office of 8.8 percent of the wage bill for eligible Assistants. Subject to the constraint that all satisfactory per-

formers would receive a minimum pay adjustment of 4.5 percent, 1/ awards would be made at the discretion of Executive Directors. In addition, however, the following adjustments would be made:

(a) Those Assistants whose salaries are currently below the new scale minimum (\$42,300) would have their salaries increased to the minimum before application of the merit adjustment.

(b) Those Assistants whose salaries, following an 8.8 percent adjustment, remain below the salary level they would receive if reappointed under the new "rule of thumb" formula, would receive an additional increase in the amount necessary to bring them up to the reappointment level.

Proposed procedures for implementing the two safeguards (a) and (b) are outlined in the Annex. The additional cost of applying the safeguards would result in an average salary increase of 10.1 percent for Assistants to Executive Directors.

IV. Further Study of Assistants' Compensation

If the Committee agrees, the staff will study the flat rate option further in collaboration with their counterparts in the World Bank, with a view to presenting proposals to the CAM later this year.

Attachment

1/ An advance of 4.5 percent has already been approved for Assistants who entered on duty prior to May 1, 1989 and who were within the existing salary ceilings.

ANNEX

Procedures for Implementing the May 1, 1989
Salary Adjustment

If the CAM decides to adopt Option 3 as an interim measure, the salary adjustment could be implemented as follows:

1. Assistants to Executive Directors in Fund Employment on May 1, 1989

(i) On the basis of the pre-May 1, 1989 salaries (i.e. disregarding the 4.5 percent advance on salary approved by CAM on July 20, 1989), the salaries of the five Assistants earning less than the minimum of the new Assistant scale (\$42,300) will be raised to that minimum.

(ii) Again, on the basis of the pre-May 1 salaries (except in the case of the five Assistants mentioned in (i) above where the minimum of the new salary scale will be used), each Executive Director's office will be allocated a budget amounting to 8.8 percent of the salaries of Assistants who joined the Fund prior to May 1, 1989. Those Assistants who have left the Fund since May 1, 1989, will be included in this exercise and will be entitled to a salary increase.

(iii) For those Assistants who, even after being awarded an 8.8 percent increase, would not earn the level of salary to which they would be entitled if reappointed after May 1, Executive Directors will receive additional funds in the dollar amount necessary to raise the Assistants concerned to the reappointment level.

2. Assistants to Executive Directors who joined the Fund after May 1, 1989

Assistants who entered on duty after May 1, 1989, the effective date of the salary adjustment, will not qualify for the increase. However, their salaries will be recalculated on the new "rule of thumb" formula and adjusted accordingly.