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To: Members of the Committee on Administrative Policies

From: The Committee Secretary

Subject: Expatriate Benefits - Position Paper

At the request of the Staff Association Committee, the attached paper on its position on expatriate benefits is circulated for the information of the members of the Committee.

Att: (1)

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Members of the Executive Board
Department Heads

International Monetary Fund
Staff Association

April 17, 1984

Expatriate Benefits

Position Paper

Following the major staff compensation review of 1980, the Managing Director recommended on May 15, 1981 that the Fund "...reassess the adequacy of our benefits that are addressed to meet expatriation costs and needs against those of our comparators" (EBAP/81/178). During the past three years, the review of expatriate benefit practices of other international organizations and of private and public sector institutions in the United States and abroad has resulted in several draft ADM background papers which have benefited from comments by senior staff and by the Staff Association Committee (SAC). During this time the SAC has thoroughly discussed the issues involved and has presented to the Fund's Administration Department (ADM) and to Management the position which, in the SAC's opinion, best represents the interests of Fund staff. The complexities inherent in a review of the adequacy of the Fund's expatriate policies have been greatly aggravated by the requirement of parallelism; namely that the Fund and the World Bank--institutions with staffs of very dissimilar size and structure--should strive, as far as possible, to implement the same set of personnel policies, including those relating to expatriate benefits, and there have been repeated delays in bringing the review to the consideration of the Executive Board. This paper summarizes the SAC position on the major issues discussed during the review of expatriate benefits. 1/

1. Expatriation allowance: To compensate expatriate staff for expatriation costs of a general nature, many organizations pay an explicit expatriation allowance, typically equivalent to between 10 and 50 per cent of salary. In the interests of staff unity, the SAC position has been, and remains, that Fund salaries must be maintained at a level that includes compensation for general expatriation costs. Consequently, the existence of such an implicit expatriation allowance is to be monitored every time a general salary level review is conducted. In this connection, it should be emphasized that the costs of expatriation (and thus the need for home contact) do not tend to decline with the passage of time; in fact, such costs increase over time as children grow up and relatives in the home country get older.

1/ The SAC position on the separate--though closely related--question of eligibility criteria for expatriate benefits has been set out in EB/CAP/84/2 (4/16/84).

2. <u>Contact with home country</u>: The survey of comparator organizations reveals that virtually all grant more frequent home leave travel than does the Fund. The SAC position is that annual home leave is justified, since this is a straightforward, uncontested and effective benefit that answers one of the most basic needs of an expatriate; the travel allowance, which obviously facilitates contact with the home country, should be payable each time home leave travel is undertaken. Since many staff members, for personal or work reasons, often are prevented from taking home leave with the maximum frequency allowed, the SAC considers it important that any improvement in the frequency of home leave travel should not be offset by a reduction in the options that are available under the present policy.

3. <u>Education policies</u>: The very high direct cost of private education in the United States and the concern with preparing children for a possible return to the home country make the Fund's education policies an area of special significance to expatriates. The following issues are important:

(a) <u>Proportion of expenses paid</u>. Given that most comparators provide a 100 per cent education allowance, the SAC considers that an increase from 75 per cent to 90 per cent in the rate of reimbursement of eligible costs is justified. Such a change would still ensure that the beneficiaries of the allowance meet part of the cost of education. The SAC also believes that local transportation costs should be explicitly included in the education expenses eligible for reimbursement, with the upper limit increased accordingly.

(b) <u>University education in the duty station country</u>. The issues related to this area of concern should be more fully investigated, certainly now that the U.N. and the I.D.B. have decided to cover university education in the duty station. It is the SAC's opinion that the circumstances and considerations which motivated the decisions of the U.N. and the I.D.B. should be explored. A decision on this issue could then be taken with all the relevant facts known.

(c) <u>Frequency of education travel</u>. The present policy of providing two education travel trips per year does not permit family reunions during each major vacation. The SAC position is that the Fund's home leave travel and education travel policies should ensure such family reunions.

(d) <u>Age limit for educational allowance</u>. To conform to the policy of most comparator organizations, the Fund should raise the age limit for granting educational allowances to the end of the calendar year in which the child reaches his 25th birthday and should provide a grace period equivalent to the number of years of compulsory military service.

4. <u>Legal, employment, and orientation services</u>: In many ways, the status of expatriate staff in the United States is not dissimilar to that of long-term visitors. They have legal duties and obligations in both home country

and duty station country, resulting in extra expenses which are unequivocally expatriate costs. The present legal advice service is clearly inadequate, especially given the complexity of U.S. legislation relating to tax and visa matters for expatriate staff. The SAC position is that the Fund should provide more direct assistance in meeting staff needs for legal advice. Additionally, the Fund should have a more active program of informing the staff of important legal developments. We understand that some progress is currently being made in this area.

With two-income families becoming increasingly common, many organizations now provide professional job placement services for spouses of employees. Such a service would be especially valuable for expatriate staff, given their visa restrictions and lack of familiarity with local employment practices. Also, it would increase the Fund's attractiveness to prospective employees with working spouses, making it an important recruitment feature.

There is also a very definite need for cross-cultural education and orientation for the families of expatriates. The failure to meet this need in many cases has seriously affected the productivity of staff members because of an unhappy home life. Spouses and children who do not speak English or are unfamiliar with American ways tend to feel socially isolated in their homes here, or confused and defeated by unfamiliar social or economic customs or institutions. This can lead to serious family problems and early termination of Fund careers. There is training available that can do much to mitigate this culture-shock and produce a happier home environment for expatriate staff members and their families. The Fund wives group (InFFO) has been conducting English classes and social events on a voluntary basis, but InFFO's structure and resources are insufficient to cope adequately with the problem. For a relatively small annual investment, the Fund could provide free intensive English language instruction and orientation in American ways to those who feel the need for it, in cooperation with InFFO, Staff Relations, and the Legal Assistance Service.

5. Home Currency Option (HCO): The SAC believes that for some members of the staff the HCO constituted a valuable protection against currency fluctuations. Its discontinuation was opposed by the SAC, which urges that a new and more flexible HCO be introduced, but not as a substitute for an adequate overall level of salaries. The SAC has recently communicated its views on this matter to the Administration Department.

6. Benefits available to all staff 1/

(a) Appointment and separation benefits: Presently, appointment benefits are generally available only to staff in Ranges F and above. A

1/ These are not expatriate benefits, since they are equally available to expatriates and U.S. nationals. They are referred to here because they have been included in the ADM review of expatriate benefits.

basic SAC position regarding these benefits is that all staff, regardless of range, should be equally compensated for costs incurred. We consider that equity demands that A-E staff who join the Fund from outside the Washington, D.C., area also receive the benefits available to F-M staff since both groups face the same settling-in costs. Furthermore, it remains our conviction that the settling-in grant was intended to be available "to all staff members" and that the Fund practice of withholding it from A-E staff new to the Washington area is not the intended application of the Board decision.

The SAC considers that the resettlement allowance, which at present is only 80 per cent of the installation benefit, should be brought in line with the latter, as no valid reason seems to exist for the present difference. In addition, the SAC believes that the separation grant should be paid to all staff at the full rate, without the present discrimination based on resettlement location.

(b) Salary advance for education. These salary advances are available to all staff. As expatriates face restrictions on scholarships, loans and student jobs, and since education costs continue to rise more rapidly than the general price level, it would be particularly helpful if the ceiling on the overall indebtedness to the Fund under this program were raised from six to eighteen months' salary.