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To: Members of the Executive Board
From: The Secretary
Subject: The Fund's Personnel Policies and Objectives

The attached memorandum by the Acting Managing Director on the Fund's personnel policies and objectives provides background information for the Executive Board discussion on Friday, March 8, 1991 of the budgetary outlook in the medium term (EBAP/91/25, 2/15/91).

Mr. Goltz (ext. 7387) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

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Department Heads



March 1, 1991

To: Members of the Executive Board
From: The Acting Managing Director
Subject: The Fund's Personnel Policies and Objectives

I. Introduction

The paper on the Budgetary Outlook in the Medium Term (EBAP/91/25), issued to the Executive Board on February 15, 1991, refers to a number of personnel problems that concern the management of the Fund. It expresses the view that a high institutional priority must be given to addressing these problems, if the Fund is to maintain the quality and productivity of its staff. This present paper provides further background information about these and other personnel issues that have an important influence on staff quality and productivity, and hence on the Fund's ability to serve its members effectively now and in the future.

The paper first outlines the objectives that are currently guiding the management and administration in developing and applying personnel policies and strategies. It then reviews a range of measures taken in the last few years in pursuit of these objectives, which have helped to shape the character of the staff as it is today. Some of these measures have not been universally welcomed and have added to the strains imposed on the staff by other factors, in particular the substantial growth in the Fund's workload. Although the dedication of the staff and the quality of its work remain high, there is evidence of growing morale problems. The final section of the paper outlines the personnel initiatives which, with the cooperation of the Board, management intends to take over the medium term to address these problems, and to maintain and strengthen the quality and motivation of the staff.

II. Statement of Personnel Objectives

The Fund's personnel policies and practices must be designed to serve the basic requirement, outlined in the Articles of Agreement, that the Fund must seek to attract and retain a multinational staff of the highest standard of efficiency and technical competence. The way the Fund deals with such issues as the allocation of work assignments, working conditions, recruitment, promotion and career development policies, compensation and other benefits and rewards, and the provision of the instruments and

facilities needed by the staff to carry out its work all help to determine how effectively this basic requirement is met.

Over the past decade there have been significant changes both within the Fund and in the external environment in which it operates. Perhaps the greatest change has been in the work of the institution, as it has been called upon to respond to a wide range of new demands across the whole spectrum of economic issues. This has led to significant changes in the scale, complexity and focus of its operations and activities, changes which are documented in the Budgetary Outlook paper. In the personnel area, these changes have required a re-examination of previous personnel policies and an increased emphasis on policies that encourage and reward initiative and versatility.

Even as the demands made on the staff have expanded and become more diverse and complex, the Fund has had to work increasingly hard to attract and retain the high quality staff it needs. The process of recruitment has become more time consuming, and more extensive efforts than in the past are needed to persuade candidates of the attractiveness of Fund employment. This is because the environment in which we are now recruiting is one in which the best qualified candidates have many more options for rewarding careers in public and private sector organizations, academic institutions and other international organizations than at any previous period in the Fund's history. Though the Fund has a deserved reputation as an influential and effective institution, potential candidates--especially from the academic world--are often deterred by stories of severe work pressures and inadequate time for research. At the same time, some of the more negative aspects of the environment in Washington are making the prospect of a career here less attractive to candidates from abroad. These include concerns about the high local crime rate, the quality of public education, the cost of medical treatment, and the restrictions imposed by the host government on the employment of expatriate spouses.

Changes have also been occurring in the values and goals of the Fund's staff. Less willingness than in the past to accept traditional hierarchical structures, and a greater interest in participating in the decision-making process, are important new elements which need to be taken into account in conditions of employment and in the distribution of work assignments. Perceptions are also changing about the appropriate balance between work and personal lives. With an increasing proportion of younger Fund staff members having working spouses, and the responsibility for raising children being more evenly distributed, the flexibility to cope with unplanned travel or unanticipated overtime is reduced. Staff recruited in recent years also appear to be somewhat less interested in a life-long career in the Fund, and generally are more mobile than in the past: this suggests that some may wish to work at the Fund for only a few years to gain experience, while others will wish to interrupt a Fund career on one or more occasions to pursue alternative jobs for a period of time. The Fund's personnel policies must

be reshaped as necessary to allow these aspirations to be satisfied if the institution is to continue to attract and retain the staff it needs.

In the context of the greater work demands, changing external conditions and more difficult recruitment environment described above, it has been necessary to clarify and define--and sometimes to redefine--the key objectives guiding the Fund's personnel strategies and policies. As the institution moves into the 1990's, these objectives may be summarized as follows:

- The primary emphasis in the Fund's personnel policies must continue to be the maintenance of a career staff of the highest quality and professionalism, which has the versatility to respond rapidly to changing needs and demands. The primary source of this career staff will continue to be younger recruits of excellent qualifications and promising potential, many of whom are likely in due course to make a long-term commitment to the Fund.
- At the same time, the Fund should seek to complement its relatively younger recruits with more mature individuals who have gained experience outside the Fund in analyzing, formulating, and implementing policy responses to real world economic problems or who have a demonstrated professional expertise in areas where this is needed in the institution.
- The Fund must offer an overall compensation package, including both salaries and benefits, that is sufficiently competitive to attract personnel with the qualities described in both of the preceding paragraphs, and to induce a sufficient number of them to make a career in the Fund's service.
- Compensation and other personnel policies must take fully into account the expatriate nature of most of the Fund's staff, and the need to secure a wide range of nationalities across the institution.
- The achievement of the fullest potential of each staff member should be encouraged. Relevant skills already acquired should be broadened, and new skills developed, in order to maintain a staff capable of handling the varied demands imposed by a changing world, as well as for purposes of internal succession.
- To develop, broaden, and update their knowledge base, staff members must have access to continuing training and education in areas relevant to the Fund's work.
- Managerial skills must be encouraged and enhanced so that managers at all levels are better able to make their staff as productive as possible and to motivate and challenge them to meet the demands on

the institution in the years ahead. These managerial objectives must be achieved in a constructive manner that encourages individual initiative, self-improvement and self-respect, and a healthy and open team spirit.

- To help attract the career staff it needs, the Fund must aim to provide a stable and secure employment environment. However, it must also be ready (i) to facilitate the voluntary separation of individuals who, having spent a reasonable time in the Fund's service, wish to move on to other activities outside the Fund; and (ii) to require the separation of individuals whose performance, following appropriate efforts to bring about change and improvement, does not meet current needs and required standards.

- Internal regulations, procedures, administrative systems, and personnel policies and practices must be responsive to organizational change and workload growth. Personnel policies and guidelines should be as clear and precise as possible, and should aim at uniform and equitable treatment of similar cases; but they must also allow room for managers to exercise appropriate discretion and judgment in making personnel decisions.

III. Recent Developments in Personnel Policies and Practices

This section describes a variety of measures adopted in recent years which were intended to promote one or more of the personnel objectives outlined in Section II. First, however, it may be useful to describe briefly the institutional context in which most of these measures were introduced.

For much of its history, the Fund operated with a relatively informal and implicit set of personnel policies and practices. Detailed policy formulations were largely limited to administrative orders or staff bulletins dealing with compensation and benefits, though even in these areas the published policy statements often tended to be out of date, and were supplemented (and sometimes altered) by a body of unpublicized administrative practices. Other personnel issues--promotion, career development, allocation of merit pay, performance appraisal and so on--were left largely to the discretion of individual departments, with relatively little attempt at central control or guidance.

The result was a sense of allegiance to an individual department, which rewarded loyal service and was protective of its staff. The system had some merit, but it also had weaknesses and inefficiencies. These included lack of uniformity in the treatment of individuals from one department to another; limited career opportunities, with relatively little mobility across departmental lines; limited opportunity for the staff to develop greater versatility; and considerable variations in the quality of the

individuals promoted to senior positions within each departmental hierarchy. It also produced a situation in which departments were reluctant to explicitly identify or address performance problems, or sought to arrange for the transfer of weak performers to other less influential departments which tended to become repositories for problem cases.

This situation began to change in the 1970's, with the creation of the Economist Program, the tentative introduction of a mobility program, the establishment of the Review and Senior Review Committees, and adoption of a procedure requiring advertising of support staff vacancies. By the 1980's the demonstrated success of the first two of these programs, in particular, encouraged more overt and broader moves towards a comprehensive institution-wide set of personnel functions and responsibilities, with the Administration Department playing a central role in proposing and formulating these policies and in overseeing their implementation. Throughout the decade, and particularly in the last five or six years, this process has accelerated. In part, this has been due to new thinking at the most senior management level; partly it was a necessary response to greater work pressures and budget restraints; and partly it was an answer to growing demands from the staff for more uniform and responsive treatment of personnel issues.

In the course of the decade, policies and procedures have been developed and published covering the whole range of personnel issues. These have been applicable across the institution, regardless of departmental boundaries. At the same time, there has been a material shift in emphasis on the part of departmental managers themselves, from an almost exclusive preoccupation with the staffing needs and interests of their own department to a broader recognition of the staffing needs and interests of the institution as a whole.

1. Establishing an explicit and uniform framework for evaluating and structuring jobs

Certainly the least popular of the management's efforts to strengthen compensation and personnel management policies was the job grading system introduced in 1986. Nevertheless, this system provides a necessary basis for several other more widely accepted initiatives. The original recommendation for both the Fund and the World Bank to undertake a job grading exercise had been made by the Kafka Committee in 1979. Concern was expressed that some jobs were not appropriately aligned either internally with other jobs or externally in relation to the market, and there was clear evidence of salary grade inflation in certain jobs and job groups. As long as these concerns remained unaddressed, it became increasingly difficult for

management to gain acceptance for its annual salary adjustment proposals. ^{1/} In addition to the purely compensation aspects, the initiative sought to remedy a number of systemic weaknesses, including poorly defined jobs, insufficient differentiation of duties and responsibilities, and promotions that too often were based on little more than longevity and involved no additional responsibilities or duties.

An important objective of the job grading exercise was to establish a systematic structure of job and grade standards, using an explicit methodology for evaluating job content and determining relative weights of different jobs. The system was designed to facilitate comparisons between Fund jobs and salaries and those in outside markets. It was also intended to provide a more rational framework for making judgments on the establishment of new jobs, the redeployment of existing jobs, and promotions at all levels.

The exercise introduced major changes in job relationships within the Fund. Early in 1986 jobs of 27 percent of the Fund's staff were upgraded and those of 17 percent were downgraded. These changes--in particular the downgradings--were difficult and contentious, and debate about some of them continues to this day. But, though they have attracted much less attention, other features of the new system have been no less important from an institutional and administrative point of view. For the first time, job standards have been prepared covering all major occupational groups in the Fund. A new salary structure was adopted in conjunction with the job grading exercise, which increased the number of job and salary grades from 13 to 19: this enabled greater differentiation to be made in pay and career progression between different jobs and job levels. A centralized system for reviewing all new promotion proposals to ensure they are justified in terms of relative job content was introduced, and has been operating ever since.

Establishing a more systematic job structure has contributed to a number of other personnel initiatives. It was essential to the establishment of a more market-based payline as recommended by the Joint Bank/Fund Committee on Compensation (JCC), by allowing better comparisons to be made with jobs in other public and private sector organizations. It has helped efforts to strengthen performance appraisal and promotion procedures, and career planning. It has also made more explicit the levels to which staff can aspire both within their own job stream and, if adequately trained, through reassignments to alternative streams.

^{1/} This difficulty became particularly acute at the time of the 1984 Compensation Review (EBAP/84/122; 6/4/84), when the salary survey pointed again to clear and measurable problems of internal pay relativities between jobs. The compensation paper emphasized the need to correct these problems, and described a "career streams study"--the forerunner of the job grading exercise--which management had initiated to identify differences in levels of duties and responsibilities, and to establish equitable remuneration relationships between occupational groups.

2. Strengthening the Fund's compensation system

The ability of the organization to offer competitive salaries and benefits, and to administer salaries in a manner that provides internal equity and rewards superior performance, are important for the successful recruitment, retention and motivation of a career staff. By the mid-1980's, it was clear that the Fund's compensation system was not fully serving these objectives. The 1984 compensation survey showed wide deviations from the comparators (both above and below the market at different levels). This contributed to the establishment of the JCC and the development, based on the Committee's recommendations, of a new compensation system which was brought into operation in 1989.

Externally, an important objective of the new compensation system and the data base it established was to provide a more effective means to help assess and maintain the Fund's competitive position. One of the immediate results was the breaking of the artificial cap on salaries at the senior departmental Grades B3-B5 and the establishment of a closer, although not direct, relationship with pay in the outside markets. Internally, the objective of the new compensation system, in conjunction with the job grading system, was to provide for a more appropriate progression of salaries across different job levels. The new system was designed to provide better financial incentives for superior performance. It was also designed to avoid the features of the previous system under which a large and growing proportion of staff were held at salary ceilings, and received the same annual pay adjustment regardless of relative merit. As a result, salary adjustments distributed entirely on a merit-oriented basis have almost doubled as a proportion of the wage bill, while structural increases distributed across-the-board have fallen by a corresponding amount.

A new Compensation Policy Division was established last year, and staffed with compensation specialists qualified to undertake market comparisons, compensation data collection and analysis. This should help management and the Executive Board in arriving at compensation decisions. Nevertheless, the process of decision-making itself will continue to be difficult because it involves establishing a single payline for two different institutions--the Fund and the Bank--that seek to be competitive in many different national markets with different paylines.

Recently, at the initiative of the JCC, the Fund and the Bank adopted a system of four-yearly benefits reviews, designed to ensure that the value of the staff benefits in each institution is kept broadly in line with benefits provided by public and private employers in the comparator market. The first such review was completed last year, and as a result some adjustments in the benefits package have been made or are being studied. Another major project completed last year was a comprehensive revision of the Staff Retirement Plan, which was designed to make this key compensation element more competitive and more compatible with the prevailing career expectations of the staff.

3. Recruitment policies and practices

The principal vehicle for recruiting career economists for the Fund, and one of the most successful of the Fund's initiatives for building up a highly competent and qualified professional career staff, is the Economist Program. This Program, which is overseen by an Economist Committee consisting of one senior level representative from each economic department and chaired by the Director of Administration, was established in the 1970's to improve and bring about greater consistency in Fund-wide recruitment standards for economists. Over the past decade the scope and procedures of the Program have been materially developed and strengthened. The Economist Committee makes selection decisions for the Program, under which all economists under the age of 33 are recruited into the Fund. The success of the Program, which provides a two-year fixed-term appointment in two different departments before a decision is made to offer the candidate a permanent (or "regular") staff position, has led to its expansion from 20 to 30 economists a year, and further expansion is proposed. At present, just over half of the Fund's new career economists are recruited through the Program.

Until a few years ago, most professionals were recruited directly into the regular staff, subject only to a twelve-month probationary period. This period often proved insufficient to make an informed and timely judgment regarding the suitability of the individual for a permanent position. Following the successful model of the Economist Program, however, all professional staff are now initially given fixed-term appointments. Normally of two to three years duration, they allow supervisors time for careful observation and evaluation before a decision is taken on conversion to regular staff status. Fixed-term appointees, including many with extensive experience and specialized technical skills required by the organization, have provided the mid-career recruits needed to complement the younger Economist Program participants. Among these appointees, roughly 15 individuals annually are seconded for two to three years from member government institutions (typically central banks or finance ministries). They bring a good deal of particularly relevant experience to the Fund.

Continuing efforts have been made to broaden the nationality distribution of the staff and increase the recruitment of women onto the professional staff, particularly into the economist job stream. More frequent recruitment missions have been undertaken to a wider range of countries, so as to expand the Fund's recruitment sources and contacts. The secondment of government officials on fixed-term appointments has contributed to the diversification of the nationality distribution of the staff. The Special Appointee Program, which is geared to providing on-the-job training to member country officials, has been fully utilized in recent years and a modest expansion is planned. One of the aims of this program is to provide some exposure to the Fund for individuals from areas of the world where it has proven difficult to find suitable candidates for staff positions.

As a result of these efforts, the proportion of the Fund's staff recruited from developing countries has risen from 39 percent in the early 1980's to 43 percent at present, and the number of nationalities represented on the staff reached a record 108 at the end of 1990. The proportion of professional positions occupied by female staff has risen from 22 percent in the early 1980's to 26 percent at present. Among these, the proportion occupying economist positions has increased from 11 to 13 percent.

4. Increasing the effectiveness of performance appraisal

In recent years, considerable efforts have been made to strengthen the Fund's performance appraisal procedures--a task that has proved both difficult and controversial. An important objective of these efforts has been to enhance the Fund's job information data base, to provide staff with more precise information regarding performance and potential, to improve the information available to those taking decisions on Fund-wide promotions and reassignments, and to bring about a closer link between performance and merit pay. Each staff member's performance is evaluated annually. In addition, a system of periodic long-term appraisals has been introduced which review an individual's performance and development over a longer time period and discuss potential and possibilities for further career progression.

Supervisors are encouraged to be as forthright as possible in evaluating staff against specific assessment factors, and the performance assessment of the supervisors themselves is supposed to take into account, in part, how well they perform in evaluating their own staff. Strengthening the performance assessment of new staff helps ensure that decisions to convert appointment status from probationary or fixed-term to regular career staff are based on sound judgments regarding performance. Objective setting, both with regard to specific work assignments and career development initiatives, has been explicitly introduced as an important part of the appraisal process, and a closer link between performance and merit pay has been established, in part, by expanding the number of performance rating categories.

To date, these attempts to improve the quality and effectiveness of performance appraisals have been only partially successful. Most supervisors go to considerable efforts to provide serious, thoughtful evaluations. A substantial number, however, still adhere to the view that deficiencies in performance, if referred to in writing at all, should only be hinted at in a generally bland and unrevealing commentary. While understandable, this preference for avoiding direct discussion of difficult issues is ultimately as unhelpful to the individual being appraised as it is to the institution. One recent innovation which, if implemented sufficiently widely, may help create a climate in which open discussion is more widely accepted by both parties is a voluntary procedure for the appraisal of supervisors by their subordinates: this is intended to improve

communications between the two, and to provide feedback to supervisors which should help improve the way they perform their managerial functions.

5. Promotion policies and practices

In general, promotion decisions are made by individual departments, under the general supervision of the Administration Department. However, for certain key levels the effective decision-making authority has been assigned to interdepartmental committees. This is the case with all promotions to the Senior Officer Grade (A14) and above, where departmental proposals are considered by the Review Committee (for Grades A14 through B2) or the Senior Review Committee (for Grades B3 and B4). 1/ These Committees discuss the proposals and make recommendations on them to the Managing Director. In recent years, both Committees have begun to more carefully evaluate candidates against specific assessment factors. While continuing to pay due regard to strong technical skills, they are paying greater attention to versatility, managerial and diplomatic skills, and leadership qualities. These efforts have contributed to raising the overall standard of Fund staff occupying senior level positions, as well as uniformity in promotion standards across all Fund departments.

Below senior professional levels, a new Administrative Assistant Review Committee was established last year to review Fund-wide promotions to administrative assistant positions at Grade A7, in order to ensure that the best candidates on a Fund-wide basis were being promoted to these important senior support positions. The Fund's internal vacancy list procedures have been strengthened and extended to include the mandatory advertising within the Fund of all noneconomist vacancies at Grades A1-A15. Under these procedures, departments are not permitted to fill a vacancy from outside the Fund until the internal applicants have first been considered.

6. Improving the overall quality and versatility of staff and career opportunities

A number of measures designed to improve the overall quality and versatility of the staff have been adopted. They have the dual objectives of opening new career paths for individuals and, by broadening their

1/ The Senior Review Committee is chaired by the Deputy Managing Director and made up of the Director of Administration and six other department directors. The Committee advises the Managing Director on all internal promotions to and external recruitment at the Grades B3-B4 levels (i.e., Assistant Director, Senior Advisor, and Deputy Director). The Review Committee is chaired by the Director of Administration and made up of six senior staff members at the Grade B4 level. The Committee advises the Managing Director on all internal promotions to and external recruitment at the Grades A14-B2 levels (i.e., Senior Officer, Deputy Division Chief, Advisor and Division Chief).

knowledge and experience, better preparing them to meet the changing needs of the organization.

a. Education and training

Over the past five years, the proportion of wage bill devoted to training has risen from 0.7 percent to 1.0 percent. At present, each staff member participates, on average, in four days of formal training activities.

Particular emphasis has been given to those areas of training which will help increase the productivity of the staff, such as the EDP area in support of Fund-wide automation efforts. A new Management Development Program, custom-designed for the Fund, was introduced several years ago with the objective of strengthening the managerial skills of supervisors. Another recent initiative has been the establishment of a Career Development and Learning Center in the Fund: this is intended to help staff strengthen existing skills or develop new ones, primarily through individual self-paced training involving the use, for example, of audio and video tapes.

Despite these efforts, the Fund still lags behind many comparator organizations in the overall proportion of the wage bill devoted to training. Moreover, workload pressures have made it increasingly difficult for staff to participate in the educational activities that are available. So far, the Learning Center has been used mainly by noneconomist staff and, in particular, support staff. Many of the Fund's newly-recruited economists are being drawn so quickly into mission work that they are unable to attend orientation courses, and only about half of the Fund's managerial-level staff have participated in the Management Development Program.

b. Expanding reassignment opportunities

Over the past decade, there have been increasing efforts to encourage and facilitate staff mobility, both as a career development tool and to increase flexibility and versatility. The value of this policy to the Fund has been particularly apparent in recent years when, in response to a significant expansion in the scale and diversity of the workload, it has been necessary to redeploy and strengthen existing resources. Central to this approach have been new initiatives aimed at expanding reassignment opportunities for staff within their own departments, across departmental lines, and to outside organizations.

- Mobility of economists has continued to expand, and at present approximately 15 percent of the Fund's economist staff below senior levels transfer across departmental lines each year. The Economist Committee plays an active role in coordinating these reassignments through, for example, swap arrangements.

- The increase in overseas resident representative posts has added to the career opportunities for economists and given them valuable additional experience. The Fund's policy of allowing staff to go on leave without pay status has been liberalized, allowing a larger number of staff to take up developmental assignments with their home governments, often at quite senior advisory levels, or in other international organizations.
- Greater emphasis has been placed on mobility of senior staff, as a means of broadening perspectives, developing new skills, and permitting additional assessments of their potential for further advancement. The Review and Senior Review Committees now give preference to candidates for promotion who have had recent experience in more than one department.
- Efforts have been taken to expand noneconomist mobility by advertising all noneconomist vacancies below senior levels, by endeavoring where possible to organize swap arrangements through a recently established Noneconomist Committee, and through a new Temporary Assignments Program which will allow staff to be seconded for short periods to other organizational units within the Fund. However, it must be acknowledged that interdepartmental mobility for noneconomists at the professional levels is likely to remain relatively limited in the Fund because, unlike mobility for economists, it normally requires a change in career stream.

The considerable emphasis now being placed on mobility, particularly among economist staff, has not been without cost. Inevitably, there is some temporary loss in productivity as an individual experienced in specific responsibilities of his job is replaced by one who has to learn these responsibilities. In a context where manpower is barely sufficient to meet demands, supervisors are also concerned that at times mobility tends to interfere with desirable continuity of work on country matters and on key operational policy issues. Nevertheless, most supervisors acknowledge that the Fund's mobility program is one of its most successful personnel initiatives, which has contributed greatly to the development of a cadre of economists who are versatile and experienced and have a broad institutional outlook.

7. Separation policies

The Fund's career orientation, together with the expatriate nature of the staff, make it important that a degree of job security be provided, particularly for longer-serving staff. However, in a lean organization with a rising workload, even a small number of career staff who are neither motivated nor contributing their full share can create strains for their organizational units and their colleagues. In addition, such individuals

can block promotion opportunities for more able and deserving staff. As a result, initiatives aimed at improving the quality of the staff have been accompanied by other measures aimed at identifying less productive staff and, if not successful in strengthening their performance, facilitating their separation.

As part of these efforts, supervisors have been encouraged in the new performance appraisal procedures to identify staff with significant performance problems. There have also been increases in the budgetary resources available to provide financial assistance, through both the Separation Benefits Fund and a new outplacement assistance program, to staff whose separation is seen as being in the interests of the Fund.

8. Updating and clarifying administrative regulations and procedures

The extensiveness of recent changes in personnel policies has made it more important to improve existing documentation on administrative policies and procedures. New and updated General Administrative Orders and administrative manuals which attempt to eliminate inconsistencies and gaps in coverage and set forth current policies and procedures have been issued. Information made available to staff has been expanded by issuing more frequent bulletins and circulars, holding open meetings and, when warranted, undertaking comprehensive information programs.

Efforts to improve existing documentation have coincided with a growing demand on the part of staff that the Fund clarify practices and procedures, and set forth the organization's personnel and administrative policies in explicit terms. Similarly, the Fund's staff have sought more comprehensive information on their performance, career prospects, and reassignment possibilities. Revised performance appraisal procedures, including the voluntary program for subordinate appraisal of supervisors, the more systematic definition of promotion policies and practices, and detailed information on job ladders and standards have attempted to respond to this demand. Nevertheless, there remains a widespread perception among staff that the information provided is often not sufficiently clear or specific, and communications between managers at all levels and the staff need to be materially improved.

IV. Personnel Initiatives in the Medium Term

As the Fund enters the 1990's, it can justly feel that it has met its basic personnel objective of bringing together a broadly international staff, with the highest standards of efficiency and technical competence. The success of the Fund's efforts in this regard are widely recognized among the membership. As the workload of the Fund has increased in scale and complexity in recent years, the staff have proved fully capable of meeting

the challenge. Productivity is now at a level which certainly matches, and probably exceeds, that of any previous period of the Fund's history.

This is not to say, however, that the Fund has satisfactorily achieved all of the more specific objectives listed in Section II: in several areas, much more can and should be done. There are also signs of increasing unrest among the staff. A recent survey conducted by the Staff Association Committee, and the latest Annual Report of the Ombudsman, point to a good deal of concern about some of the personnel policies and the way these are being implemented in practice; a disturbing level of mistrust of managers; a growing frustration with the high level and unpredictable nature of work demands; and doubts about the advisability of a career in the institution. Apart from the workload issue, which has not previously been identified as a morale problem, concerns of this kind are not new. It does, however, seem that there is a relatively widespread level of disillusionment and unhappiness among the staff which is potentially serious, and which cannot be ignored. Though this is not--or not yet--reflected in declining performance, a reduced commitment to the work of the Fund, or an increase in voluntary separations, there is a material risk that this might happen if the underlying problems are not effectively addressed.

Some reasons for the fragile state of staff morale can be suggested. The Fund has been passing through a period of rapid change in the nature of its international role, in its operational policies and--as shown in Section III--also in its personnel policies. This has involved a rethinking of many of the attitudes and perceptions developed over the years about staffing policies and personnel management in the institution. Change is unsettling to those affected by it, particularly when it is unclear to them how far the process is to go. It must also be recognized that not all of the changes made in recent years are regarded by many staff as necessary or desirable, and communications between managers and staff (and even among managers at different levels) about the reasons for change are not as clear and effective as they should be.

It is also true that the changes in personnel policies and in the personnel environment have adversely affected certain groups of staff, and have introduced features that have not been universally welcomed. For example:

- Though necessary, the job grading exercise led to the downgrading of a substantial group of staff (including a number of senior staff), and the shock that this entailed has not been forgotten. It also changed relativities among different career groups in ways which, for those adversely affected, have not yet been accepted. Many also regard the job grading system that has evolved from this exercise as unduly cumbersome and inflexible.
- Since its introduction, the new compensation system has led to material improvements in staff salaries in real terms. However,

the very long period it took the Joint Committee on Compensation to reach a consensus on a new system resulted in a great deal of uncertainty for staff, and the knowledge that the result represents a compromise among diverse, and strongly held, views on the Executive Board has led to suspicion on the part of many staff about the system itself.

- The increased emphasis on evaluated performance as the basis for salary increases seems to be causing some misgivings, not only among staff whose performance is relatively weak. There is a concern that an undue emphasis on individual performance could undermine the collegial approach and team spirit which is necessary for the effective operation of Fund missions as well as for much work at headquarters. A number of staff express misgivings about whether their supervisors are exercising the discretion and judgment necessary to evaluate performance and select candidates for promotion fairly and responsibly; and there is a perceived need to strengthen the institutional mechanisms for making supervisors accountable for their personnel decisions.
- Initiatives to encourage separation of relatively weaker or less productive staff have been seen as designed to force career staff out of employment before they are ready to go, in breach of the understanding many had of assured employment until voluntary retirement. In addition, it is argued that the initiatives are not applied uniformly across all parts or all levels of the Fund.
- While highly desirable in principle, the trend toward greater clarity and precision in personnel rules, regulations, and procedures has, at times, entailed more time-consuming and elaborate systems. The degree of intrusiveness of some rules into personal lives, particularly in the case of certain benefits, is also resented.
- Even the attempt to provide more information about promotion statistics, and to formulate clearer guidelines on career progression, has had some negative repercussions. For example, the very large array of information now available in the Fund on individual jobs and career streams increases awareness not only of possible advancement opportunities, but also of the limits on such opportunities. The availability to the staff of more extensive job grading and pay information has also created a degree of divisiveness and rivalry, as individuals compare their situation with that of others.

A preoccupation with relative position, status and career progression is understandable and indeed inevitable given the highly qualified, able and competitive individuals the Fund looks for when selecting recruits.

Nevertheless, it is apparent that the cumulative effect of changes in recent years has been an unfortunately high level of suspicion on the part of many staff--and of the Staff Association Committee--about any new initiatives, and doubts about the value which the Fund attaches to loyal service.

However, the major reason for the present fragile state of staff morale seems to be what is, for many staff and especially those in key operational departments, the excessive work pressure to which they have been subject now for several years. To work for important goals, to play a part in dealing with important issues, and to know that their services are in demand is in itself a challenging and rewarding experience for Fund staff, carrying with it a high degree of work satisfaction. With few exceptions, hard and challenging work is expected and accepted. But what we have seen in recent years is an unrelenting and increasing demand, with no relief in sight. The ability of the Fund to react quickly and effectively to new demands is a source of pride to the institution and its staff; but in a situation where there is a significant imbalance between the demands that are daily being made of the Fund and the manpower resources available to meet that demand, the Fund's achievement comes at a material human cost for the staff.

Some of the symptoms of the resource imbalance are summarized in the paper on the Budgetary Outlook in the Medium Term. There is a growing concern on the part of staff that they do not have sufficient time to think or to learn about what they are doing, and that they are living off their intellectual capital. There is a concern that they are not given sufficient time and opportunity for useful training and development. The heavy demands of mission travel and the unpredictable nature of these demands, as scarce manpower is switched to meet immediate needs, have an adverse impact on both professional and the personal lives of travelling staff, and too many individuals throughout the institution are unable to take earned vacation time. There is also a concern that many supervisors, under pressure to produce and to meet short deadlines, are unable to give sufficient time to manage, motivate and develop their subordinates, to see that they are given appropriate training opportunities and sufficient vacation time, to evaluate fairly and thoughtfully their performance, or to explain their personnel decisions. There is a wide-spread perception in the staff that managers in the institution are valued and rewarded solely in terms of the work product, without concern for whether the product is achieved in a way that encourages and develops subordinate staff or in a way that ignores or overrides their individual needs and priorities. Particularly in the context of the high-pressure work environment that now exists, the institutional efforts that have been made to date to encourage good personnel management practices are seen by many staff to have been relatively ineffectual, and not consistently applied.

There is sufficient basis for these concerns to justify and require firm collective action to address them. Over the next three years, we must develop and implement new policy measures which will do this, while continuing to pursue existing policies aimed at maintaining a dedicated,

flexible and high quality staff. The objectives and strategies that should guide us in the medium term are set out below. Clearly, they will need to be further elaborated and made more specific. However, it must be understood that the ability to implement these strategies effectively depends upon the willingness of the institution to allocate sufficient time for managers and staff to carry them out. In the absence of any material reduction in workload, this can only be achieved by increasing our manpower specifically for the purpose of relieving the present strained situation, and by ensuring that the opportunity is then taken to address the problems that have arisen.

1. Relieve workload pressures

As indicated in the Budgetary Outlook paper, a targeted expansion in staff resources will be required to correct the current imbalances between *staff resources and the workload, and between work and personal lives*. This correction is needed if foregone annual leave, excessive overtime among professional staff, and excessive travel are to be effectively controlled. Equally important, it is needed so that supervisory level staff can devote more attention to personnel management functions, and the staff at large can be given more access to training and continuing education. While efforts to redeploy resources to areas of highest demand by carefully monitoring priorities will continue, a point has now been reached where little scope remains for further redeployment, at least without major retraining efforts.

The targeted expansion in staff resources will be implemented in a careful manner consistent with the ability of each department receiving additional positions to absorb, train, and develop new staff. Particular importance will be attached to ensuring that more staff time is available for educational activities by earmarking additional staff resources over the next three years specifically for this purpose. Priority will also be given to ensuring that supervisors have sufficient time to devote to the personnel management and career development of their staff, an objective which may require that some proportion of the proposed expansion of staffing resources be at the division chief and deputy division chief levels.

2. Redress the balance between work and personal lives

In the future as in the past, management will expect Fund staff, when called upon, to respond readily to special and unforeseen work pressures. A reasonable amount of overtime, and a willingness to accept some inconvenience to their personal lives, are acceptable and accepted prerequisites for working in the Fund; and at least to some degree our salary and benefits policies (e.g., compensatory leave, spouse points) provide compensation for this. But there is evidence that the level of compensated and uncompensated overtime consistently being worked at present by a number of staff is excessive, and individuals are too frequently expected to abandon established and agreed leave plans in order to participate in unforeseen or frequently postponed missions or to produce a paper that has suddenly been

requested. In any organization whose services are in demand problems of this kind will occur from time to time, but they should be the exception, not the rule.

To help redress the balance, supervisors at all levels should be encouraged to be sensitive to, and give appropriate priority to, the reasonable personal needs of their staff, including the need for sufficient time to relax and participate in other personal interests and family life. They should plan and allocate work assignments in a manner that, as far as practicable, reduces unnecessary and unpredictable overtime and travel and honors preapproved vacation plans. They also need to be aware of the workload currently being imposed on all their immediate subordinates, and to the extent additional work demands made by their own superiors cannot reasonably be accommodated, they should be ready to point this out. There may be overriding reasons which require that the additional work demand be accommodated, regardless of the problems this creates for the staff. By raising the issue, however, managers can at least ensure that their superiors recognize the problems and review the possibility of deferring other less important assignments to accommodate the new work.

3. Clarify responsibilities for policy formulation and implementation

In the period ahead, the Administration Department--acting under the guidance of the Managing Director and Deputy Managing Director--will retain the responsibility for formulating administrative and personnel systems, rules and procedures that are designed to implement the Fund's personnel objectives. The Department will also exercise an oversight role to check that policies are being implemented consistently and effectively. In the process, it will seek to ensure that the policies, and the reasons underlying them, are made as clear and explicit as possible, and will continue the established practice of drawing on a wide array of staff views across the organization, as well as the views of the Staff Association Committee.

The responsibility for implementing personnel policies as they apply to individual staff will continue to be vested in the relevant departmental supervisors across the Fund. They are in the best position to assess the strengths and weaknesses of the staff under their supervision, and to judge how best to meet these needs, build on the strengths and compensate for or correct the weaknesses. However, greater attention will be given to the critical role of departments in carrying the broad central policies and strategies down to the level of specific personnel actions, and in supplementing and reinforcing these policies by their own internal departmental initiatives in the personnel area. The nature and scope of the personnel functions of departmental managers, and their accountability for the way these functions are performed, will be more clearly defined. These managers will, for example, have explicit responsibilities to help formulate individual career development and training plans for their subordinate

staff, to motivate and encourage good performance, to help communicate relevant administrative and personnel policies, and to try to accommodate as far as practicable the personal interests of each individual. To help them discharge these responsibilities, they must be given access to appropriate assistance, training and counselling services provided centrally by the institution. Systems must be put in place that recognize and reward good personnel management practices across the Fund, and identify and correct poor ones. Most important of all, managers at all levels must be given adequate time to carry out these broad responsibilities.

Two specific measures will also be adopted to improve coordination between the central personnel functions and those of individual departments, and to instill a greater sense of collective responsibility among managers:

- First, all departments will be encouraged to adopt the practice, *currently followed with some success by a number of departments*, of designating one senior officer to assume primary responsibility, under the direction of the Department Director, for coordinating and overseeing the department's administrative and personnel management activities.
- Second, a new senior level advisory and coordinating committee, consisting of the designated officers from each department, will be established. This committee will consider major new initiatives in the administrative and personnel areas, evaluate existing policies and programs and the way they are being applied throughout the Fund, and provide a forum for comparison and discussion of the personnel policies and practices of individual departments. The designated officers will not only represent the views of their respective departments on the committee, but will also be a "sounding board" for the views of their own department's staff at all levels, and the focus of communications back to the department about personnel initiatives. It is expected that, through their representation on this committee, departments will become more closely engaged in the formulation of institution-wide personnel strategies and initiatives, and more committed to the resulting policy measures.

4. Expand access to education and training

An immediate objective must be to give fresh impetus to the Fund's existing core training programs by ensuring that more eligible staff participate. Staff must also be given more encouragement and opportunity to undertake their own self-paced training through personal reading that contributes to their development. Beyond these two immediate steps, existing training and educational programs will be reassessed and a major initiative to expand continuing education for the Fund's staff will be undertaken. Sufficient staffing and financial resources will be made available to support this effort. Continued emphasis in the Fund's

education and training activities will be placed on achieving further productivity gains from the Fund's staff.

- Orientation courses will be extended and strengthened to facilitate the induction of all new staff as quickly and smoothly as possible. Consideration will be given to establishing new in-house training courses to enable staff to maintain or upgrade their technical skills.
- Language training programs offered to new staff, including English language training, may need to be intensified.
- The need for the expansion and enrichment of management training courses for managers was mentioned earlier. In addition, at a relatively early stage in their careers, professional staff should be given introductory training in management principles and supervisory skills, including mission leadership skills.
- For the staff at large, programs of continuing education designed to replenish the Fund's stock of human capital will be expanded. These may include short educational courses as well as lengthier programs under the sabbatical leave policy.
- Additional efforts will be required in the EDP training area so that senior staff can be better equipped to manage automation efforts in their units and evaluate and assess the EDP skills of their staff.

5. Improve communications with staff

Staff frequently complain that communications within the institution about personnel policies and decisions are inadequate or unhelpful. Certainly many misconceptions appear to exist, particularly about managerial intentions and motives. The Administration Department has sought to address the problem by increasing the number of formal and informal bulletins, circulars, and other notices that are issued to staff at large. However, communications of this nature are pitched at a broad level of generality and do not necessarily respond to the specific questions that may concern individual staff members. Lower-level departmental managers at all levels are apparently not much better informed than their subordinates about the reasons for changes in personnel policies. To the extent that a personnel decision is taken by the departmental managers themselves, they do not always seem to be particularly careful or adept at explaining the issues to those affected by the decision.

A determined effort should be made to improve substantially the level of communications with staff. Within departments, procedures should be put in place to ensure that senior departmental managers have all the information they need to explain new administrative and personnel policies

to more junior managers, who in turn should pass on the information to their staff. A key link in the chain of communications will be the Deputy or other senior officer who has specific responsibility in the department for coordination and consultation on administrative matters. In addition, they will be encouraged and expected to deal frankly and openly with subordinates' request for information about decisions affecting the individual questioner, and to provide the reasons for these decisions.

At the same time, the Administration Department will make greater efforts to keep in touch with staff opinion and concerns. Consultations between the Administration and the Staff Association Committee have too often proved unsatisfactory for both sides, with the Administration feeling that the SAC's approach is unduly querulous and demanding, and the SAC feeling that the Administration is unduly dismissive and insensitive to staff problems. Efforts need to be made to conduct these consultations in the future in a more constructive and consistent manner. More broadly, staff opinion will be ascertained through periodic attitude surveys and, in some cases, by distributing questionnaires or carrying out mini-surveys among concerned staff. Properly conducted, surveys of this kind can provide managers at all levels with very useful insights into working conditions, working methods and managerial practices throughout the institution.

6. Other personnel policies

If implemented, the measures outlined above will add an important new dimension to the Fund's personnel policies. Those relating to the role and responsibility of managers throughout the institution, in particular, imply a significant change in long-established attitudes and values--indeed, in the very "culture" of the Fund--which will not be easy to implement, and which may well be resisted. To achieve the desired objective fully will take sustained effort over a period of years; but if successful, the result should be an even more effective and productive institution than we have today. Meanwhile, it will be necessary to maintain and adapt the other major personnel policies, as outlined in the following paragraphs:

a. Recruitment policies

The Fund may face somewhat greater difficulties in the years ahead in attracting qualified staff, including nationals of developing countries whose skills are often in great demand in their own countries. Continued efforts will be required to diversify the nationality distribution of the staff, and to increase the recruitment of women into the economist job stream, particularly at somewhat more senior levels. Greater emphasis will need to be placed on recruiting staff able to work in diverse areas of the Fund, including those with proven management and interpersonal skills, or who are assessed as having a clear potential for developing such skills.

As part of these efforts, new contacts will need to be developed in official institutions from which experienced mid-career staff can be

seconded to the Fund. These efforts will only be fruitful, however, if member country authorities are prepared to help in identifying and releasing to the Fund for a few years some of their best qualified personnel.

To further diversify nationality distribution, we will examine the feasibility of identifying potential candidates for employment who still require one to two years of additional university training, with the Fund helping to defray educational costs at the time of their joining the staff.

New arrangements will need to be developed to support wider use of part-time employment and to take advantage of the technology that permits a greater variety of tasks to be performed at home.

Together with other U.S. based international organizations, we will make continued efforts to reduce employment restrictions on spouses and dependents holding G-iv visas. A program recently instituted to assist staff member's spouses with G-iv visas identify employment opportunities will be continued and perhaps further strengthened.

b. Compensation

In the case of salaries, the trend in recent years has been towards a closer alignment of staff compensation to the market, and a closer linkage between pay and performance. To ensure that overall compensation is kept at competitive levels, we will need to stay abreast of compensation trends in the public and private sectors in France, Germany and the United States, and selectively in a few other countries. We should also be prepared to invest more resources in the collection of pay data from a broader sample of comparators, on the basis of which the relationship between the U.S. and European paylines can be more effectively evaluated.

We should seek to simplify benefits and adapt them more closely to staff needs, while reducing, to the extent practicable, the perceived intrusiveness on the part of the Fund's benefits administrators. However, it must be appreciated that the administration of Fund benefits is complex and intrusive largely because several benefits are targeted to a specific purpose or to particular family circumstances, and the recipient is required to establish his or her individual entitlement. Any material simplification would be possible only if the Fund were prepared, as a matter of policy, to change its approach to this issue.

The job grading system will need to be adapted as job content changes in response to changes in the distribution of the workload and in the priorities of the institution. The system will also need to be made more responsive to efforts to arrange reassignments as part of an overall career development plan.

More attention will need to be given by the institution and by individual managers to non-financial rewards and other ways of fostering staff motivation and commitment.

c. Staff development

To help ensure a versatile staff and to permit the Fund to rapidly redeploy its human resources to meet changing circumstances and priorities, continued emphasis will be given to mobility. With an increasing number of overseas assignments--for resident representatives, technical assistance experts and staff on external assignments--new policies may need to be developed to ensure an appropriate mix of well qualified candidates. These policies would be targeted not only to relatively new staff, for whom external assignments often represent a valuable developmental experience, but also for longer-serving staff whose senior level skills and experience are often in demand.

New initiatives will be developed to expand mobility opportunities for noneconomists, both within and outside the organization. Additional reassignment opportunities across diverse occupational streams will help provide continued motivation and challenge to the most able noneconomists and will ensure that the salary grade ceiling of their current job stream does not necessarily represent their career grade ceiling.

Continued efforts will be required to strengthen the quality of performance appraisals of staff in general, and supervisory level staff, in particular. It is hoped that the subordinate appraisal system recently introduced on a voluntary basis can be used more systematically in the years ahead to help measure managerial effectiveness, develop supervisors, and as a means of further boosting staff confidence in supervisors.

d. Separation policies

We will need to continue to encourage the separation of staff who have not been responsive to efforts to strengthen their performance. This is a difficult and sensitive area of personnel policy. It requires continued emphasis on candid performance evaluations and career counseling, as well as direct financial and outplacement assistance in finding alternative employment in the home country.

