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To: Members of the Executive Board  
From: The Acting Secretary  
Subject: Recent Developments in Recruitment and Retention

There is attached for the information of Executive Directors a paper on the Fund's recent experience in recruitment and retention of staff, which is an update to EBAP/88/295 (12/5/88).

Mr. Swain (Ext. 6565) is available to answer any factual questions relating to this paper.

Att: (1)

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Department Heads



## INTERNATIONAL MONETARY FUND

### Recent Developments in Recruitment and Retention

Prepared by the Administration Department

March 27, 1989

In late 1988 a paper was issued to Executive Directors describing the Fund's recent experience in recruitment and retention (EBAP/88/295; December 5, 1988). The purpose of this note is to update the Executive Board on subsequent developments in these areas, particularly with respect to recruitment for the Economist Program.

#### 1. Recruitment Experience

As noted in EBAP/88/295, the number of economists entering the 1989 job market from the top-ranked U.S. universities declined by 20 percent over the previous year. This, together with a strong academic job market for economists, resulted in a 30 percent reduction in Economist Program applications from these universities. A similar situation was experienced in recruitment visits to Belgium, France, the Netherlands, and the United Kingdom earlier this year. Despite an intensification of efforts to locate candidates in these countries, the response was extremely disappointing. Based on discussions with recruitment contacts in these countries, it is apparent that there has been a strong upsurge in demand for macroeconomists, from both the financial and industrial sectors, in anticipation of the integration of the European Community in 1992. Unfortunately, the supply is not responding as the proportion of students undertaking graduate degrees in economics is decreasing due to rising enrollments in business schools. Concerns were also expressed by students and counsellors alike about the uncertain long-term career prospects in the Fund and the costs associated with expatriate status, including lack of spouse employment opportunities and the high cost of housing. In light of these various factors, it was generally perceived that the incentives currently offered by the Fund are insufficient to attract the number and quality of candidates required by the organization.

In recent weeks, a total of 33 offers of appointment have been made for the two 1989 intakes of the Economist Program. So far, 14 offers have been accepted, 13 have been declined, and six are still under consideration by the candidates concerned. <sup>1/</sup> In addition, three candidates who would have been offered positions by the Economist Committee withdrew their applications from consideration. Of the 13 candidates who rejected offers, seven are U.S. nationals--as are two of those who withdrew. It should be noted that there is only one U.S.

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<sup>1/</sup> In 1988, 16 out of a total of 40 offers to the Economist Program were declined.

candidates who rejected offers, seven are U.S. nationals--as are two of those who withdrew. It should be noted that there is only one U.S. national among those who have accepted offers and one among those who still have not responded. Thus, at best the acceptance rate of U.S. candidates will be only 18 percent. The others who rejected offers were nationals of Chile, China, India, Mexico, Spain, and the United Kingdom; the third individual who withdrew was a German national. Among the 16 who declined offers or withdrew, ten are taking up academic posts 1/ (nine at universities and one at a business school), four are joining the World Bank's Young Professionals Program, and two are entering employment with the Federal Reserve System.

Those who are taking up Assistant Professor positions at U.S. universities have been offered annual starting salaries ranging from \$49,000-\$53,000 gross, which indicates that the Fund no longer retains the very narrow margin (about 2.5 percent) over university salaries noted last year and, in fact, has dropped below the salaries now being offered. The individual joining a U.S. business school will receive a compensation package, including a housing allowance, which he estimates to be in excess of \$80,000 gross. The two candidates going to the Federal Reserve are being paid \$49,000 and \$52,000 gross respectively, so that the 5-7 percent margin held by the Fund last year has been completely eliminated. Furthermore, both the Federal Reserve and the universities continue to provide attractive research opportunities which reduces the Fund's competitive position even further. The four candidates who opted to join the World Bank rather than the Fund were offered the same salaries by both institutions. However, among the reasons they cited for preferring the World Bank are greater independence to pursue topics of personal interest and better long-term career opportunities. Besides these Economist Program candidates, two offers of appointment to mid-career economist positions have been declined so far this year. One was declined on salary grounds by a U.S. national who accepted an alternative offer from a Washington accounting firm which was close to 60 percent higher than the Fund was able to offer. The other was a Brazilian national who, with the prospect of a significant promotion, decided to remain in her employment with the Central Bank of Brazil.

## 2. Retention Experience

In EBAP/88/295, it was noted that a pronounced upward trend in the voluntary resignation rate of younger staff members in Grades A9 and above, had emerged in the 1987-88 period. Of particular concern was the increase in the voluntary resignation rate among economist staff which rose to 4.4 percent, as compared to 2.4 percent over the preceding four-year period, and which included a significantly higher proportion of highly-regarded staff members. During the first three

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1/ Eight of the ten are in the United States.

months of 1989, the voluntary resignation rate has continued at the higher levels experienced in 1987-88; already seven staff members at Grades A9 and above, all of whom had less than ten years' service with the Fund, have resigned.

### 3. Conclusion

Developments thus far in 1989 indicate that the recruitment and retention difficulties experienced over the last two years, particularly in 1988, have shown no sign of easing. Indeed, the results of recent recruitment efforts, when viewed in the context of the tightening markets for macroeconomists in Europe and the United States, the loss of salary competitiveness, even with the U.S. universities and the Federal Reserve system, suggest that the difficulties are not easing.

In addition to the difficulties encountered with professional level recruitment, problems continue in attracting secretarial staff of the caliber required. The demand from the public sector, the private sector, and other international organizations, for well-qualified secretaries remains very strong and has outstripped the limited supply in the Washington area. The resulting upward pressure on salaries has made it increasingly hard for the Fund to compete with the higher paying employers, including law firms and temporary secretarial agencies, seeking skills similar to those needed by the Fund.

