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April 13, 1989

To: Members of the Executive Board
From: The Acting Secretary
Subject: Categories of Employment in the Fund

Attached for consideration by the Executive Directors is a paper on categories of employment in the Fund, which is being issued in conjunction with the proposed Administrative and Capital Budgets for FY 1990 (EBAP/89/86; 3/31/89) scheduled for discussion on April 24, 1989.

The paper examines the Fund's practice of employing individuals or vendor firms on contracts to provide certain types of services, instead of creating additional staff positions. While endorsing this practice, it recognizes the need for more explicit guidelines to help the institution determine how different functions and activities should be allocated to the different classes of employees, and describes the guidelines which the Administration Department proposes to use for this purpose. The paper also indicates that, following a comprehensive review of all positions in the Fund, some functions have been identified which are currently being performed by contractual appointees or vendor personnel but which, more logically and properly, should be performed by staff. Conversely, there are some functions currently being performed by staff which, as vacancies arise, could or should be transferred to contractual or vendor personnel.

The paper recommends that, in the interest of good administration, the Fund should move to rationalize the present situation over the next three years or so. As a first step, it proposes that management be authorized to convert to staff positions during FY 1990 nineteen positions currently occupied by contractual or vendor personnel, which have been identified as most clearly requiring reclassification. This would raise the staff ceiling from 1730.5 positions contained in the budget proposal to 1749.5 positions, with a corresponding decline in contractual and vendor resources.

If Executive Directors agree to authorize the reclassification of 19 positions, it is suggested that this be the subject of a separate decision to be circulated to the Executive Board, on a lapse of time basis, following adoption of the FY 1990 budget.

The additional cost involved in reclassifying the positions and converting their occupants to staff members would be approximately \$150,000. It is not intended, however, to request a supplementary appropriation at this time, since it may be possible to absorb the cost within the Administrative Budget proposed for FY 1990. In the event a supplementary appropriation is required, a request will be presented to the Board, later.

Mr. Swain (ext. 6565) or Mr. L. Wolfe (ext. 7502) is available to answer technical or factual questions relating to this paper.

Att: (1)

Other Distribution:
Department Heads

INTERNATIONAL MONETARY FUND

Categories of Employment in the Fund

Prepared by the Administration Department

April 12, 1989

I. Introduction

The purpose of this paper 1/ is to review the Fund's use of contractual appointments and vendor arrangements, the advantages of contractual appointments in terms of cost effectiveness and flexibility in meeting manpower needs, and their effects on the organization's nationality distribution. The paper outlines guidelines which have been developed to ensure the proper allocation of functions among staff, contractual appointees, and vendor employees. It also assesses the extent to which reclassification of personnel among the three employment categories would be appropriate under the guidelines and concludes with a proposal to reclassify a certain number of positions.

II. Review of Contractual Appointments

1. Use of contractual appointments

Historically, the Fund has relied upon short-term contractual appointees to provide specialized skills or services which could not be provided by staff members or which were needed for only a limited period of time. In recent years the level of contractual assistance has increased significantly and currently represents about 15 percent of the Fund's total effective manpower. In part, this development reflects the growth in new activities requiring specialized skills, especially in the support service area, together with an increase in the work load associated with existing activities. In part, it reflects a conscious decision to make greater use of contractual appointments to carry out work which, in the past might have been allocated to staff.

1/ Reference to the paper is contained in Fund Space Requirements: Additional Background Information (EBAP/88/257;10/25/88), and in Administrative and Capital Budgets for FY 1990 (EBAP/89/86;3/31/89).

As shown in Attachment 1, about 40 percent of the Fund's current contractual appointees are performing professional-level functions and 60 percent support-level functions. Approximately 40 percent of the total are employed by the Bureau of Computing Services in the development and maintenance of the Fund's electronic data processing program; 25 percent by the Administration Department for such activities as the operation, maintenance and remodeling of the building and office facilities; and 18 percent by the functional and special service departments as consultants or in advisory capacities. A few individuals are employed on contract because the nature of their work requires them to be kept distinct from the staff (for example, the Ombudsman). A much larger number are providing temporary assistance in functions normally assigned to staff members: specifically, they are engaged to meet short-term recurring needs associated with work load peaks, staff absences, or lags in staff recruitment. Others are being used to meet needs arising from the establishment of new functions where there is doubt as to whether the needs will be sustained.

Besides contractual appointees, the Fund over the years has relied upon outside companies (vendors) to provide services which, for reasons of economy, efficiency, or specialized skill requirements, cannot or should not be provided by staff members. Some provide complete services on a continuing basis, while others provide complete services on an occasional or fixed duration basis. From time to time, however, vendors also supply individual personnel to provide temporary assistance or specialized technical skills. In such cases, the decision whether to engage a vendor firm or employ an individual contractual appointee is normally based on considerations of cost, efficiency and, where appropriate, the duration of the job to be performed.

2. Advantages of contractual appointments

There are three important advantages which justify the current practice of employing contractual appointees:

(a) Contractual appointments have made it possible to undertake new activities and meet an increased work load in existing activities with minimal resort to the creation of new staff positions. They have also enabled the institution to direct its limited staff resources to those areas demanding the highest priority.

(b) Contractual appointments are more economical than staff appointments. On a broad, aggregate basis, staff salary costs at Grades A1-A8, on average, are 13 percent higher than contractual appointee salary costs. At Grades A9-A14, average staff salary costs exceed those of contractual salary costs by 14 percent, while the differential between staff salaries at Grades B1-B5 and contractual salaries of senior level consultants and visiting scholars is

approximately 20 percent. Besides salary costs, the overhead costs (including staff benefits, the Staff Retirement Plan, training, and amenities) associated with contractual appointments are substantially below those associated with staff appointments. On average, the overhead costs of contractual appointees are estimated to be around 20 percent lower than those of staff members.

(c) Contractual appointments provide greater flexibility than staff appointments, particularly when it is unclear whether or not a need will be sustained or where skill requirements are subject to rapid change and have to be replaced. This is because individual contracts can be tailored to the requirements of a particular function, and specific skills can be acquired for only as long as they are needed. There is, however, a need to modify existing practice, under which nearly all contractual appointments do not extend beyond the end of the fiscal year, though they are renewable at the Fund's option. This practice is appropriate for contractual appointments to functions which are of a temporary or short-term nature; but it leads to problems in the case of appointments to functions which are likely to continue for a medium term, or indefinitely. In such cases (for example, data processing projects), considerable uncertainty is created for both the institution and individual contractual appointees by the need for annual renewal of the contracts. In order to remove this uncertainty and to clearly distinguish between short-term and longer-term needs, it is proposed that in future contracts may extend beyond the end of the fiscal year, in cases where this is clearly justified by the circumstances.

3. Nationality distribution

One specific aspect of the Fund's practice which has given rise to questions on the Executive Board concerns the potentially adverse impact of contractual employment on nationality distribution in the organization. Since contractual appointees are not staff members of the Fund, their recruitment is not subject to the provisions of the "N-Rules" which, inter alia, specify that, in appointing staff, the Managing Director shall pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible. Nevertheless, while only a few professional-level contractual appointees are recruited from overseas (mainly translators and visiting scholars), approximately one third of contractual appointees at these levels are non-U.S. nationals.

The nationality distribution of contractual appointees assumes importance to the extent they are subsequently hired into staff positions. As shown in Table 1, during the past five years, 31 contractual appointees have been recruited into staff positions at Grades A9 and above (approximately 11 percent of total appointments to these grades), of whom about one-third were non-U.S. nationals. This

compares with 70 percent of non-U.S. nationals as a proportion of total appointments to the staff. However, only five of the 31 contractual appointees at Grades A9 and above recruited to the staff were economists, of whom two were U.S. nationals, whereas nearly three quarters of total staff appointees to Grades A9 and above positions were economists, of whom 80 percent were non-U.S. nationals. Thus, the employment of contractual appointees has had a negligible impact on the nationality distribution of economist staff, since few economists are hired on a contractual basis and fewer still move into staff positions.

Table 1. Contractual Appointees Recruited to Staff
(March 1, 1984 - March 1, 1989)

	<u>U.S. Nationals</u>		<u>Non-U.S. nationals</u>	
	Number	Percent	Number	Percent
Grades A9 and above	21	68	10	32
(Economists)	(2)	(40)	(3)	(60)
(Non-economists)	(19)	(73)	(7)	(27)
Grades A1-A8	<u>24</u>	<u>39</u>	<u>38</u>	<u>61</u>
TOTAL	45	48	48	52

The appointment to the staff of contractual appointees at Grades A9 and above has had some influence on the nationality composition of non-economist staff, to the extent that 19 of the 26 contractual appointees joining the non-economist staff were U.S. nationals. It should be noted that, historically, recruitment to Grades A9 and above staff positions in service departments has been heavily weighted toward U.S. nationals (55 percent of staff appointed to these positions during the past five years have been U.S. nationals), especially where particular skills are readily available in the U.S. market or where special local knowledge is required.

Despite the fact that the principle of international recruitment is not normally applied to staff in Grades A1-A8, 75 percent of staff recruited to these levels in the past five years have been non-U.S. nationals. Among the contractual appointees hired into staff positions at these grades (about one-third of the total), 60 percent were non-U.S. nationals.

III. Employment Guidelines and Reclassification of Personnel

1. Employment guidelines

The rapid increase in the number of contractual appointees and the broad range of activities in which they are employed have, in some areas, obscured the distinction between functions which should and those which need not be performed by staff members. This is particularly true in the support service areas where contractual positions have frequently been established to fulfill functions which initially were of uncertain duration and which subsequently have proven to be of a long-term nature. Given the lower cost of contractual appointments, there has also been a tendency to use contractual positions for many support service functions, in order to avoid creating additional staff positions pending a clear determination as to whether or not the functions should be performed by staff members. Conversely, there are a few functions for which there now exists little rationale that they be performed by staff members, even though they may currently be assigned to staff positions. It is desirable, therefore, to take stock of the Fund's total manpower situation in order to distinguish clearly between those functions which should be performed on a continuing basis only by staff and those which may be performed by either contractual appointees or vendor employees. Consequently, in an effort to clarify employment policy and to provide a sound basis for the appropriate classification of the Fund's manpower, more rigorous guidelines (Attachment 2), covering the great majority of employment situations, have been developed to allocate functions among staff, contractual appointees, and vendor employees.

2. Reclassification of personnel

Since contractual assistance is budgeted in man-years, the number of contractual appointees present in the Fund at any one time fluctuates throughout the year. Most of the fluctuation occurs, however, among the short-term or temporary appointees, while those assigned to longer-term functions remain quite stable in number. As shown in Attachment 1, on March 1, 1989, there were 273 contractual appointees, of whom 112 were at the Grades A9 and above salary levels and 161 at the Grades A1-A8 levels. A careful analysis has been undertaken of these contractual appointments, on a position-by-position basis and in light of the employment guidelines contained in Attachment 2. The analysis indicates that for 50 of the positions currently occupied by contractual appointees a sound justification exists for reclassification to staff positions and that two should be reclassified as vendor positions. Of the remainder, approximately 160 are assigned to functions envisaged as extending beyond one year and

six are of permanent duration. ^{1/} The remaining 55 are meeting temporary or short-term needs with nearly one half temporarily charged to existing staff positions.

In addition to the 50 contractual positions there are nine vendor employees performing functions which should be performed by staff members. Consequently, as shown in Table 2, there are a total of 59 positions occupied by contractual and vendor personnel which could appropriately be reclassified as staff positions. In analyzing the contractual positions, attempts have also been made to identify staff positions which might be reclassified either as contractual or vendor positions. A total of 18 such staff positions were found, of which nine should be reclassified as contractual and nine as vendor positions (see Table 2). It is likely that there are other staff positions which could be reclassified, particularly in the support services area, and efforts to identify them will continue. Since most of these reclassifications would probably have to occur through staff attrition, they offer little, if any, scope for an immediate reduction in the staff ceiling. Over time, however, the replacement of staff members by contractual or vendor personnel should offset, at least partially, the proposed reclassification of contractual and vendor to staff positions.

Table 2. Reclassification of Positions

	Reclassification to staff		Reclassification from staff	
	Contractual to staff	Vendor to staff	Staff to contractual	Staff to vendor
Area Departments	1	-	-	-
Functional and Special Service Departments	7	4	-	-
Information, Statistics, and Liaison	6	-	-	-
Service Departments	<u>36</u>	<u>5</u>	<u>9</u>	<u>9</u>
TOTAL	50	9	9	9

^{1/} The six positions are Immigration Counsellors (2), Legal Services Consultant, Ombudsman, Chairman of Grievance Committee, and Secretary to Ombudsman and Chairman of Grievance Committee.

The 59 contractual and vendor positions identified for reclassification to staff positions are all engaged in functions identical or closely related to those performed by counterparts on the staff. A number also have supervisory responsibilities or are directly involved in procurement or payment activities. Within the group there are 19, in addition to two already included in the FY 1990 budget submission (EBAP/89/86), which should be accorded high priority for reclassification. These include all eight professional level positions, 1/ those involved with procurement and payments activities, a number of secretarial positions, and one research assistant position. Eleven of the positions are situated in the functional and special service departments, nine in the support service departments, and one in an area department.

It is proposed, therefore, that the 19 positions, 13 of which are contractual and six of which are vendor, be reclassified to staff positions in FY 1990. The others, which are of lower priority and, in a few cases merit further study, could be considered for reclassification in the context of the administrative budget reviews in FY 1991 and FY 1992.

1/ Eight of the 57 positions for reclassification are professional level.

Contractual Appointees by Functional Groupings
(as of March 1, 1989)

	Number	Percent of Total
Management	3	1.1
Office of Executive Directors	1	0.4
Area Departments	7	2.6
Functional and Special Service Departments	48	17.6
Information, Statistics, and Liason	10	3.7
Service Departments	204	74.7
Bureau of Computing Services	(109)	(39.9)
Administration Department	(68)	(24.9)
Other	<u>(27)</u>	<u>(9.9)</u>
TOTAL	273	100.0

Contractual Appointees by Grade Level
(as of March 1, 1989)

	A1-A8	A9 and above	Total
Management	1	2	3
Offices of Executive Directors	1	-	1
Area Departments	3	4	7
Functional and Special Service Departments	29	19	48
Information, Statistics, and Liaison	9	1	10
Support Services	<u>118</u>	<u>86</u>	<u>204</u>
TOTAL	161	112	273

Employment Guidelines

1. Staff appointments

Staff appointments are made only to positions authorized within the staff ceiling of the Fund's Administrative Budget. They may be "regular" appointments, which are of an indefinite tenure, or "fixed-term" appointments, which are for periods of between two and five years and which may not be converted to regular status. As a basic principle, the majority of positions within the Fund should be filled through staff appointments. The following types of positions normally should be incorporated within the staff ceiling and encumbered only by staff members:

a. Positions which carry out the basic institutional mission of the Fund. These would include (i) positions directly involved in consultation, negotiation or other official contacts with member countries and (ii) positions which perform other key ongoing functions essential to the basic operation of the Fund.

b. Positions which support the basic institutional mission of the Fund, and in which (i) the basic skills required will not change dramatically over a short period of time, and (ii) there is a need for continuity among the staff performing these tasks.

c. Positions in which the incumbent is required to act on behalf of or encumber the Fund, (for example, to authorize procurement of goods or services, or approve leave, payments, travel, etc.) or to serve as a representative or delegate of the Fund.

d. Positions with designated supervisory responsibilities for staff or contractual/vendor appointees. In a few cases (for example, EDP specialists and building engineers) practicality dictates that contractual/vendor appointees should supervise their own personnel. Normally, this would not extend beyond the first level of supervision, however, and only in exceptional circumstances would a staff member be supervised by a contractual/vendor appointee.

2. Contractual appointments and vendor contracts

All other positions which do not fit within the guidelines for staff appointments, but which are required to perform services needed for the efficient operation of the Fund, or to meet work load requirements of a temporary or uncertain duration, may be filled by contractual appointees or vendor personnel if this is more economical or efficient than employing staff. Contractual appointees and vendor personnel should not perform the same tasks as staff members, unless

they are retained for temporary, limited-term or peak work period assignments, or unless a determination has been made by the hiring department, in consultation with the Administration Department that individual circumstances warrant an exception. The choice as between a contractual appointment and a vendor contract will depend on several considerations, including the job or service to be performed, the degree of control and supervision desired over the contractor, cost effectiveness, and administrative convenience. Some broad guidelines on the use of contractual appointees and examples of the types of functions performed by vendor employees are outlined below.

a. Contractual appointments

In general, contractual appointments are made for varying terms which do not extend beyond the end of the Fund's financial year, but which may be renewed at the beginning of the following financial year, subject to the appropriation of necessary budget funds. Appointments are made on the basis of a contract between the individual appointee and the Fund. However, contractual appointees are not staff members, and their remuneration, benefits and conditions of service are specified in their contracts rather than in the standard rules and administrative orders governing staff.

Examples of types of positions which would normally be filled by contractual appointees include:

(1) Positions which support the basic institutional mission of the Fund, and in which (i) the Fund has little or no expertise, or the skills required are likely to change dramatically over time, and (ii) continuity within the staff performing these tasks is not critical to their effective performance.

(2) Positions in which services are needed for only a relatively short period of time. These may be consultant or advisory functions in the main operational departments or support functions in the service departments of the Fund, and may carry out tasks normally assigned to staff.

(3) Positions which carry out finite, short-term projects requiring specialized skills which staff may not possess, or for which the Fund has no permanent or continuing need.

(4) Positions which, although long-term in nature, require that the incumbent not be a staff member (for example, the Ombudsman and the Grievance Committee Chairperson).

(5) Positions created to meet manpower needs--in particular, those generated by new activities or increases in the volume of existing activities--which it is uncertain will be sustained.

b. Vendor contracts

Vendor contracts involve agreements between the Fund and companies (vendors) that provide services, materials, or both to the Fund. Many of these vendor contracts provide a complete, continuing service to the Fund, supplying the necessary management, technical expertise, and personnel; examples include the food, security, engineering and parking services, and the Fund's travel agents. Some vendors provide a complete service for a fixed duration; examples include the audit assistance provided to the External Audit Committee, architectural services, or furniture design and installation. Others provide varying numbers of personnel on an ongoing, as-needed basis, as for example, temporary secretary agencies. The level of supervision of these activities by Fund staff varies. A major benefit of vendor arrangements is the contract guarantee to maintain the quality and level of personnel necessary to perform the service concerned. This is particularly important in the case of services requiring periodic changes in manning levels.