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April 25, 1988

To: Members of the Executive Board

From: The Secretary

Subject: 1988 Staff Compensation Review

Attached for consideration by the Executive Directors is a memorandum from the Managing Director on the 1988 staff compensation review, which will be brought to the agenda for discussion on a date to be announced.

Ms. D. Anderson (ext. 7257) is available to answer technical or factual questions relating to this paper prior to the Board discussion.

Att: (1)

Other Distribution:
Department Heads

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1. Introduction

Under the compensation system adopted by the Executive Board in 1979, major surveys of compensation in the comparator organizations in France, Germany, and the United States are required every three to five years to provide information on actual levels of compensation in the prescribed comparator markets. Surveys of this character were carried out in 1980 and 1984. In the intervening years between major surveys, the annual compensation reviews are to be based on surveys of increases in net compensation in the comparator organizations; such "intervening year" surveys of increases in salaries were conducted by Hay Associates, the compensation consultant, in 1985, 1986, and 1987, and the results provided the basis for the decisions of the Fund and the Bank Executive Boards.

Under the existing system, it would have been desirable to conduct a major survey in 1988; the planning and commissioning of such a survey would have had to begin in 1987. However, given the fact that the Joint Bank/Fund Committee of Executive Directors on Staff Compensation (JCC), is developing proposals for a revised compensation system and had indicated its intention to present their proposals to the two Executive Boards in the early part of 1988, I concluded that it would not be justifiable to incur the expense of a major survey. Accordingly, in February of this year, I informed Executive Directors that the Fund would join with the Bank in commissioning Hay Associates to conduct an intervening year survey of salary increases in the comparator organizations for the 12-month period ending April 30, 1988. Hay Associates have completed the survey, and their report is attached as Annex I, Survey of Compensation Increases in France, Germany, and the United States.

2. Survey findings

On the basis of the current system of equal weighting for the public and private markets, net increases in direct compensation in the U.S. comparators were 6.0 percent for Grades A9-B2 and 3.9 percent for Grades A1-A8. These net increases represent all forms of increases granted by the comparator organizations, including merit increases. After the deduction from each figure of the standard 2.4 percent, to cover the merit increases for staff that will go into effect on May 1, the rates of general salary increase indicated by the survey are 3.6 percent for professional staff and 1.5 percent for support staff. Details of gross and net increases for the public and private sector comparators are shown in Table 1.

Table 1. Compensation Increases in the U.S. Comparator Market
April 1987-April 1988

(Average Increases in Percentage Terms)

	U.S. Comparators Average Salary Increases			
	Gross	Net	Gross	Net
	Grades A9-B2		Grades A1-A8	
Public sector	4.6	4.7	3.3	3.4
Private sector	5.2	7.3	4.6	4.3
Combined (equal weighting public/private)	4.9	6.0	4.0	3.9
Less merit increase		-2.4		-2.4
Indicated general increase and structure adjustment		3.6		1.5

As in 1987, the rates of increase in net salaries in the comparator market are higher than they would otherwise have been as a result of the continued reduction of income tax rates under the U.S. Tax Reform Act of 1986. The effects of the tax changes on the net increases are shown by the following data:

Impact of Tax Changes on Indicated Net Increases

(In Percent)

	Gross Increase	Based on 1987 Tax Tables	Based on 1988 Tax Tables	Impact of Tax Changes
Grades A1-A8	4.0	3.4	3.9	0.5
Grades A9-B2	4.9	4.2	6.0	1.8

The differential impact on professional and support staff reflects the fact that the tax reductions were more substantial for higher income levels.

The existing compensation system is based on compensation changes in the comparator organizations, and takes no direct account of increases in the cost-of-living. However, it has been customary to provide Executive Directors with information on recent developments in the Washington area consumer price index. The increase in the Washington area consumer price index for the latest available twelve-month period (March 1987-March 1988) was 4.1 percent. 1/

The survey conducted by Hay also provides data on increases in direct compensation in the comparator organizations in France and Germany (Table 2) for Grades A9-B2. Data is collected only for these grades because professional staff are internationally recruited, and the present system calls for checks to be made on the French and German comparator markets to assure the continued international competitiveness of Fund and Bank salaries for professional staff. The combined net increases in the public and private sector compensation was 6.5 percent in Germany and 3.5 percent in France. These increases are, of course, in local currencies. From end-March 1987 to mid-April 1988, the U.S. dollar has depreciated by about 8 percent against the deutschemark and 6 percent against the French franc, bringing the cumulative depreciations from the first quarter of 1985, when the U.S. dollar started to weaken, through mid-April 1988 to 49 percent and 43 percent respectively. 2/ These developments in exchange rates since the 1984 survey indicate that the competitive margin of salaries in the U.S. market over those in France and Germany, which existed at that time, has been substantially eroded, if not eliminated, in the intervening period.

1/ The index referred to is the Consumer Price Index for All Urban Consumers (CPI-U) for the Washington D.C. Metropolitan statistical area. The Washington Area Consumer Price Index for Urban Wage Earners and Clerical Workers rose by 4.3 percent from March 1987 to March 1988.

2/ IFS data show the average exchange rate for the U.S. dollar against the French franc as FF 9.9601 in the first quarter of 1985 compared with a mid-April 1988 exchange rate of FF 5.64. For the deutschemark, the comparable exchange rates were DM 3.2563 and DM 1.66.

Table 2. Percent Change in Compensation (Including Merit Increases) in the United States, France, and Germany

April 1987 to April 1988

(Grades A9-B2)

	United States	France	Germany
Increase in gross pay	4.9	2.9	4.5
Increase in net pay 1/	6.0	3.5	6.5
Increase in CPI 2/	4.1	2.4	0.9
Real net increase	1.9	1.1	5.6

1/ Net increases in Germany and France are higher than gross increases as a result of tax reductions in both countries.
2/ Based on the latest available CPI data: February 1987 to February 1988 for France and Germany and March 1987 to March 1988 for the United States.

3. Considerations bearing on proposed increases in compensation

I firmly believe that the interests of the Fund require us to grant general increases in salaries of 3.6 percent to professional staff and 1.5 percent to support staff, in conformity with the results of the survey. I base this conclusion on the following considerations:

(i) Employment conditions

Work pressures on Fund staff remain heavy, in particular on those on whom the institution relies most to meet its responsibilities to member countries. There is no indication that these work pressures will decrease in the foreseeable future; on the contrary, recent and imminent changes in the facilities for the use of Fund resources available to members are likely to increase the workload. Whenever special demands were placed on the Fund in the past, the institution was able to respond successfully because it could draw on a highly-qualified and dedicated staff. A competitive remuneration package and attractive working and career conditions were instrumental in attracting and retaining such a staff. Lately, however, salary movements in the main markets from which the Fund draws its staff, exchange rate developments, the work of the JCC, several reviews of benefits and employment conditions currently being undertaken, and the continuing austere budget stance have all combined to make prospective and continued employment in the Fund less attractive.

The Fund's loss of appeal as an employer is becoming increasingly evident in the recruitment area. It has become progressively more difficult to recruit qualified candidates for the Economist Program, from which the Fund draws a significant proportion of its career economists. Traditionally, the rejection rate for offers of appointment to this program averaged about 10 percent to 15 percent. In the period 1985-1987, this rejection rate increased to about 24 percent, and so far in 1988 it has increased further to an unprecedented rate of over 40 percent. One reason for this disturbing development appears to be a significant decline in the competitiveness of our entry salaries in comparison with U.S. employers, especially universities and business schools, which are the employers preferred by most of the candidates who have rejected Fund offers.

At the same time, the substantial depreciation of the U.S. dollar against most major currencies has clearly impaired the Fund's ability to attract a high caliber staff from outside the United States. Social developments in other industrial societies are also playing a role; for example, two career families are becoming common, particularly among the type of graduate the Fund seeks to employ, and the practical and legal difficulties of finding suitable employment opportunities for their spouses in the United States are weighing more heavily in the career decisions of potential recruits from abroad.

Moreover, there have been perceptible signs in 1987 of an increase in voluntary separations of highly-regarded staff, and interviews of staff who are leaving the Fund suggest that a combination of higher salaries and greater scope for advancement in Europe, and in other international organizations, are leading many of the best-qualified non-U.S. staff to reconsider their prospects in the Fund. Although it cannot, of course, be claimed that implementing a general increase of 3.6 percent will resolve the growing problems of recruitment and retention of professional staff, there is no doubt that a refusal to grant this increase, or a delay in the decision, could only aggravate these problems.

As regards support staff, it has always been the Fund's aim to recruit and retain the highest quality staff, and there are indications we are facing a very tight market for secretarial staff who possess the required combination of technical, personal, and linguistic qualifications. It is clearly important for the continued efficient operation of the Fund that we maintain the present quality of our support staff.

(ii) The work of the JCC

On each occasion that the Executive Board has considered an annual salary adjustment since the Joint Compensation Committee began its review of the compensation system, an issue has been raised in the Board whether to proceed with the adjustment, or defer action pending receipt of the Committee's report. Since a similar issue may be raised this year, I will take this opportunity to express my views on the subject.

I understand that the Committee is currently in the process of finalizing proposals for a revised salary system, including recommendations on a new comparator market; it aims to issue its report some time in May. As its work has proceeded, the Committee has received comments and suggestions from the Fund and Bank managements, and there are likely to be many aspects of the Committee's proposals which the two managements can readily endorse. Nevertheless, differences of view remain on certain important issues, and there are also a number of questions on technical matters and on some of the data which the Committee has collected. Moreover, it has always been made clear that the positions of Fund and Bank management on any individual aspect could only be determined in a definitive manner once the full set of recommendations were available.

When the Committee's final report is issued, the managements will need to review the Committee's recommendations and submit their comments to the two Executive Boards. The Executive Boards themselves will also need to review and discuss the various proposals, and the views of the two managements, before reaching decisions on a revised compensation system and a new comparator market. A new salary structure will then need to be developed on the basis of those decisions; this will require, as a minimum, the updating of market data previously collected by the JCC, and may require the collection of new or supplementary data. To the extent that the new structure differs from the existing one, transitional arrangements will also need to be devised to regulate the movement of salaries from one structure to the other.

All of these steps will necessarily require considerable time and effort. The fact that the JCC has taken two and a half years to formulate its own proposals testifies to the complex and controversial nature of the issues involved. In addition, it is critically important to ensure a result which meets the needs and interests of the institutions, and which will enable us to continue to recruit and retain an international staff of the highest caliber. These factors impose on both the management and the Board a clear responsibility to proceed with great care and forethought. Taking all of these considerations into account, it may be as long as twelve months before we can reasonably expect to have a new salary structure in place, and can begin the process of adjusting actual salaries to match this structure.

In the meantime, and until final decisions are reached on any changes in the compensation system that may seem appropriate in light of the JCC's proposals and other factors, we have no basis for justifying a departure from the system that is already in place for determining changes in salary levels. In view of this, and given the difficulties we are already encountering at certain critical salary levels, I believe it would be a serious mistake to defer the adjustment action that is now called for under our existing system.

4. Recommendation

I therefore recommend that the Executive Board approve general increases of 3.6 percent for staff in Grades A9 and above and 1.5 percent for staff in Grades A1-A8. The interim salary structure would be increased by the same amounts. I understand that in the Bank the same proposal is being put forward for consideration by the Bank's Board Committee on Compensation Issues.

The estimated cost of the increase in FY 1989 is $4.9 million. The proposed Administrative Budget for FY 1989 does not include the cost of a general salary increase. If the recommendation for increases of 3.6 percent and 1.5 percent for professional and support staff, respectively, is adopted, a formal decision increasing the appropriation under the FY 1989 of "Salaries" and "Other Personnel Expenses" will be put forward for approval by the Executive Board.

Attachment

WORLD BANK AND INTERNATIONAL MONETARY FUND

SURVEY OF COMPENSATION INCREASES IN FRANCE, GERMANY AND THE UNITED STATES 1987-1988

April 1988

WORLD BANK AND

INTERNATIONAL MONETARY FUND

SURVEY OF COMPENSATION INCREASES

IN

FRANCE, GERMANY AND THE UNITED STATES

1987-1988

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I. INTRODUCTION

At the request of the World Bank and International Monetary Fund, The Hay Group recontacted participants in the 1984 Survey of Compensation in France, Germany and the United States to determine overall changes in compensation practices for the last twelve months.

The data presented in this report are based on the practices of sixteen of the eighteen 11-17/A1-A8 comparators, and thirty-six of the forty 18-26/A9-B2 comparators which participated in the 1984 Survey.[1/] *Formal and informal interim reports have also* been provided to the Bank and Fund during the course of the 1988 Survey.

The tabular data presented in this report provide gross and net percentage increases in Direct Compensation for the overall averages (weighted by grade level, i.e. 11-17/A1-A8, 18-26/A9-B2). The data are presented separately for the Public and Private Sectors. The Private Sector is represented by a consolidation of the Financial and Industrial subsectors for 18-26/A9-B2 level positions. The gross and net percentage increases in Salary Structure Midpoints for U.S. comparators are presented similarly.

The increases reported by comparators reflect overall changes for the relevant Bank/Fund group (i.e., 11-17/A1-A8 are distinguished from 18-26/A9-B2).

The calculation of net-of-tax figures was performed on the basis of tax tables provided to the Bank and Fund by Arthur Andersen & Company.

1/ See Appendix A for a listing of the comparators which participated in the 1988 Survey.

II. METHODOLOGY

A. Introduction

The objective of the 1988 Compensation Update Survey is to determine the extent of overall increases in Direct Compensation and Midpoint of Salary Structure over the past twelve months among participants in the 1984 Survey. The same methodology as was used in the 1987 Update Survey was utilized to satisfy this objective. The following section provides more detailed explanations of certain elements of the methodology.

B. Explanatory Notes 1/

As stated above, the methodology applied to the 1988 Update Survey is the same as that applied to the 1987 Update Survey. The following notes are provided in order to elucidate some of these methodological elements.

1. To calculate the gross percent increase in Direct Compensation for U.S. Civil Service positions, figures for the three different types of increase were obtained from the U.S. Office of Personnel Management, and compounded. The three types of increase are: (1) the general increase; (2) the primary form of merit increase, which is based on length of service in the current step in grade; and (3) a secondary type of merit increase, termed a quality step increase (QSI), which is based on excellence of performance. For 1987-1988, the combined merit increase was 2.2%. Effective 1/1/88 there was a

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1/ As before, the calculation of net-of-tax figures was performed on the basis of tax tables provided to the Bank and Fund by Arthur Andersen & Company.

2.0% general increase for Civil Service positions. However, no general (structural) increase was granted to individuals on special pay rates. Consequently, the U.S. Civil Service data reflects a general (structure) increase (of 2%) for 37.8% of the population (zero for the rest); but step-in-grade, etc., movement for 100% of the population.

2. A number of U.S. comparators reported that they did not change their Salary Structure Midpoints during the twelve month period since May 1987. Three of the ten[1/] private sector 11-17/A1-A8, and eight of fifteen[2/] private sector 18-26/A9-B2 comparators did not change their Salary Structure Midpoints. These zero increases are included in the calculations employed to arrive at the average increase in Salary Structure Midpoint figures which are presented in the tables in this report; footnotes to the tables report the results obtained if such zero changes are excluded from the calculations.

3. In the United States--as well as France and Germany this year--taxation changes at certain compensation levels had the effect of yielding net percent increases in compensation which exceed the gross percent increases. Appendix B presents an example of the effects of such changes on Direct Compensation for the U.S.

1/ Data was not available for one of the comparators.

2/ One 18-26/A9-B2 comparator has no salary structure.

C. Terminology

1. Base Salary and Direct Compensation

As applied in the survey, Direct Compensation consists of all earned cash payable to an employee. It may be considered to consist of two components: (1) Base Salary; and (2) variable cash compensation. The latter category consists of all earnings, payable in cash, which are in addition to base salary, e.g., profit sharing, bonus or incentive awards. Whereas Base Salaries are essentially fixed, guaranteed payments, variable cash compensation elements are awarded on the basis of individual, unit and/or overall organizational performance. Such awards therefore can vary from year to year and do not bear a fixed relationship to Base Salary.

2. General Increases

General increases are defined as compensation increases provided to all employees on the basis of cost of living or pay comparability adjustments. They are not related to individual performance, tenure or other criteria. Although the size of the increase may vary by grade level, all relevant eligible employees must receive an increase for it to be defined as a general increase. In cases where participants award more than one general increase, the cumulative sum (compounded) is used.

3. Merit and Step Increases

Merit increases are defined as variable increases in compensation resulting from the recognition of meritorious service. They are awarded on an individual basis, and some eligible employees may not receive merit increases.

Step increases are awarded for a variety of reasons -- typically for tenure and/or quality of performance. Again, not all eligible employees may receive step increases, and the average size of the increase varies.

Merit and step increases are weighted to reflect the proportion of the relevant eligible comparator population receiving an increase.

4. Midpoint of Salary Structure

The salary structure provides the boundaries within which the level of base salary is determined. Most organizations use a control point -- most commonly the midpoint of the range between minimum and maximum -- to control salary expense and distribute salary increases. In the Private Sector, base salaries above midpoint typically reflect above-average performance, while base salaries below midpoint typically reflect below-average performance or the existence of recently hired or promoted incumbents. In the U.S. Private Sector, individual compensation does not increase commensurately with increases in the midpoint of structure.

In the Public Sector, a formal midpoint is not typically used as a control point, and average base salaries tend to increase above this level. Performance is more generally assumed to follow years of service.

III. SUMMARY OF FINDINGS

11-17/A1-A8 POSITIONS
DIRECT COMPENSATION AND SALARY STRUCTURE MIDPOINTS

Data on changes in compensation were collected from sixteen (16) of the eighteen (18) U.S. comparators that participated in the 1984 Survey.

The U.S. Public Sector Direct Compensation results are based on the combined merit increase, and the general increase granted in 1988. These results were combined with the increases for other U.S. public sector organizations to arrive at the overall gross percent increase.

The U.S. Private Sector Direct Compensation results are based upon data provided by 11 of the 13 comparators. All 11 provided only merit increases. Gross percent increases in average Direct Compensation range from 3.0% to 6.0%.

The U.S. Private Sector Salary Structure Midpoint results are based upon the data provided by 10 of the 13 participants. Two comparators did not participate in this section of the 1988 Survey, and one comparator was unable to supply midpoint movement information. The average gross and net increases in the tables reflect the inclusion of zero movement in the calculations: footnotes report the results based on excluding such data.

The following tables present overall gross and net percent increases in Direct Compensation and Salary Structure Midpoints for the relevant time period.

A. Direct Compensation

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
11-17/A1-A8	3.3	3.4

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
11-17/A1-A8	4.6	4.3

B. Salary Structure Midpoints

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
11-17/A1-A8	0.8	0.9

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
11-17/A1-A8	2.8 1/	2.9 1/

1/ If the three comparators which did not change their structure were excluded, the average gross percent increase would be 3.9%, and the average net percent increase would be 3.8%.

IV. SUMMARY OF FINDINGS

18-26/A9-B2 POSITIONS
DIRECT COMPENSATION AND SALARY STRUCTURE MIDPOINTS

Of the twenty-two (22) U.S. Comparators in the 1984 Survey, data on changes in compensation were collected from twenty (20) organizations. One comparator in the Industrial Subsector merged into a non-survey organization, and another underwent a major re-organization which precluded its participation.

In the U.S. Public Sector, the Federal Reserve Bank of New York provides only merit increases, while the other comparators provide general and merit/step increases based on tenure and performance.

All sixteen (16) Private Sector organizations rely solely on merit increases to provide compensation increases to personnel. Gross percentage changes in Direct Compensation were variable, ranging from 2.0% to 6.7%. Eight (8) U.S. Private Sector comparators did not adjust their salary structures. Gross percent increases in Salary Structure Midpoint ranged from 3.0% to 5.0% for the seven (7) remaining comparators.1/

The 1988 tax tables used to compute net figures include the effects of tax changes and increases in average deductions. Appendix B provides an example of the impact of these changes.

1/ One comparator which does not have a Salary Structure is excluded from consideration.

The following tables present the gross and net percent increases in Direct Compensation and Salary Structure Midpoints for the relevant time period.

A. Direct Compensation - United States

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	4.6	4.7

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	5.2	7.3

B. Salary Structure Midpoints - United States

1. U.S. Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	2.0	2.6

2. U.S. Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	2.1 1/	3.9 1/

1/ If the eight comparators which did not change their Salary Structure Midpoints were excluded, the average gross percent increase would be 4.4%, and the average net percent increase would be 6.2%.

C. Direct Compensation - France

All nine participants in the 1984 Survey provided data for the 1988 Survey (six in the Private Sector and three in the Public Sector). Eight of the nine comparators provided both general and merit increases. The remaining comparator provided a general increase only. Private sector gross percentage increases ranged from 2.4% to 5.6%.

The following tables present the overall gross and net percentage increases in Direct Compensation. As previously noted, the net increase in Direct Compensation from 1987 to 1988 exceeds the gross increase because of a decrease in tax rates.

1. French Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	2.3 1/	3.1 1/

2. French Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	3.4	3.9

D. Direct Compensation - Germany

All nine participants in the 1984 Survey provided data for the 1988 Compensation Update Survey. Four of the nine comparators provided both general and merit increases. Of the remaining five, three provided merit increases only, and two provided general increases only. Private Sector gross percentage increases ranged from 4.0% to 7.0%.

The following tables present the gross and net percentage increases in Direct Compensation over the last twelve months.

1. German Public Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	4.1	5.4

2. German Private Sector
(World Bank & International Monetary Fund)

Grade	Gross % Increase	Net % Increase
18-26/A9-B2	4.9	7.7

APPENDIX A

1988 SURVEY COMPARATORS

APPENDIX A

1988 11-17/A1-A8 SURVEY COMPARATORS

Public Sector

- Agency for International Development
- Bureau of Labor Statistics
- Department of Commerce
- Department of Treasury
- Federal Reserve Board

Private Sector

- Acacia Group
- American Bankers Association
- American Chemical Society
- American Gas Association
- American Petroleum Institute
- Arthur Andersen & Company
- Brookings Institution
- Communications Satellite Corporation
- U.S. Chamber of Commerce
- Federal National Mortgage Association
- Mobil Oil

1988 18-26/A9-B2 SURVEY COMPARATORS

FRANCE

Public Sector

Banque de France

Caisse Centrale de Coopération Economique

Ministère de l'Economie

Private Sector

Industrial

Compagnie Française des Pétroles

Lafarge-Coppée

Rhône-Poulenc

Financial

Credit Agricole

Crédit Industriel et Commercial

Crédit Lyonnais

GERMANY

Public Sector

Bundesministerium der Finanzen

Deutsche Bundesbank

Kreditanstalt fur Weiderafbau

Private Sector

Industrial

Hoechst

Metallgesellschaft

Veba Oel

Financial

Berliner Handels-und Frankfurter Bank (BHF)

Deutsche Bank

Dresdner Bank

UNITED STATES

Public Sector

Agency for International Development

Department of Treasury

Federal Reserve Bank of New York

Federal Reserve Board

Private Sector

Industrial

Dow Chemical

General Telephone & Electronics

International Business Machines (IBM)

Johnson and Johnson

Merck

R. J. Reynolds Industries

Union Carbide

Financial

Bank of America

Chase Manhattan Bank

Citicorp

First Chicago

Goldman Sachs

Manufacturers Hanover

Mellon Bank

Merrill Lynch

Morgan Guaranty Trust

APPENDIX B

EFFECTS OF U.S. TAX CHANGES, 1987-1988

APPENDIX B

EFFECTS OF U.S. TAX CHANGES, 1987-1988

The 1986 Tax Reform Act made major changes in the determination of federal income taxes. The Act increased personal exemptions, decreased tax rates, and eliminated or reduced many deductions from income. The overall effect has been to reduce income taxes, thereby increasing net pay for employees in the US market.

The following table illustrates the effects of tax changes brought about by the 1986 Tax Reform Act in the U.S. between 1987 and 1988. The table provides average gross and net percentage increases for the U.S. market using a 50/50 mix of the public and private sector results.

Impact of Changes for 11-17/A1-A8 and 18-26/A9-B2 Positions

		Net Increase (%)		
Grade Level	Gross Increase (%)	Based on 1987 Tax Tables*	Based on 1988 Tax Tables*	Impact of Tax Changes (%)
11-17/A1-A8	4.0	3.4	3.9	0.5
18-26/A9-B2	4.9	4.2	6.0	1.8

* Tax tables provided to the Bank/Fund by Arthur Andersen and Company.