EBAP/86/150

June 23, 1986

To: Members of the Executive Board

From: The Secretary

Subject: Staff Association Committee - 1986 Compensation Review and Recent Salary Increases at the World Bank

The attached memorandum to the Managing Director from the Chairman of the Staff Association Committee is circulated for the information of the Executive Directors.

Att: (1)

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Department Heads

International Monetary Fund
Staff Association

MEMORANDUM

June 20, 1986

TO: The Managing Director

FROM: Chairman, Staff Association Committee

SUBJECT: 1986 Compensation Review and Recent Salary Increases at the World Bank

As you know, the Fund staff were deeply disturbed by the Executive Board's unilateral decision not to implement the 1986 Compensation Review. These concerns have been exacerbated by the recent decision to grant a salary increase at the World Bank.

It is not for us, the Fund staff, to begrudge a salary increase at our sister organization, but the explanations that have been given as to the nature of that increase will not wash. It is clear to us (see the attached paper) that the World Bank's salary action was a general wage hike that cannot be justified by the Job Grading results at the Bank. Coming as it does shortly after the decision by both the Bank and the Fund to defer action on the proposals for salary increases made in the context of the 1986 Compensation Review, this disparate treatment of the two staffs compromises further the integrity of the existing compensation system and raises major questions about parallelism and comparability of treatment of the staff of the two institutions. The Fund staff find it outrageous for their salaries to be frozen pending the outcome of the Joint Committee on Staff Compensation's study when the World Bank's staff are not subject to the same constraints. These developments are particularly onerous coming as they do at a time when Fund staff are once again being asked to accept an even higher work load in the context of no nominal increase in the budget.

We believe these actions are profoundly affecting the way Fund staff view their commitment to the Fund and their role in the international community and urge you to act to prevent any further deterioration in the staff's morale. We feel that our current situation demands review and believe that, as stated in our memorandum to you of May 30, the 1986 Compensation Review at the Fund must be urgently reconsidered.

Attachment

ATTACHMENT

Response of the Staff Association Committee (SAC) to the World Bank Salary Action of June 10, 1986

The Fund staff are deeply disturbed by the implications of the decision of the World Bank's Executive Board on June 10, 1986 to grant a general wage hike of 1.5 percent and 1.3 percent to its professional and support staff, respectively, with effect from May 1, 1986. Coming as it does shortly after the decision by both the Bank and the Fund to defer action on the proposals for salary increases made in the context of the 1986 Compensation Review, this disparate treatment of the two staffs compromises further the integrity of the existing compensation system and raises major questions about parallelism and comparability of treatment of the staff of the two institutions. While the salaries of both Fund and Bank staff have increasingly lagged behind those of their comparators, Fund salaries have now, as a result of the Bank's recent decision, fallen further behind. We believe that the Bank Administration's reasoning behind this decision clearly strengthens the case for a salary decision at the Fund of at least the same magnitude.

The Bank has attempted to justify the salary decision on grounds that are unrelated to the 1986 general salary review. The Bank argues that there were certain anomalies between the Bank and the Fund as a result of the Job Grading Exercise in the two institutions. Three areas of purported discrepancies are noted, viz., (a) the Bank staff are eligible for overtime payments only through Bank salary grade 17 (Fund level A7) compared with grade A8 at the Fund; (b) Bank staff affected by grandfathering will have their salaries frozen after the two-year grace period, while similarly affected Fund staff will be eligible for merit increases within certain limits; and (c) the amounts set aside in the Bank at previous salary reviews were used only to bring upgraded staff to the minima of their new ranges, while all Fund staff with salaries below the maxima of their new ranges received the set-aside amounts.

Although the points raised by the Bank with regard to overtime eligibility and grandfathering may have some merit, we would point out that these two issues are not addressed by the Bank's recent general wage increase. Moreover, we find the argument that Bank staff have suffered from not receiving the same set-aside amounts as the Fund to be totally without merit. The 1984 salary survey indicated that, without a PATC adjustment, the Fund had lagged the comparator market by 5.6 percent for professional staff but that the Bank was actually slightly above the market. Including the PATC adjustment, the indicated increase in Fund salaries would have been 12.1 percent for professional staff, while that for Bank salaries was only 6.0 percent. In the event, Fund Management proposed an increase of 5.6 percent for Fund professional staff (i.e., no PATC adjustment was incorporated), of which 4.0 percent was granted immediately and 1.6 percent was set aside pending completion of the Job Grading Exercise. 1/ The Fund Board decision setting those amounts aside assumed that they would be distributed; only the modalities remained to be defined.

Strict parallelism in the sense of an equivalent application by both institutions of the salary adjustments indicated by the agreed compensation system would have resulted in either a larger increase for the Fund Staff (if the PATC adjustment had been incorporated as we have always maintained) or no increase for the Bank staff (if no PATC adjustment had been incorporated). However, Bank Management arbitrarily proposed an increase of 5.0 percent, and Bank salaries were subsequently increased by 4.0 percent. No amount was specifically set aside in connection with the Job Grading Exercise. In the 1985 salary review, identical increases were granted by both institutions and both set aside 0.5 percent of the increase pending the completion of the Job Grading Exercise.

In early 1986, following the completion of its Job Grading Exercise, the Fund distributed the amounts set aside from the 1984 and 1985 exercises to increase salaries of upgraded staff members to the new range minima and to provide across-the-board adjustments in the indicated amounts to all staff members deemed not to be overpaid after implementation of the Exercise (2.1 percent for grades A9-B5 and 1.0 percent for grades A1-A8). Staff members who were above the maxima of their new salary ranges did not receive any adjustment, and those at the top of their grades received it in the form of a lump-sum non-pensionable payment. The entire amounts set aside were required for these increases. Partly reflecting the larger extent of upgrading at the Bank (which has not yet been explained to our satisfaction), the entire amount set aside by the Bank (0.5 percent) was required to increase the salaries of upgraded staff members to the new range minima. Further, emphasizing that the books were closed on the Job Grading Exercise, the Bank also noted subsequently that "Management did not believe at the time--and does not believe now--that any further salary increases were needed to give effect to the results of the Job Grading Program." 2/

We therefore find entirely unconvincing this sudden new argument that the recent Bank decision is intended to redress anomalies emerging

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1/ The salary adjustment indicated for support staff was 1.7 percent. The Board approved an immediate increase of 1.2 percent and set aside 0.5 percent pending the completion of the Job Grading Exercise.

2/ Bank document No. R86-51 (3/5/86), page 4.

from the implementation of the Job Grading Exercise. Our reasons for this view are as follows: First, as noted earlier, the Bank decision does not propose any action with regard to overtime eligibility and grandfathering, where there does appear to be some difference between the two institutions. Second, the entire amount set aside by the Bank has already been distributed. We do not understand how the Bank can now distribute a second time the amount set aside during the 1985 review and also claim that additional amounts from the 1984 review are somehow available to be distributed. The decision by the Bank Board in 1984 not to grant the full amount of the increases proposed does not mean that Bank salaries have fallen further behind Bank comparators than Fund salaries have fallen behind the Fund comparators. Quite the contrary, as noted above, under the existing compensation system, the entire amount of the salary increase granted by the Bank in 1984 was attributable to the PATC adjustment, which was not applied at all in determining the amount of the salary increase proposed at the Fund. Because the 1984 Bank salary action included the PATC adjustment, Bank salaries before the recent increase were only 2.0 percent behind their comparators, while Fund salaries were 6.5 percent behind. After the recent Bank action, the discrepancy is even larger. There should therefore be no presumption of unequal treatment because the full amount of the initial salary proposal by the Bank was not approved. Third, if the Bank action is truly related to the set aside amounts, why is the action effective only from May 1, 1986? If truly related to the Job Grading Exercise, the adjustment should be retroactive. Finally, and most crucially, the Bank salary action was granted to all staff, including those that were downgraded as a result of the Job Grading Exercise. Downgraded staff already above the maxima of their new salary ranges at the Fund received no distribution from the set aside amounts.

There is in fact nothing that distinguishes the recent Bank action from a general salary increase (as it is publicly called) other than the lack of adjustment to the overall salary structure. We are forced to conclude that the recent Bank salary action is actually an ordinary general wage increase and that it bears no relationship whatsoever to the Job Grading Exercise. The amount of the increase is such that it reverses virtually the full effect of the postponement of the increase recommended for support staff in the 1986 compensation review and about half of the effect of the postponement for professional staff. The granting by the Bank of a general salary increase at this time is certainly justified as a means to offset part of the adverse impact of the deferral of the salary adjustment indicated by the 1986 salary survey, but it can in no sense be attributed to anomalies in the implementation of the Job Grading Exercise.

We have long argued that identical treatment of Bank and Fund staff does not necessarily mean identical salary increases. Because the Bank and the Fund are very different institutions in terms of size, staffing requirements, and working environment, it is only natural to expect that uniform application of the same compensation principles would result in different salary changes. However, we are strongly of the view that the recent Bank decision constitutes a general wage award to the Bank staff that in the present compensation system should also be given to the Fund staff. There has already been a growing incentive for Fund staff to move to the Bank as a result of better promotion prospects and less work pressure, an incentive which we understand is being countered through greater restrictions on staff mobility rather than through correcting the factors that cause staff to move. These existing incentives will only be exacerbated by the recent decision. It is difficult for the Fund staff to understand how the same set of member governments that are represented on the Executive Board of the Fund could have approved a general wage increase for the Bank, but that no such increase has even been considered by the Fund. We conclude that a proposal for a commensurate salary increase should be taken up immediately by the Fund's Executive Board.