Finance Committee

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Comprehensive review of the United Nations common system compensation package

Report of the Secretary-General

I. Introduction

1. A relationship agreement with the United Nations was concluded in 1997 and was signed by the Secretary-General of the United Nations and the Secretary-General of the International Seabed Authority on 14 March 1997 in New York, being applied provisionally upon signature pending its approval by the General Assembly of the United Nations and the Assembly of the Authority. The Agreement concerning the relationship between the United Nations and the International Seabed Authority was approved by the Assembly of the Authority at its third session, on 27 March 1997 (ISBA/3/A/3). The Agreement was approved by the General Assembly of the United Nations on 26 November 1997 and entered into force on that date (see resolution 52/27, annex).

2. Under the terms of that Agreement (art. 11), the United Nations and the Authority agree to apply, in the interests of uniform standards of international employment, and to the extent feasible, common personnel standards, methods and arrangements designed to avoid unjustified differences in terms and conditions of employment and to facilitate interchange of personnel in order to obtain the maximum benefit from their services. The language of this clause is similar to the language used in relationship agreements between the United Nations and other organizations that are considered part of the common system.

3. The development of common personnel standards, methods and arrangements are designed to avoid serious discrepancies in terms and conditions of employment, prevent competition among the organizations in staff recruitment, and to facilitate the exchange of staff.

4. At its 139th meeting, on 27 July 2012, the Assembly of the Authority, acting upon the recommendation of the Council, decided that it would be desirable for the Authority to subscribe to the statute of the International Civil Service Commission with effect from January 2013 (see ISBA/18/A/7).

5. Though it is understood that the Authority is an autonomous international organization, by choosing to apply to its staff the common system of salaries, allowances and other conditions of service, the Authority is expected to implement the decisions of the International Civil Service Commission, as approved or modified by the General Assembly acting as the legislator for the rest of the common system.

II. Comprehensive review of the common system compensation package

6. In 2013, the International Civil Service Commission set out to undertake a comprehensive review of the common system compensation package in order to ensure that the pay and benefits provided to staff continued to be fit for purpose. The Commission decided that, given the scope of the exercise, consideration of the National Professional Officer and the General Service and related categories should be taken up at a later date, once the review of the Professional and higher categories had been completed.

7. Having considered the report of the International Civil Service Commission for 2015 (A/70/30), the General Assembly of the United Nations approved the majority of the proposals on the common system compensation package and decided that these provisions should be implemented in phases from 2016 through 2018 (resolution 70/244).

8. The present report provides the Committee with a review of the changes to the compensation package for staff in the Professional and higher categories, and a summary of the financial impact of implementing these changes.

9. The changes in the new compensation package can be grouped into four areas:

(a) Salary and dependency allowances;

(b) Education grant as a dependency benefit;

(c) Relocation;

(d) Mobility and hardship.

10. Other benefits and entitlements, such as annual leave, sick leave, family visit travel, rest and recuperation framework and danger pay, remain unchanged.

A. Salary and dependency allowances

11. A unified salary scale without regard to family status was approved for staff in the Professional and higher categories. It reinforces the notion of payment of salary for work done rather than the individual circumstances of staff. Consequently, support for dependent family members is provided in the form of allowances, including the introduction of a spouse allowance for dependent spouses and a single parent allowance. Both the spouse allowance and single parent allowance is equivalent to 6 per cent of net remuneration (base salary plus post adjustment). The spouse allowance does not transfer to the first dependent child in the case of a staff member with a non-dependent spouse.

12. Under the unified salary scale, staff members will:

(a) Have their grade and step matched for conversion from the current salary scale to the unified salary scale;

(b) Receive the within-grade step increments annually from step I to step VII for grades P-1 to P-5, biennially from step VIII for grades P-1 to P-5 and step V at the D-1 level, and biennially for steps at the D-2 level.

The practice of granting accelerated step increments as a language incentive was discontinued.

13. Staff members may be paid a spouse allowance in respect of a spouse with earnings less than a threshold amount, and a child allowance in respect of each dependent child.

14. Staff members who at the time of conversion are in receipt of the dependency rate of salary in respect of a first dependent child in the absence of a dependent spouse, may receive a transitional allowance of 6 per cent of net remuneration in respect of the first dependent child. The transitional allowance will be reduced by one percentage point every 12 months thereafter and discontinued if the child in respect of whom the allowance is paid loses eligibility or the transitional allowance becomes equal to or less than the amount of the child allowance.

15. The General Assembly of the United Nations also introduced a single parent allowance of 6 per cent of net remuneration, payable to staff members who are single parents and provide the main and continuing support for their dependent children. This allowance may be paid to staff members in respect of a dependent child in lieu of the child allowance.

B. Relocation

16. The revised relocation package includes relocation travel, settling-in grant (formerly assignment grant) and relocation shipment of household goods. While the provision of travel and computation of the settling-in grant remains the same, the shipment of household goods has changed to an entitlement based on container size instead of weight and/or establishing a lump-sum option, established at 70 per cent of the actual cost of relocation shipments.

17. The non-removal element provided to staff members who choose the option of, or are only entitled to, unaccompanied shipment of personal effects and non-removal of household goods, was discontinued. However, for staff members who moved before the implementation date of the new relocation package and did not receive payment for removal of household goods, the non-removal allowance is payable for up to five years at the same duty station or until the staff member moves to another duty station, as a transitional measure.

18. Currently, a staff member is eligible for a repatriation grant after one year of expatriate service. However, the General Assembly established a threshold of five years of expatriate service as an eligibility requirement for the repatriation grant. In addition, it is now payable with reference to the unified salary scale, thereby eliminating the double differentiation of the number of weeks payable to the staff member and the applicable pay rate. Upon transition to the revised scheme, current staff members retain their eligibility within the current grant schedule up to the number of years of expatriate service accrued at the time of the implementation of the revised scheme.

C. Mobility and hardship

19. The mobility allowance was discontinued in favour of a new mobility incentive. The amount is no longer differentiated by dependency status and excludes

payment in category “H” duty stations. This resulted in an increase in the amount for staff with no dependants and a decrease in the amounts for staff with dependants, with the exception of staff in the D-1 level and higher on their second or third assignment. The amount of the mobility incentive varies across grades and increases by 25 per cent upon the fourth assignment and by 50 per cent upon the seventh assignment.

20. Eligible staff members appointed/assigned to a duty station with a hardship category of “B”, “C”, “D”, and “E” will continue to be entitled to a hardship allowance. However, the General Assembly approved one hardship rate for both staff with no dependants and staff with eligible dependants. This resulted in an increase in the amount for staff with no dependants. The hardship allowance is not payable in duty stations classified as “H” and “A”.

21. The additional hardship allowance was discontinued and replaced with a non-family service allowance. Unlike the additional hardship allowance, the non-family service allowance will be paid at the same rate across all grade levels and differentiated depending on family status. The allowance is not payable in family duty stations.

22. Accelerated home leave travel for staff serving in duty stations classified with “C”, “D” or “E” hardship was discontinued, given the apparent overlap with rest and recuperation travel. The General Assembly retained this entitlement for “D” and “E” duty stations not falling within the rest and recuperation framework.

III. Financial impact on currently serving staff and the Authority

23. Various changes to the compensation package have no impact on currently serving staff or the Authority. The new settling-in grant provides for the daily subsistence allowance and a lump-sum amount equal to what is provided in the assignment grant. Though the amounts of the hardship allowance increased for staff with single status and there are new rates for the non-family service allowance, these allowances are not payable to staff serving in the Authority, given that Kingston has an “A” hardship classification and is a family duty station. Similarly, the accelerated home leave travel was not applicable to assignments in Kingston, therefore there are no savings from the discontinuation of this entitlement.

24. Given that the majority of staff remain in service of the Authority for more than five years, the new eligibility requirement of five years of expatriate service for the repatriation grant is unlikely to have a significant financial impact on staff or the Authority. Nevertheless, the calculation will be based on the unified salary scale; thus staff previously paid at the D rate of salary will receive a lower amount.

25. For new staff, the entitlement to full removal of household goods for relocation shipment will be on the basis of a container size instead of weight. In the past, the majority of staff members have not availed of this shipment entitlement, opting instead for payment of the non-removal allowance and a lump sum in lieu of unaccompanied shipment of personal effects, arranging their own shipment, as needed. Based on this trend, and given that the average shipment cost of full removal of household goods paid by the United Nations to shipping vendors is approximately the same as the current lump-sum amounts established at the Authority, the change in the entitlement is unlikely to have a significant financial impact on the Authority, regardless of the option chosen by staff. The discontinuation of the non-removal allowance will not affect currently serving staff, who will continue to receive payment of the allowance for up to five years at the same duty station or until the staff member moves to another duty station, as a

transitional measure. The Authority can expect to save approximately $37,000 per year after the transitional measures end.

26. For the majority of currently serving staff, their assignment at the Authority is counted as their first assignment in the United Nations system, rendering them ineligible for the mobility allowance. This is attributable to the resignation of staff from other United Nations entities prior to joining the Authority and the recruitment of staff from other public sector entities. Consequently, there are few staff members who join the Authority and are eligible for the mobility allowance. The mobility allowance is currently paid to one serving staff member. Upon adoption of the mobility incentive, the staff member will receive an additional $1,965 per year until reaching five years of service at the duty station, at which time the incentive will be discontinued. It is likely that in the future, few staff members will be eligible for the incentive, thus the change in amounts payable will have little financial impact on the Authority.

27. With the adoption of the unified salary scale, staff members who received the dependency rate of salary in respect of a dependent spouse will generally receive the same remuneration after the spouse allowance is applied. A total of eight currently serving staff members will see a loss in salary, ranging from $15 to $29 per year. There are no single parents at the Authority, therefore no one will be paid the single parent allowance upon transition to the unified salary scale. However, there is one staff member in receipt of the dependency rate of salary in respect of a dependent child, given that the spouse is not a dependent spouse. In this case, a transitional allowance of 6 per cent of net remuneration will be paid in respect of the eldest dependent child and reduced by one percentage point every 12 months thereafter.

28. There are two staff members in receipt of the accelerated step increment as an incentive for language proficiency, who may receive a step increment after 20 months of successful performance instead of every 24 months. The discontinuation of this incentive will result in an average loss of $230 annually for each staff member.

29. With the change in periodicity for the within-grade step increment, a total of seven currently serving staff members will be affected by the change from annual step increments to biennial steps: five staff members immediately and two staff members within the next three years. These staff members would each receive an average of $2,000 increase in net remuneration (base salary plus post adjustment) annually, and will now receive this increase every two years. The Authority can expect to save approximately $5,000 per year.

30. On the basis of the current staff profile, 15 children meet the eligibility criteria for payment of an education grant at the present time. Upon adoption of the new education grant scheme, this number will decrease to 13 children. Of those, four will receive a smaller grant and six will receive a larger grant than that which is payable currently. Given the natural turnover of staff members, variances in the age of dependent children, boarding needs and tuition amounts, the secretariat of the Authority cannot estimate annual costs or savings beyond the school year in progress in 2018.

31. The analysis of the financial impact on the Authority is based on a total of 17 staff serving in the Professional and higher categories as at 15 January 2017. The full realization of any savings will occur only in the sixth year of implementation, owing to the transitional measures for existing staff.

IV. Recommendation

32. The Finance Committee is invited to take note of the changes to the compensation package for staff in the Professional and higher categories and the proposed dates of implementation at the Authority (see annex).

Annex

Changes to the compensation package for staff in the Professional and higher categories and proposed dates of implementation

Benefit and entitlement	*Effective date, in accordance with General Assembly resolution 70/244*	*Proposed implementation date for the Authority*	*Number of currently serving staff affected by proposed change*	*Financial impact on currently serving staff*[a,b]	*Financial impact on the Authority*[b]	*Estimated additional cost or savings in 2018*[c] *(United States dollars)*
Relocation						
Settling-in grant	1 July 2016	1 September 2017	0	None	None	0
Relocation shipment (including unaccompanied shipment)	1 July 2016	1 September 2017	0	None	None	0
Discontinuation of the non-removal allowance	1 July 2016	1 September 2017	0	None	Positive	0
Repatriation grant	1 July 2016	1 September 2017	8	Negative	Positive	0
Mobility and hardship						
Mobility incentive	1 July 2016	1 September 2017	1	Positive	Negative	1 965
Hardship allowance	1 July 2016	1 September 2017	0	None	None	0
Non-family service allowance	1 July 2016	1 September 2017	0	None	None	0
Discontinuation of accelerated home leave except in D and E duty stations not falling within the rest and recuperation framework	1 July 2016	1 September 2017	0	None	None	0
Salary and dependency allowances						
Unified salary scale	1 January 2017	1 September 2017	17	9 (-), 8 (+)	Positive	(63 336)
Spouse allowance	1 January 2017	1 September 2017	8	Negative ($15-29 less/person)	Positive	58 513
Single parent allowance	1 January 2017	1 September 2017	0	None	None	0
Transitional allowance	1 January 2017	1 September 2017	1	Negative	Positive	11 524
Within grade increment	1 January 2017	1 January 2018	7	Negative	Positive	(5 000)
Discontinuation of language incentive	1 January 2017	1 September 2017	2	Negative	Positive	(460)

[a] Financial impact on staff serving in the Professional and higher categories during current assignment to Kingston.
[b] None: no change to calculation, or allowance not paid.
[c] Overall financial implications compared with the current package.