

International Civil Service Commission

OPM

Strategic Compensation

Conference:

United Nations Pay Reform

27-28 August 2002, Washington, D.C.

Structure of Presentation

Part I: Overview to set the stage

- Role of ICSC/current pay and benefits package/practices of others.

Part II. Proposals for change:

- The road ahead

UNITED NATIONS COMMON SYSTEM

Overview



THE UNITED NATIONS COMMON SYSTEM

UN and its Affiliated Bodies

United Nations Children's Fund

United Nations Relief and Works Agency

World Food Programme

United Nations Development Programme

United Nations High Commissioner for Refugees

Other Organizations

International Atomic Energy Agency

The World Bank Group

International Monetary Fund

World Trade Organization

THE UNITED NATIONS

COMMON

SYSTEM

Specialized Agencies

International Labour Organization

International Civil Aviation Organization

Universal Postal Union

World Meteorological Organization

World Intellectual Property Organization

United Nations Industrial Development Organization

Food and Agriculture Organization

World Health Organization

International Telecommunications Union

International Maritime Organization

International Fund for Agricultural Development

United Nations Educational, Scientific and Cultural Organization

THE COMMON SYSTEM

All organizations participate in the work of the Commission and follow the common system of salaries, allowances, benefits and other conditions of employment.

All, except UPU, are members of the UN Joint Staff Pension Fund.

The UN and its Affiliated Bodies

UNICEF • UNDP • UNRWA
UNHCR • WFP

Specialized Agencies

ILO • FAO • UNESCO • ICAO • WHO
UPU • ITU • WMO • IMO • WIPO
IFAD • UNIDO

IAEA

UN COMMON SYSTEM
STAFF
WORLDWIDE

PROFESSIONALS

18,000

GENERAL SERVICE

36,000

TOTAL

54,000

COMPOSITION OF UN STAFF SYSTEM-WIDE

PROFESSIONALS

18,000

33%

GENERAL SERVICE

36,000

67%

54,000

TOTAL

UN SYSTEM:

HEADQUARTERS VS. FIELD All Staff

44%

New York	UN • UNDP • UNICEF
Geneva	ILO • WHO • ITU • WMO WIPO • UPU*
Paris	UNESCO
Rome	FAO • IFAD • WFP
London	IMO
Vienna	UNIDO • IAEA
Montreal	ICAO

56%

Field Offices	43%
Technical Assistance	13%



* UPU is located in Berne

PRE ICSC



Preparatory Commission
of the United Nations
(1945)

Advisory group of
experts on administrative,
personnel and budgetary
questions
(1946)

Committee of experts
on salary, allowances
and leave systems
...Flemming Committee
(1949)

Salary Review Committee
(1956)

International
Civil Service
Advisory Board
(1949-1974)

Special committee
for the review of
the United Nations
Salary System
(1971-1972)

Historical
Perspective

INTERNATIONAL

CIVIL

The General Assembly of
the United Nations establishes...

SERVICE

an International
Civil Service Commission...

COMMISSION

for the regulation and coordination
of the conditions of service of

THE UNITED NATIONS COMMON SYSTEM

— GA Resolution 3357 (XXIX) of 18 December 1974

INTERNATIONAL CIVIL SERVICE COMMISSION

Composition & Appointment

- * Consists of **fifteen** members appointed by the General Assembly in their personal capacity as individuals of recognized competence with substantial experience of executive responsibility in Public Administration.
- * Selected with due regard for **equitable geographical distribution**
- * Two of the members are designated **Chairman** and **Vice-Chairman** and serve on a full-time basis.

INTERNATIONAL CIVIL SERVICE COMMISSION

Functions & Powers

Makes
recommendations to the
General Assembly on:

Broad principles
to determine
conditions of service

Scales of salaries
for professional staff

Staff assessment

Dependency allowances and
language incentive for professional
and above staff, education grant,
home leave, repatriation grant
and termination indemnity

INTERNATIONAL CIVIL SERVICE COMMISSION

Functions & Powers

2 Conducts
General Service
salary surveys at
Headquarters
locations

1 Establishes:

Methodologies by
which the principles for
determining conditions
of service should
be applied

Daily Subsistence
Allowance rates

Mobility and
Hardship Allowance

Hazard pay

Job Classification
standards

Post Adjustment
classifications

INTERNATIONAL CIVIL SERVICE COMMISSION

Functions & Powers

**Makes
recommendations to
the organizations on:**

General Service salary
scales at headquarters

Human Resources
policies

Gender balance/Work-
Life issues

Contractual
arrangements

Performance
management

Standards of
conduct

Staff training
policy

**INTERNATIONAL
CIVIL SERVICE
COMMISSION**

**How Does
the Commission**

Function?





Issues under the ICSC mandate

The Commission

ACC

Staff Bodies

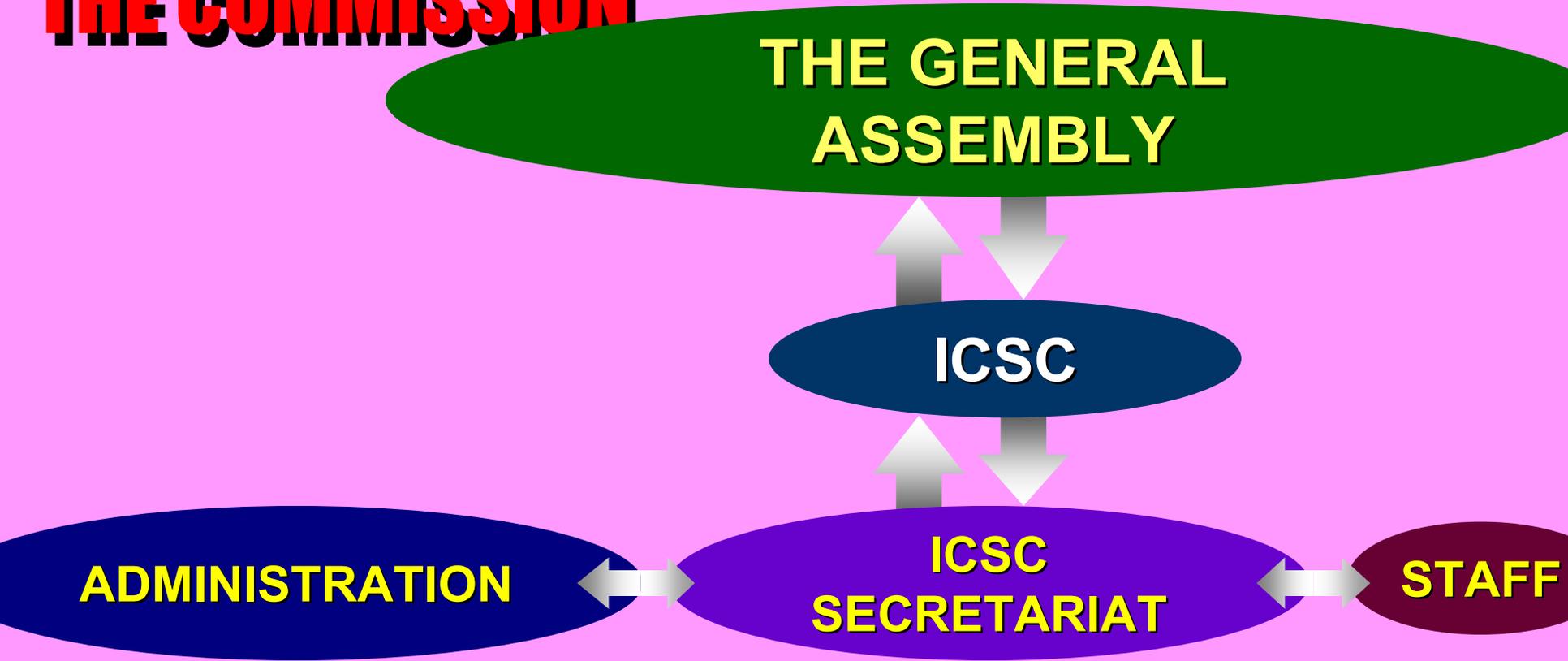
UN Joint Staff Pension Board

Decisions by ICSC

Recommendations

- * To the General Assembly
- * To All Governing Bodies
- * To Executive Heads

**IMPLEMENTATION of DECISIONS
of **THE GENERAL ASSEMBLY** or
THE COMMISSION**



Article 101 (3)

...paramount consideration...

**necessity of securing the
highest standards of efficiency,
competence and integrity...**

UNDERPINNINGS *of* **REMUNERATION SYSTEMS** *for the* **BROAD CATEGORIES**

PROFESSIONAL
and higher
categories

The
NOBLEMAIRE
PRINCIPLE

GENERAL SERVICE
and other locally
recruited categories

The
FLEMMING
PRINCIPLE

**...best prevailing
local conditions
of employment.**



FLEMMING

conditions of service should be among

the best PRINCIPLE

without being the very best.

**MEANS TO ACHIEVE
THE GOAL *of*
BEST PREVAILING CONDITIONS...**

**Periodic surveys of employers
in the locality, including:**

Salaries

Allowances

Fringe Benefits

RESPONSIBILITY FOR CONDUCT OF PERIODIC SURVEYS

Headquarters/ICSC

Non-Headquarters/
Organizations

Locations:

New York Geneva
Vienna Rome
Paris London
Montreal

Locations:

All Other Locations/
Primarily UNDP

PROFESSIONAL
and higher
categories

The

conditions of service of the international staff

NOBLEMAIRE must

be such as to attract citizens of the country

PRINCIPLE with the

highest pay.

2
...no difference
in salary
on grounds
of nationality...

The Noblemaire Principle

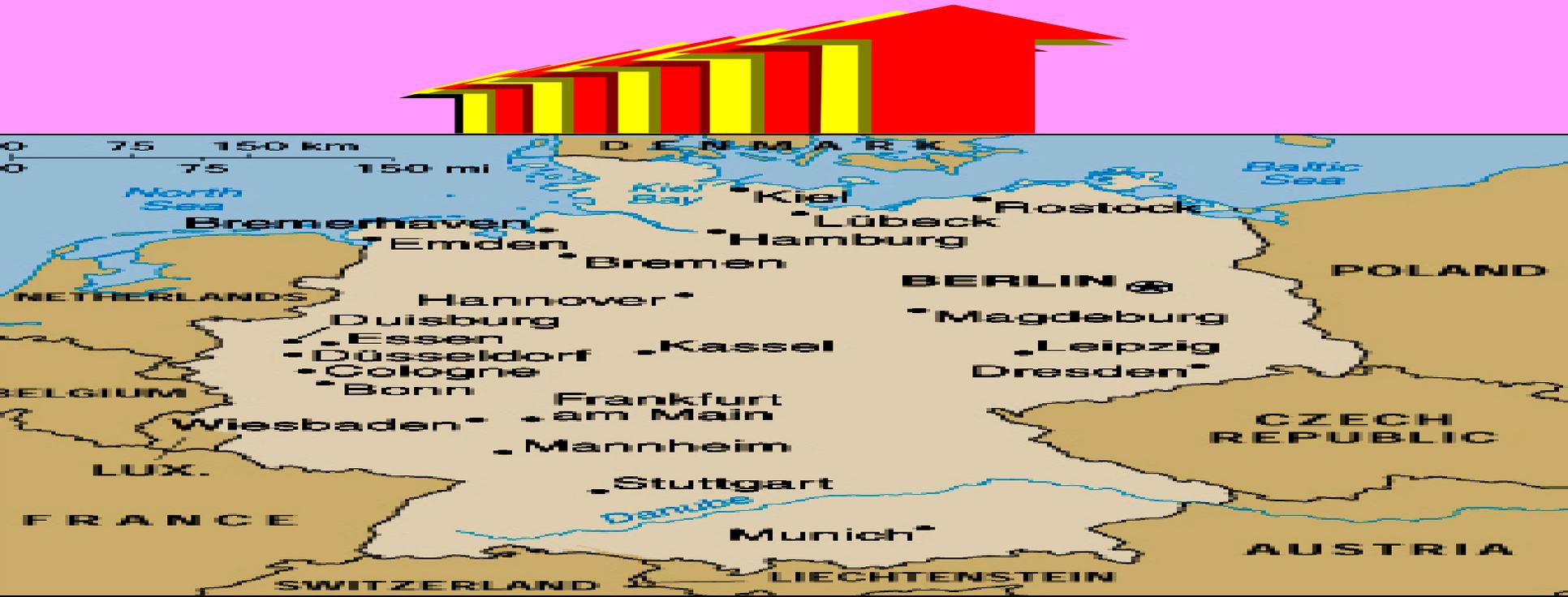
2

- Key conclusions of various renditions of Noblemaire Principle
 - Attract qualified staff from all labor markets
- Selected Quotations
 - 1921: “It would be most unfortunate if the scale of salaries were fixed at a rate which made it impossible to obtain first-class talent from those countries where the ordinary rate of remuneration is above the general average.” (League of Nations, Noblemaire committee)
 - 1972: “there is no ready alternative to the present practice of establishing the salaries for staff in the professional and higher categories by reference to the highest national salaries” (Special Committee)

**Since the inception of the United Nations,
the United States civil service
has been used as the comparator
in the application of
THE NOBLEMAIRE PRINCIPLE.**



In 1995, as part of a periodic study
Of the highest paid comparator,
Germany was determined to be better paid
in the application of
THE NOBLEMAIRE PRINCIPLE.

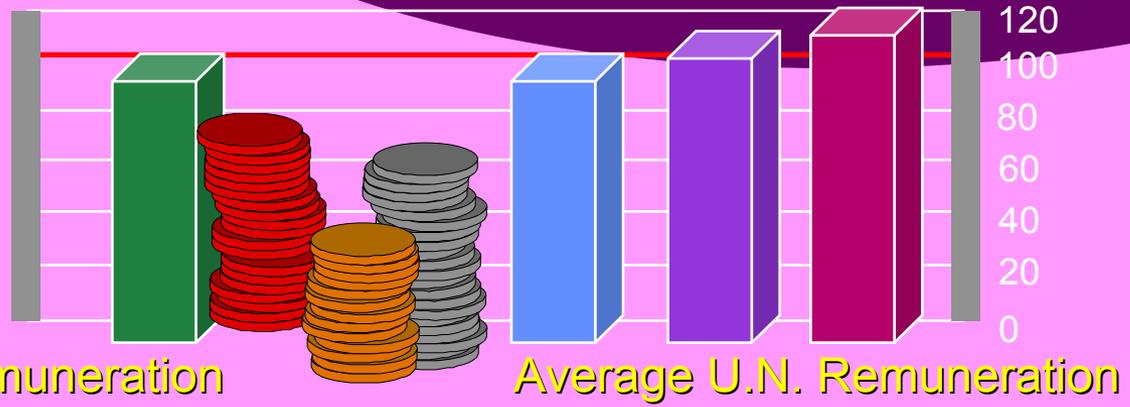


1 relatively better position of national services to guarantee stability and security of employment

CONCEPT of the MARGIN

2 the more limited prospect of promotion to the highest post in an international secretariat

3 the fact that a large proportion of any international staff is required to incur additional expenses and to make certain sacrifices by living away from their own countries.



COMPARISON of AVERAGE NET REMUNERATION of UNITED NATIONS OFFICIALS in NEW YORK and UNITED STATES OFFICIALS in WASHINGTON D.C. by EQUIVALENT GRADES

Margin for Calendar Year 2002

Grade	NET REMUNERATION		United Nations/ United States Ratio (without/with COL adjustment)		Weights for calculation of overall ratio
	United Nations \$	United States \$			
P-1	56 007	40 548	132.5	120.0	0.2
P-2	69 661	52 676	134.4	114.9	5.6
P-3	84 935	64 178	132.8	115.0	21.8
P-4	100 559	80 038	128.1	109.2	32.0
P-5	116 275	93 715	124.6	107.8	26.8
D-1	126 578	108 619	119.7	101.2	9.9
D-2	136 043	113 453	119.8	104.2	3.7

Weighted average before adjustment
for New York / Washington
cost-of-living differential

125.8

New York/Washington
cost-of-living ratio

115.1

Weighted average ratio
adjusted for cost-of-living
difference

109.3

THE PROFESSIONAL SALARY SYSTEM

A Three Tier System

1 Establishment of salaries at the base of the system, New York in accordance with the Noblemaire Principle.

2 Establishment of salaries at other duty stations using the concept of equalization of purchasing power.

3 Maintenance of purchasing power parity between New York and all other duty stations.

PAY PACKAGE of UN PROFESSIONAL STAFF

Base salary

- * Is at the same time a minimum (floor salary).**
- * Established by reference to base salary at equivalent levels in Washington, D.C. (i.e. base of comparator).**
- * Adjusted annually on no-loss/no-gain basis by consolidating post adjustment into base salary.**

Post adjustment

- * Is designed to equalize the purchasing power of remuneration across duty stations.**
- * The base is New York (which also has a cost-of-living element).**

PAY PACKAGE of UN PROFESSIONAL STAFF

GROSS	Staff Assessment
NET	Base Salary NET (D/S Rate)



SOME ELEMENTS CONTAIN HOUSING

CIRCUMSTANCE

Housing costs over amount in PA



Rental subsidy

Dependent children or secondary dependents



Dependency allowances

Assignment / rotation



Assignment grant (one month's salary)

Mobility and hardship allowance

Working outside home country



Home leave, 2 yrs, except hardship locations – one year



Education grant / education grant travel (subject to specific eligibility criteria)

Punchline for UN Professional staff

Salary setting based on:

- **Linkage to US federal civil service salaries at the base of the system.**
- **Assumption that US federal civil service salary levels will result in recruitment/retention of staff from all sectors of US labour market and therefore also from world-wide labour markets.**
- **Recruitment/retention from US federal civil service and labour markets with pay levels below those of the US federal civil service.**

Punchline for UN Professional staff

Only exceptions to measurement of US federal civil service “market”:

- **Regular highest paid studies: Germany and Switzerland in 1994/95.**
- **World Bank and OECD included for reference purposes in 1994/95.**
- **US expatriate non-diplomatic staff included for reference purposes in some cases.**

Proposals for change

- Revised job classification system
- Senior Management Service
- Broad banding
- Reward for contribution
- Bonuses

First things first

**...a little bit about the how we got
to this point**

BACKGROUND

- Framework for Human Resources Management in 2000
 - Priority: Pay and Benefits System

HRM FRAMEWORK

3

CORE ELEMENTS

Core elements of the human resources management framework are those that bind together the United Nations family of organizations to avoid any competition in the employment of staff that may result from fundamental differences in the compensation package.

NON-CORE ELEMENTS

Non-core elements relate to problems to be resolved by each individual organization and are not subject to common prescription across the United Nations system, given the significant differences in organizations, mandates, size, etc..

HRM FRAMEWORK

JOB DESIGN

NON-CORE

COMPENSATION AND BENEFITS

CORE

EMPLOYMENT

- Recruitment, placement and retention
- Contractual arrangements
- Staff well-being

NON-CORE

CORE

NON-CORE

CAREER MANAGEMENT

- Staff development and training
- Mobility
- Performance management

NON-CORE

CORE

NON-CORE

GOOD GOVERNANCE

- Management style
- Role of staff representatives
- Administration of justice

NON-CORE

NON-CORE

CORE

HR INFORMATION MANAGEMENT

CORE

ETHICS/ STANDARDS OF CONDUCTS

CORE

BACKGROUND

- 3 Focus Groups and Steering Committee
 - Nature of Work (Vienna, Dec 2000)
 - Management Capacity (New York, Jan 2001)
 - Rewarding Contribution (Geneva, Feb 2001)
- Working Groups
 - Vienna, Dec 2001
 - Paris, February 2002
- ICSC sessions in April and July 2002
- General Assembly in Fall 2002

REALIGNING JOB EVALUATION
TO
SUPPORT ORGANIZATIONAL
PERFORMANCE

Assessing the Current Standards

Understanding the Context

- System is 25 years old
- Reflects HR priorities from a previous era
 - Centralized process management
 - Focus on precision over speed
 - Promote system-wide uniformity in post management
 - Strengthen capacity to make external comparisons
- Classification managed as a “stand-alone” process, absence of linkages with recruitment, performance management and career development

Assessing the Current Standards

The Need to Modernize

4

On substance

- Out of step with new work environments
- Poor tool for assessing technical jobs
- Too hierarchical in orientation
- Impedes deployment of staff
- Does not support or link to performance mgmt or competency development

On form

- Labor-intensive
- Slow
- Not transparent
- Administratively cumbersome
- Requires expertise to manage
- Subject to manipulation
- Too costly to maintain

Designing the New System

The Challenge

- Retain capacity to evaluate jobs across occupations and organizations
- Capture the texture of new work environments:
 - Less emphasis on hierarchy
 - More value on innovation
 - More value on partnership building
- Support a holistic approach in HR Management integrating performance and competency objectives
- Speed, Speed, Speed
 - Simple, Responsive, Decentralized operation

Designing the New System

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The Proposal – A Holistic Approach

- The New Master Standard
 - Macro, not micro
 - Streamlined and updated
- Grade Level Descriptors
 - Simplified for operational use
- Career Development Streams
 - Grading patterns to facilitate post deployment
- Staff Growth and Development Yardsticks
 - Salary movement reflecting both retrospective achievement and prospective competency development

From Idea to Model – Building the System

The Grade Level Descriptors

- Primary Evaluation Tool
- Illustrate the Composite Level of Responsibility
- Crisp Summaries of Grade Features by Factor
- Broadly Accessible to Managers and Staff
- Simple, Value-driven Statements
- Imagery more than definitions

Primary Working Characteristic

P1	P2	P3	P4	P5	D1	D2
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Contribution

	<i>Analytical</i>		<i>Innovative</i>		<i>Ground Breaking</i>	
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Team Role

	<i>Collaborative</i>		<i>Expansive</i>		<i>Empowering</i>	
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Role

	<i>Counterpart Engagement</i>		<i>Advocate Champion</i>		<i>Institutional Relationship Builder</i>	
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Impact Radius

	<i>Profession Personal</i>		<i>Program Team</i>		<i>Organization Community (Cross-functional)</i>	
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of

ng
nment

rships

sults

Desired Client Perception

P1	P2	P3	P4	P5	D1	D2
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Quality

Nature of Work		<i>Rigorous</i>		<i>Challenge Convention</i>		<i>Provocative</i>	

Trait

Enabling environment		<i>Inquisitive</i>		<i>Authorita- tive</i>		<i>Wise</i>	

Synergy

Partnerships		<i>Demonstr- able Value</i>		<i>Advance/ Deepen Perspectives</i>		<i>Concerted Program Action</i>	

Deliverable

Results		<i>Timely Consistent Appropriate</i>		<i>Systemic Catalytic</i>		<i>Standard- Setting Motivational</i>	

Broad Banding: What is it? How does it work?

What might it look like in the UN common system?

What is Broad Banding?

- It means different things to different people.
- Banding is:
 - Reduced number of salary grades
 - Widened salary ranges
- It represents a dramatic change in salary management.

Reasons to move to Broad Banding

- Enhanced flexibility.
- Less bureaucratic.
- Reduces administrative expenses.
- Reduces emphasis on job hierarchy.
- Can delegate accountability for people management to managers.
- Facilitates lateral career movement.
- Supports effective team work.

Considerations related to a move to

Broad Banding

- Cost management.
 - De-emphasizes rigid pay control policies.
 - Opens door to control through payroll management.
- Culture of institution.
 - From close centralized control to looser local management.
 - From a rigid hierarchy to a flatter institution with fewer status distinctions.
 - From a time-in-grade, mechanistic view of jobs and staff to a more flexible and open view of individual contribution.

Considerations related to a move to Broad Banding

- Career management
 - Banding reduces promotional opportunities
 - Reduces emphasis on upward job movement to secure higher pay
- Job titles
 - Facilitates the reduction of job titles/classes
 - Minor job differences less important
 - Generic titles enhance flexibility of classification system

Considerations related to a move to Broad Banding

- Merit pay
 - Banding downplays the importance of minor differences in job value
 - Provides flexibility to recognize individual value and merit
- Teams
 - Reduces status distinctions and makes broader group of workers “equal”
 - Can open door to easier work interaction
 - Facilitates the creation of new teams (in the absence of hierarchical barriers)

Broad Banding is Institutional Change

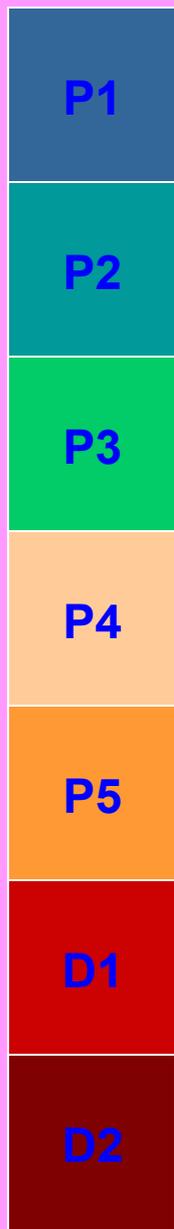
- It broadens the view of jobs and work.
 - Job “measurement” is diminished.
 - Job-to-job comparisons are less important.
- It enlarges the scope of a manager’s job.
- It facilitates reorganization and change.
 - Jobs are less likely to move up or down grades

Moving through the Grades/Bands

- Replacing Time as the Unit of Measure
 - Going from Implicit to Explicit Measures
 - Using Observable Factors
- Components of a Performance Confluence
 - Substantive Achievement
 - Competency Development
 - Team Performance from Client Feedback
- Creating “Docking Ports” from Compensation to Performance Management and Competency Development

Broad Band Approach

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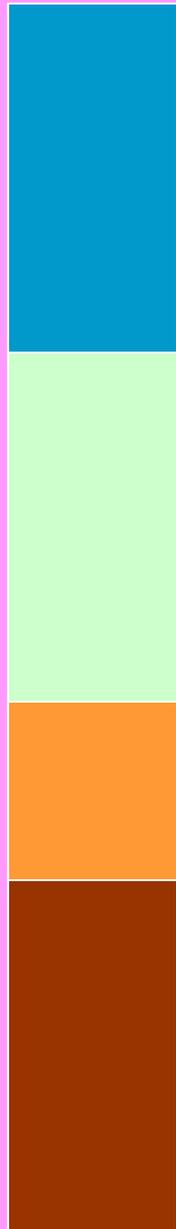
Model One

Classic Grade Progression

**Highly Rationed Distribution of
Responsibilities**

Highly Regulated Progression in Pay

Broad Band Approach



Model Two: Banded Contribution

Band One – Junior to Established Professional

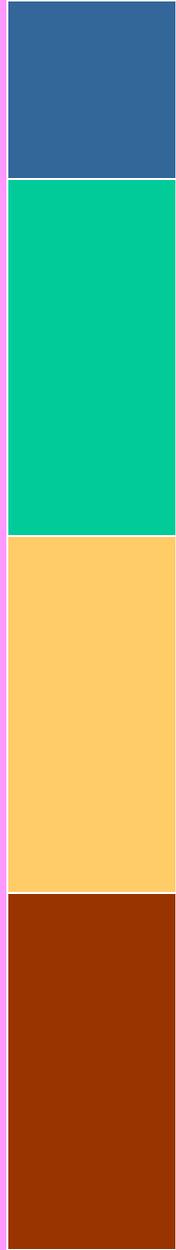
Band Two – Journeyman to Expert

Band Three – Advisor/Manager

Band Four – Program Leadership

New Career Stream
Alternative Model

Broad Band Approach



Model Three: The Technical Organization

Band One – JPOs/Associate Experts

Band Two – Baseline Professional

Band Three – Substantive Expert

Band Four – Program Leadership

New Career Stream
Alternative Model

Broad Band Approach



Model Four: The Rotational Organization

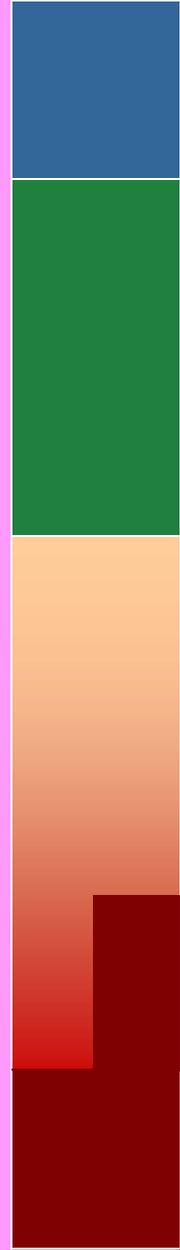
Band One – JPO's, Associate Experts

New Career Stream
Alternative Model

**Band Two – Substantive and Established
Professional through Authoritative Advocates**

Band Three – Program Leadership

Broad Band Approach



Model Five: The Expert Organization

Band One – Associate Expert

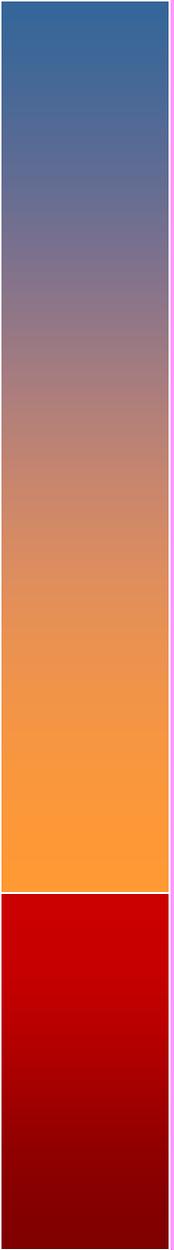
Band Two – Operational Professional

**Band Three – Programme Leaders and
Preeminent Experts**

Band Four – Organizational Leadership

**New Career Stream
Alternative Model**

Broad Band Approach



Model Six: The Seamless Stream

Professional Progression from Apprentice to Expert

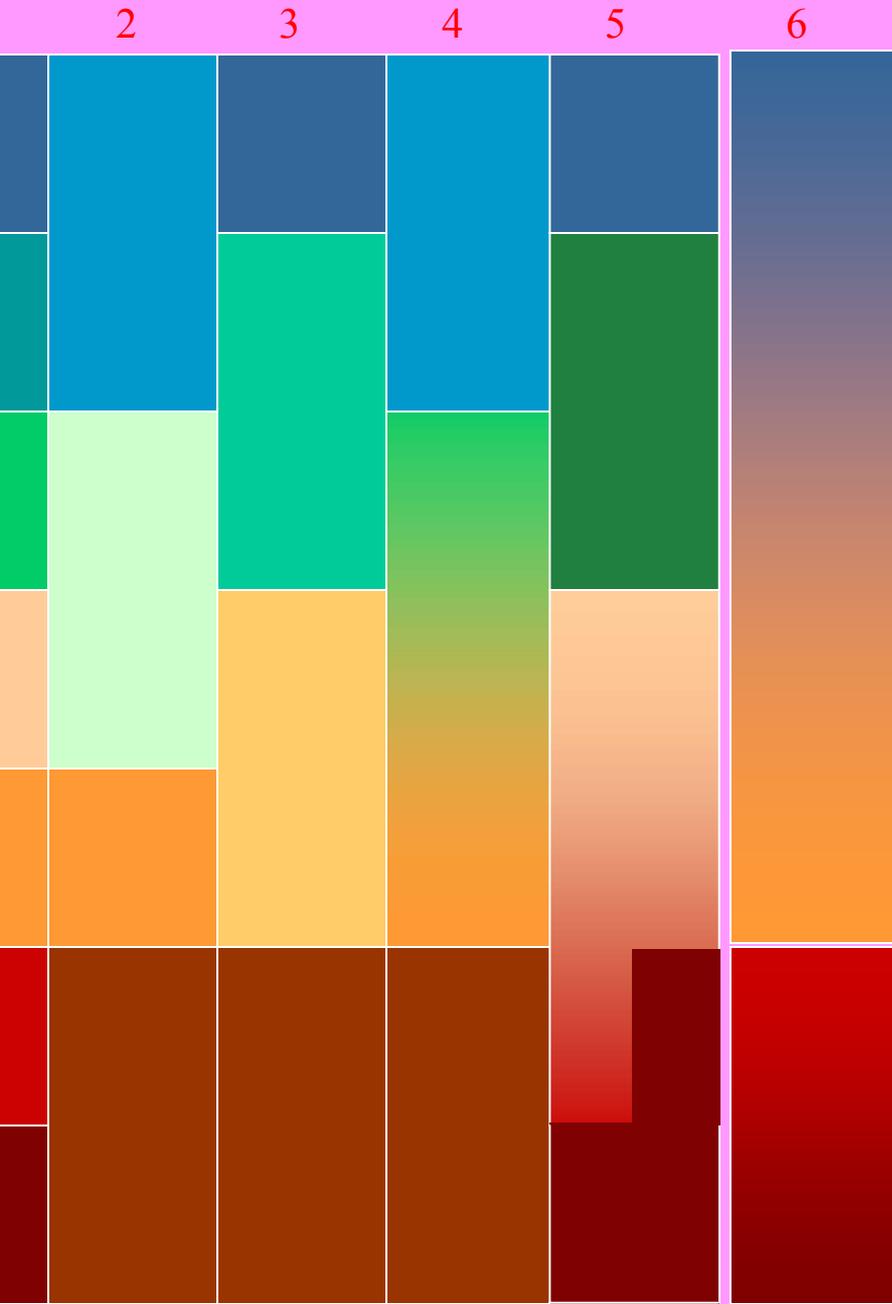
Advancement through individual achievement and Peer Recognition

New Career Stream
Alternative Model

Advancement to Management based upon long developed and demonstrated leadership competencies.

Broad Band Approach

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Six Models of Professional Progression

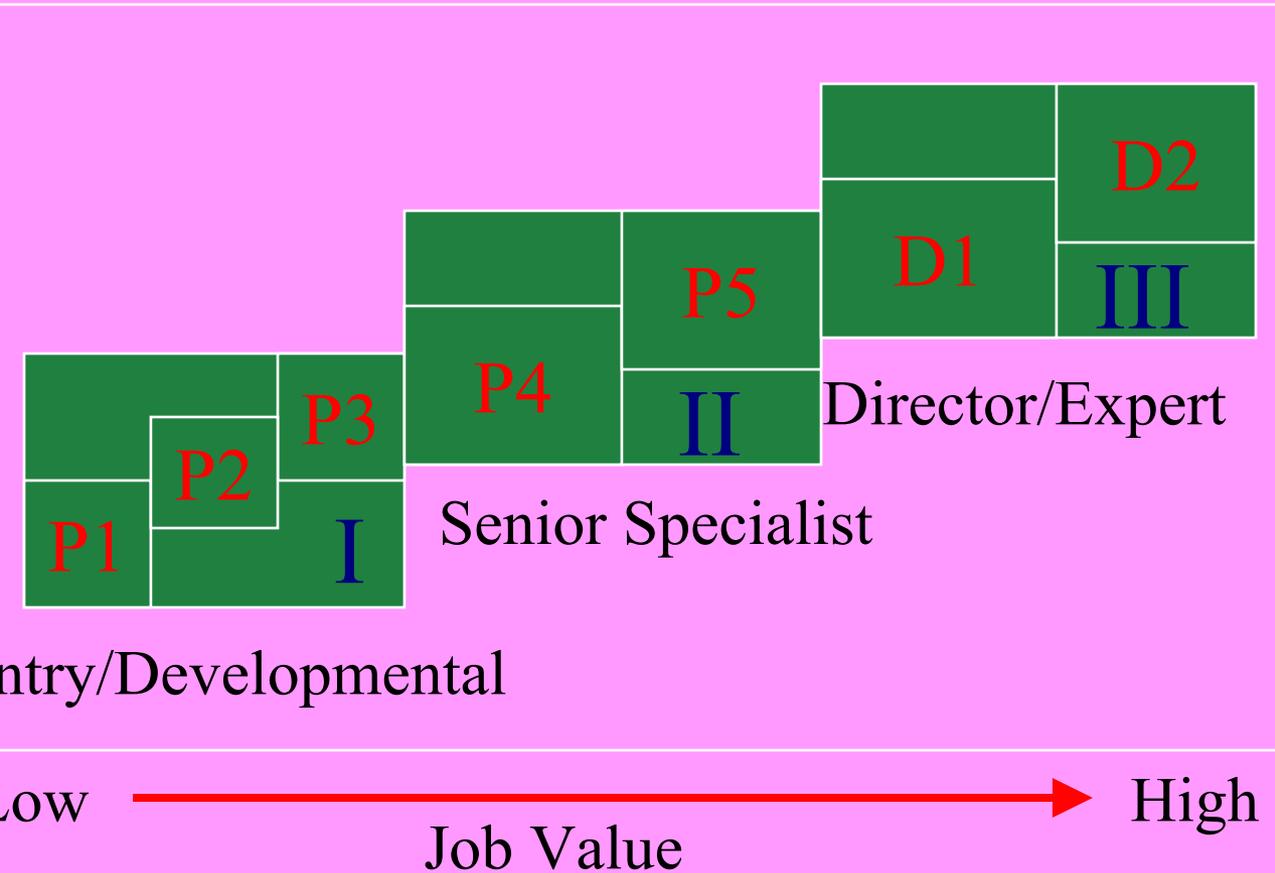
Showing Cross-stream alignments

New Career Streams
Alternative Models

Broad Band Example in United Nations Common System Context

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Based on current salary structure



Senior Management Service: Why is it contemplated?

What might it look like in the UN common system?

Common Themes in Moving to SMS

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- Leadership Qualities and Competencies, ie, Foster Good Management
- Relate Performance to Organizational Goals and Objectives
- Reward for Managerial Excellence
- Mobility to Increase Policy Coherence, Personal and Organisational Development
- Development of Managers for Today and Tomorrow
- Establish an esprit de corps

Common Issues Addressed in Moving to SMS

- Coverage and Size
 - Managerial, supervisory and policy positions?
 - Political appointees? Specialist positions?
- Structure
 - Types of appointments – career/non-career, limited term, etc
- Entry, Reassignments, Transfers
- Compensation
 - Broad band/Other
 - Reward for contribution/Performance Evaluation
 - Other benefits
- Removal from SMS

Executive Qualifications

Comparator

Leading change

Leading People

Results Driven

Business Acumen

Building

Coalitions/Communication

UN Core Competencies

— Leading change

— Getting the best out of people

— Results driven

— Building Partnerships

— Communication

— Judgement/decision making

Bonuses and Awards

- Considered by ICSC in 1994 in the context of performance appraisal and recognition of merit
- ICSC recommended merit awards within specific parameters:
 - Outstanding awards should apply to 5% or less of staff
 - The award could be in the form of a lump-sum non-pensionable bonus or non-cash/symbolic
 - The award amount should not exceed half a month's net base salary at the mid-point of the applicable salary scale
- Experience: Few awards granted

Bonuses and Awards

- Bonuses and awards related to staffing problems – tools in the HR bag?
- Comparator practices – the 3 R's
 - Recruitment/retention/relocation
 - Related to positions that are difficult to fill
 - Recruitment and relocation bonuses are lump-sum while retention bonus is on-going as part of regular pay and may apply to a team/group
 - Amounts defined as proportion of base pay
- Possible modalities for UN 3 R's discussed

Recent reforms with a broad band system

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Countries	Pay/ classification reform	Performance base pay system	Senior Executive Service	Pay increases based on seniority
Australia	Yes (1994 and 1998)	Yes	Yes	Limited
Korea	Yes (1998)	Yes	No	No
Mexico	Yes (1996)	Yes	No	No
New- Zealand	Yes (Mid-1980s)	Yes	Yes	No

Recent reforms with a broad band system (cont'd)

Countries	Pay/ classification reform	Performance base pay system	Senior Executive Service	Pay increases based on seniority
Norway	Yes (1991)	Yes	Yes	Yes
Switzer- land	Yes (1998/2002)	Yes	No	No
United Kingdom	Yes (1994, 1999)	Yes	Yes	No
United States	Yes (1978,1990)	Yes	Yes	Not automati

Recent reforms without a broad band system

Countries	Pay/ classification reform	Performance base pay system	Senior Executive Service	Pay increase based on seniority
Austria	Yes (1998)	Yes	No	Yes
Canada	Yes (classification in 1998)	Yes	Yes	No
Denmark	Yes (1990, 1998)	Yes	No	No
Finland	Yes (1992)	Yes	No	Not automat

No pay or job classification reform

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Countries	Type of Pay/ classification system	Performance base pay system	Senior Executive Service	Pay increases based on seniority
France	Career system	To some extent	No	Yes
Greece	Career system	To some extent	No	Yes
Ireland	Several salary scales	Yes	No	Yes
Japan	Career system	To some extent	No	Yes

No pay or job classification reform (cont'd)

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Countries	Type of Pay/ classification system	Performance base pay system	Senior Executive Service	Pay increases based on seniority
Nether- lands	Several salary scales	Yes	Yes	Not automatic
Portugal	Career system	To some extent	No	Yes
Spain	Some element of rank in person system	Yes	No	Yes

Pay reform experiences of some other countries

7

● Zimbabwe

1995: Introduction of a performance management programme

1997/98: training programme for civil servants

Since 1999: introduction of performance-related pay

● Malawi

New employment contracts

Pay based on individual performance or outcomes in some departments

Special schemes for senior civil servants

Pay reform experiences of some other countries

7

- Malaysia

- 1992: introduction of a New Performance Appraisal System for the purpose of salary progression

- Singapore

- 1988: introduction of a flexible pay system

- 1989: introduction of performance bonuses for senior officers

- 1996: performance bonuses progressively extended to other categories

- South Africa

January 2001: Establishment of a Senior Management Service (SMS)

New flexible remuneration package including all existing benefits with direct financial implications for SMS members.