



FOURTEENTH ITEM ON THE AGENDA

**A review of the implementation of the  
ILO's Human Resources Strategy:  
Report by the External Auditor**

1. Following an examination by the External Auditor, in his report for the 67th financial period (2000-01), of elements of the ILO's Human Resources Strategy, the Director-General commissioned a comprehensive review of the Strategy. The report, with recommendations, is appended.

Geneva, 14 February 2003.

## Appendix 1

### Executive summary

1. In November 1999 the framework for a new ILO human resources (HR) strategy was presented to, and endorsed by, the Governing Body (GB.276/PFA/16); and in my audit report for the 2000-01 biennium I commented on one element of this strategy, the ILO's reclassification exercise. As part of my 2002-03 audit, I have undertaken an independent review and evaluation of the implementation of the HR strategy, for presentation to the Governing Body and to inform the Organization's consideration of further developments.
2. The terms of reference for this review were agreed with the Director-General as follows:
  - to provide an overall assessment of the state of implementation of the HR strategy, identifying how far the objectives of the strategy had been met; considering the efficiency and effectiveness of the delivery of related policies and procedures; and assessing whether obstacles have been encountered in implementation;
  - to analyse the immediate and ongoing resource implications (direct and indirect, in both staff and financial resource terms) arising from implementation of the strategy; and
  - to make recommendations for improvement and for possible further reviews of the efficiency and effectiveness of specific human resource initiatives, such as the new recruitment and selection procedures, and personal and career development processes.
3. My staff carried out this task in September and October 2002, by reviewing documentation relating to the implementation of the HR strategy; interviewing the key HR staff responsible for policy development and oversight of implementation; and analysing the available statistics relating to the strategy. The audit findings and recommendations have been discussed with the Director-General and his staff.
4. In summary, my staff found that:
  - the initial HR strategy was a wide-ranging document which sought to improve all areas of human resource management in the ILO;
  - practical implementation of the HR strategy has been delayed and has encountered many difficulties;
  - significant progress has been made in basic development work but implementation has been patchy and hampered by the lack of integrated resource planning;
  - no evaluation criteria have yet been established to assess the success or otherwise of the strategy;
  - particular problems have arisen from poor communications; a lack of management and staff training at an early stage; limited professional resources within the HR Department; and operational agreements which restrict operational efficiency and effectiveness;
  - the HR Department is undertaking a restructuring which should help to clarify roles and give the HR strategy more cohesion; and

- the cost implications of fully implementing the strategy as presently established could be substantial.

**5.** My main recommendations are that:

- the ILO should calculate and put in place the level of training resources necessary to implement development needs before implementation of the HR strategy is taken further;
- the processes for recruitment and also for grievance procedures should be reviewed and simplified, including the role of line management, Staff Unions and the ombudsperson;
- more emphasis should be placed on improved succession planning and personal development within the strategy;
- training and development plans should be produced by each sector within the ILO in conjunction with HRD;
- management training is key to the success of implementation of the strategy and should be speeded up; and
- a full resource review of implementing the strategy should be carried out to consider the financial impact in future years.

**6.** Part I of this report sets out my overall assessment of the implementation of the HR strategy, with a detailed review by the six main elements of the strategy, with recommendations. Part II of the report presents my assessment of the immediate and ongoing resource requirements of the strategy. Part III provides suggestions for immediate action and proposes possible evaluation criteria.

## **Part I: Implementation of the human resources strategy**

### **The HR strategy**

- 7.** The HR strategy was a bold and far-reaching attempt to make fundamental changes in the way the ILO approaches human resources management. The strategy envisaged concentrating on core issues with the aim of building an organization where staff would find it easy to give their best in support of the ILO's mission and objectives (GB.276/PFA/16 paragraphs 7 to 10).
- 8.** The strategy was to be implemented through six key elements: personal and career development processes; prospection, recruitment and selection; classification; people management skills; employee relations systems; and external relationships. My staff's review covered each of these elements, to consider implementation, cost and recommendations for the future.
- 9.** In January 2000, following a meeting between officials of the HR Development Department, the Staff Union Committee and a number of officials and consultants, a workplan was agreed to take implementation of the HR strategy forward. The Governing Body (GB.277/PFA/10, Appendix III) subsequently noted this in March 2000. The

workplan assumed completion of the implementation of the initial stages of the HR strategy within a two-year timescale.

## **Overall assessment of implementation of the strategy**

- 10.** The HR strategy was a very wide-ranging document with good ideas but was not supported by an analysis of the staff and financial resources needed for implementation. Further, no provision was made for evaluation criteria to measure the success or otherwise of the six key elements of the strategy and to provide a means of assessing the achievement of the strategy overall. In consequence, implementation of the strategy has been adversely affected by a lack of overall direction, with ad hoc requests for funds for implementation and no clear assessment of costs, either direct or indirect.
- 11.** The lack of evaluation criteria has given rise to difficulties in understanding whether or not the strategy has been successful in many of its key areas. I have provided some suggestions at Part III of this report on areas where the ILO might consider taking immediate action; and on criteria for evaluation to improve implementation of the strategy.
- 12.** The Governing Body recognized that the means of developing and implementing the HR strategy were as important as the content of the strategy itself (GB.277/PFA/10, paragraph 7). Therefore I have considered developments and implementation in each of the six key areas in turn; and drawn conclusions on the success or otherwise of implementation, and the reasons for any difficulties which have arisen.

### **(1) Personal and career development**

- 13.** The HR strategy set out to establish a structured system for personal and career development, to encourage everyone in the International Labour Office to achieve their best potential. Major elements of this were the replacement of the performance appraisal process with a new system based on personal development plans and the introduction of systematic organizational strength analyses underpinned by training plans. Personal development plans are intended to provide an opportunity for every official to discuss his or her personal and career aspirations; and the development actions that individuals, managers and the ILO need to take in order to maximize performance. Other initiatives were to produce a new guide on careers in the ILO, and the working of the Young Professionals Career Entrance Programme into a well-planned and structured development programme for young entrants.

#### **(1.1) Personal development plans (PDPs)**

- 14.** A collective agreement on PDPs was signed in August 2001 (GB.282/PFA/10) and envisaged every individual within the ILO preparing a PDP annually. The agreement also contained provision for the establishment of a Joint Training Council to increase the involvement of line management and staff representatives to help establish training priorities.
- 15.** My staff found that the main strands of these initiatives were in place but had either not yet been fully implemented or had struck problems. Much development work has taken place on the electronic format for PDPs and on the instructions for their use. The PDPs utilize computer-based systems and are well designed to improve personal training and to support development plans which will help ILO staff improve their skills against competencies. PDPs should facilitate increased staff mobility and the achievement of more efficient and effective training plans for the ILO as a whole.

16. Unfortunately, PDPs are an example of how good work on developing policies to meet the HR strategy is facing implementation difficulties. The ILO intended to introduce PDPs for all staff by January 2003. Although the PDP system has been extensively piloted in one Headquarters sector and one region in the field, a comprehensive training programme for all staff and managers will be required for a successful launch across the Organization as a whole. In addition to this training, the Office-wide launch will require additional information technology services.
17. PDPs are intended to establish a training and development plan for each individual as a means to improve personal skills. If the PDPs achieve this aim, there will inevitably be a greater demand for training and development resources. At the time of my staff's review, no additional resources had been allocated for the purpose, which will be essential if the development needs and staff expectations that have been identified are to be met. The ILO intends to collate individual PDPs for staff to identify training needs across sectors. This is a worthy aim, since such plans are not currently in place but are needed to ensure that the ILO has a method for prioritising resources in this area.
18. Under the HR strategy, the performance appraisal system was to be replaced by an assessment system based on the PDPs. PDPs by their nature are essentially development plans to improve future performance and action, rather than measure past performance. There is still a need to retain a performance appraisal system to assess past performance and, for example, an individual's suitability for the award of without-limit-of-time contracts. There may be potential for confusion over the respective future role of PDPs and performance assessments.
19. The HR strategy will both encourage and require a cultural change in staff assessment, requiring fair, balanced and accurate appraisals. My staff noted some limited signs of this happening in cases under consideration by the appraisal Reports Board. Nevertheless, clarification is needed as PDPs are introduced, since they are annual processes whereas the existing performance assessment system is biennial for established officials. Both staff and line managers will need clarification on how the distinct requirements of development and performance are to be addressed.

#### (1.2) The Young Professionals Career Entrance Programme

20. The Young Professionals Programme is a key element of the HR strategy and important to the future of the ILO. The programme is a method of recruiting a cadre of well-qualified young staff from a variety of under-represented country and gender backgrounds. The programme is directed at providing young professionals with a range of training across ILO functions and operations. The special attention needed to support the programme requires additional resources; and funding restrictions have meant no intake in 2003. If the HR strategy is to provide key staff to the Organization for the future, the programme will require funding on a longer-term basis, assuming that existing difficulties can be overcome.
21. The HR Department considered that problems had arisen because graduates of the programme may not be as welcome to line managers as experienced professionals at a similar salary cost. At present managers in the ILO have not been specifically trained or briefed on the benefits of the HR strategy and may be unaware of the importance and potential of the young professionals programme. These difficulties could be addressed by linking the programme to specific vacancies, although such an arrangement might have an adverse affect on the cohesion of the cadre formed by the young professionals under the programme. A structured implementation plan is needed to ensure that the ILO make the best use of these young professionals.

### (1.3) Conclusions on implementation

**22.** Overall, the way in which the strategy addresses personal and career development has raised high expectations. The achievement of these aims depends on adequate resource planning, finance and staff availability, and on staff and management training. The lack of planning and resources in this area had led to implementation problems.

**Recommendation 1.** In order to ensure that the Personal Development Plan system works well, I recommend the ILO institute a training programme for all staff in the use of the electronically based PDPs; and that sufficient IT resources are made available for the launch.

**Recommendation 2.** To ensure the effective implementation of PDPs, I recommend that the ILO take steps to accurately assess the training requirement which will flow from the development needs identified in PDPs, and put appropriate resources in place.

**Recommendation 3.** I recommend that the ILO clarify the continued use of the performance appraisal system in relation to the introduction of PDPs; and take positive steps to ensure that appraisals are fair, balanced and accurate.

**Recommendation 4.** To ensure that the best use is made of the graduates from the Young Professionals Programme, I recommend that the ILO take appropriate steps to ensure that funding is in place; that managers understand the benefits of taking graduates from the programme; and that the programme offers best value for the ILO.

## (2) *Prospection, recruitment and selection of staff*

**23.** The new HR strategy aims to attract the highest calibre of candidates by widening the search base for prospective staff and speeding up both internal and external recruitment considerably. This strategy is to be underpinned by high and consistent standards; fairness; increased line manager responsibility and accountability for recruitment decisions; and the use of assessment centres. The strategy envisages the development of a system of generic competencies for the ILO, which would have Office-wide capability profiles covering the general standards of numeracy, literacy, judgement, motivation, management ability, leadership and cultural awareness required at each level in the organization. The strategy also envisages the separation of individual assessments against competencies from assessments for vacancies. All assessments are intended to be based on objective interviews and tests.

### (2.1) Generic competencies

**24.** My staff found that generic profiles had been successfully established and implemented Office-wide, which are not specific to any one department, sector or occupation. These profiles will provide a basis for a career stream for individuals within the ILO who attain satisfactory standards in the generic competencies.

### (2.2) Recruitment and assessment centres

**25.** In accordance with the HR strategy, a procedure based on assessment centres was established for internal and external competitions, based on objective interviews and tests. A collective agreement on resourcing procedures for recruitment and selection was signed in October 2000 (GB.279/PFA/12, Appendix V).

**26.** The assessment centres are a crucial instrument for change in external recruiting and internal selection. They represent the first steps towards the system outlined in the HR

strategy, whereby formal assessments of individual capabilities can be made independently of vacancies. Web-based recruitment was also established to make external applications easier, encourage more qualified applicants and assist the HR Department to process vacancy announcements and competition files.

27. The introduction of the new assessment centre arrangements in addition to the pre-existing recruitment procedures, placed considerable pressure on the limited resources available within the HR Department. Assessors were selected and trained from among ILO staff but in limited numbers. They carry out assessment centre duties in addition to their normal daily work. The assessor function was not seen as very important by many staff and the lack of availability of assessors, together with an absence of adequate administrative support, led to difficulties in running the required number of assessment centres.
28. My staff found that a major problem had arisen because of the decision to apply assessment centre arrangements to all competitions, including those for the basic administrative grades. In consequence of this decision, more than 40 assessment centres were called for each year, for competitions of which over half are for grades G1 to G4. My staff consider that it might be more effective to concentrate the resources available for assessment centres on the selection of managers and future managers.
29. At present, assessment centres have not been supported by advanced planning related to vacancies and succession planning. This has reduced the effectiveness of the assessment centre arrangements, because the holding of assessment centres had not been linked in advance to known vacancies in the same group. This problem had been exacerbated by a failure to fully involve line management at an early stage. The assessment centre arrangements are now established and at a stage where decisions need to be made on how to use them more effectively, for instance as a development tool.
30. My staff asked the HR Department about the quality of recruits and were told that the quality of recruits had improved, although there was no direct evidence of this. The average time involved in the recruitment process had reduced but remained very high. The average time for recruitment overall reduced from 379 days in the first six months of 2001 to 309 days in the first half of 2002 (table 1). Under the new assessment centre arrangements, the average time for recruitment fell to 269 days as at June 2002 (table 2). However recruitment appointments since June indicated that the average recruitment time was increasing to more than 300 days.

**Table 1. Time taken to recruit staff**

Period	Average total time (days)
Jan.-June 2001 (old scheme)	379
July-Dec. 2001 (old and new schemes)	329
Jan.-June 2002 (old and new schemes)	309

**Table 2. Time taken to recruit staff by stage of process**

Scheme	Average time for stages 1 to 3 of recruitment process	Average time for stages 4 to 11 of recruitment process	Average total time to recruit
Old	206	176	382
New	97	172	269

31. The recruitment procedure is complex, comprising some eleven stages, set out in table 3.

Table 3. Stages in the new recruitment process

Stage 1	Request for a competition to HR Department
Stage 2	E-mail to Staff Union to comment on each vacancy announcement
Stage 3	Issue of competition notice (Staff Union given ten days at stage 2)
Stage 4	Closing date for applications
Stage 5	All applicants' details sent to line chief (no shortlisting)
Stage 6	Shortlist received back from line chief
Stage 7	Technical interview for shortlisted candidates
Stage 8	Assessment centre for shortlisted candidates
Stage 9	Final recommendation from line chief
Stage 10	Recommendation sent to Staff Union for comment (Staff Union has ten days)
Stage 11	Final recommendation sent to Director-General for approval

### (2.3) Individual development through assessment centres

**32.** The need for a large number of assessment centres for candidates under specific competitions restricts the extent to which the ILO can use these arrangements for the general development of individuals, which was a key requirement of the HR strategy to ensure a more multi-skilled workforce. Because the assessment centres are currently used for recruitment and promotion purposes in which staff pass or fail, there is a risk that staff may perceive the centres as a purely promotion-related process, which is not the intention of the new strategy. It would be possible to run assessment centres for purely developmental purposes unconnected to the promotion process. In my view it will be important under these arrangements to include top managers in assessment centres and a structure is now in place for D1 grade assessment centres to be developed and implemented.

### (2.4) Conclusions on implementation

**33.** Overall, competencies have been successfully developed, although the assessment centre arrangements have not yet been working as they should, in particular with regard to the training of managers and the absence of a clear resource strategy to support these developments. The number of administrative stages included restricts the efficiency of the recruitment process. A refocusing of the assessment centres towards strategic needs and the development purposes for which they were intended would considerably increase their effectiveness. Training and communications remain key elements in the successful implementation of the HR strategy as a whole.

**Recommendation 5.** To improve efficiency and effectiveness, I recommend that the ILO review the present recruitment process; and simplify the roles of HR, line managers and the Staff Union, to concentrate on the assessment process and cut down the number of administrative stages involved in recruitment.

**Recommendation 6.** I recommend that the role of assessors should be enhanced by a greater recognition of their role in the performance assessment process.

**Recommendation 7.** To assist the effective operation of the assessment centres, I recommend that the ILO consider using them more selectively; and that systematic succession planning be used to predict and run competitions for groups of vacancies.

**Recommendation 8.** To encourage the use of assessment centres for the development of the individual, I recommend that they be used to encourage staff who wish to test their abilities against required competencies.

### **(3) Classification**

**34.** As part of my report on the ILO's Financial Statements for 2000-01, I commented on the results of my early review of the Office's reclassification exercise in relation to headquarters' regular budget positions.

**35.** The aim of the HR strategy in relation to classification was to move away from a focus on the use of individual job descriptions to establish grades, in favour of a classification system focused more on job requirements in terms of outputs, competencies and capability. The strategy envisaged implementation based on the establishment of job families and broad generic job descriptions within those families. Individuals would be able to progress over time within the bands but would need to be successful at an assessment centre to be selected for promotion from a lower band to a higher one.

#### **(3.1) Basis for classification**

**36.** My staff found that under the new arrangements the ILO had established a more transparent basis for a classification system, with a set of major occupational groups containing job families and job descriptions within those families. This provides a useful tool, developed with the aid of technical groups who helped HR set the right detail for the process, and encouraged communication between HR and staff.

**37.** This development is not a static process. The arrangements require flexibility and the ILO will need to look again at the job families and occupation groups when the United Nations agrees changes within the Common System affecting these areas. Such changes are likely during 2003 and the HR Department will need to attend the relevant ICSC meetings, and also continue the successful use of the technical groups within the ILO to make the necessary changes.

#### **(3.2) Practical implementation of the reclassification system**

**38.** The ILO signed a collective agreement (Establishment of a Baseline Classification and Grading System) in May 2001 (GB.280/PFA/11, Appendix II) but the practical implementation of this baseline grading process led to a number of difficulties. I commented on these in my biennial report for 2000-01, which highlighted the problems encountered and the potential costs involved in the initial regrading exercise.

**39.** A further collective agreement has now been signed (Procedure for Job Grading, February 2002, GB.283/PFA/13(Add)) which appears to perpetuate many parts of the procedural system which underlay the original difficulties, and on which I reported for 2000-01. However, progress is being made as line managers have responsibility for making recommendations on regrading within an agreed set of parameters and subject to HR Department checks.

**40.** My staff found that a detailed set of instructions had been prepared for line managers and staff; and that adequate evidence and consistency are key requirements for the future, to overcome the problems identified in the initial round of inadequate job descriptions and in the lack of convincing evidence. However, the same system of appeal, an Independent Review Group (IRG) and a Joint Panel is in place for those dissatisfied with decisions. The very tight timescales agreed for the whole process for individual decisions – which also undermined confidence in the baseline exercise – had been retained.

41. To overcome the baseline classification problems on which I reported earlier, terms of reference for the IRG had been drafted but not yet agreed at the time of my audit, and a new coordinator had had to be appointed for one year to help clear the backlog. At the time of my staff's review, there were still over 105 cases outstanding in the appeal process after more than one year. Under the baseline exercise, some 21 per cent of affected staff have received upgrading. The overall result of the baseline exercise has been that although many staff have been regraded, there has been upward grade drift, greater unforeseen costs and the HR Department being perceived not as the movers of a new approach but as blockers of potential upgrades. Similar grade drift could occur in the outcome of the new exercise.
42. The link between classification and the rest of the HR strategy, particularly the need to improve personal performance through meeting competencies and using PDPs, was not made obvious from the start. Managers therefore received inadequate training in the reclassification process and will need the management coaching and development training foreseen in the HR strategy if they are to make positive inputs to the new system. Such training is now underway but, at the time of my review, had reached only a small number (35) of managers within the ILO. Where training had taken place, there was evidence that managers were embracing the system more readily and helpfully in many cases; and it is now possible for the HR Department to review and agree standard reclassifications within a few days.

### (3.3) Simplification of the contracts system

43. A further key plank of the HR strategy was a review of the current complex system of differing types of contracts awarded to those who work for the ILO and on ILO associated programmes. The aim of this part of the strategy is to reduce to three the current series of contract types, which comprise some six basic types with variations, covering definite duration, indefinite duration and service contracts (GB.282/PFA/11). At the time of my review, simplification of the contract system had been delayed, because as a process it has to be part of the general UN Common System. Proposals have been under discussion at the International Civil Service Commission and the ILO have played an important role in the discussions at that level.
44. The review of contracts has taken place against a background of problems within the ILO over the inappropriate use of short-term contracts (so-called "precarious employment contracts"), under which many workers suffer reduced security of tenure. The administrative system in many ways has encouraged such contracts, because it is cheaper for managers to continually re-employ staff on short-term arrangements than give them longer-term contracts. The HR Department have been actively attempting to eliminate the inappropriate use of short-term contracts and the outcome of the contract review should assist this process.

### (3.4) Overall conclusions on implementation

45. Overall, I consider that ILO have developed a useful tool as the basis for reclassifications but the impact of implementation had not been considered in detail beforehand. The administrative procedures put in place were cumbersome, with timescales and several levels of appeal which make them difficult to operate. Costs had not been considered in detail and the limited resources of the HR Department's professional staff had been extremely challenged by the number and detail of the cases presented for decision. The impact of the introduction of the new system had had a negative affect on staff opinion of the HR strategy. A re-evaluation of the detail of the collective agreements may be indicated and consideration should be given to further management training and resourcing in this area, if the development work done is not to be wasted.

**Recommendation 9.** In order to make the system workable and efficient, and to avoid complex bureaucracy and a plethora of appeals, I recommend that the ILO reconsider the existing procedures in the light of a review of the collective agreement.

**Recommendation 10.** I recommend that the ILO take steps to make more staff, and particularly managers, better aware of the requirements of classifications; and that they be given appropriate training in the essentials of evidence and procedural requirements.

**Recommendation 11.** I recommend that the ILO continue efforts to eliminate the inappropriate use of short-term contracts by the time the new contracts system comes into place.

#### **(4) People management skills**

**46.** The HR strategy aimed to make significant improvements in people management skills within the ILO, since real improvement in staff development could only be achieved through improving people management skills. This was to be achieved by ensuring that all general external appointees would be capable of developing such skills; and building these skills into requirements for internal recruitment and selection at high levels. Management skills should improve over time with remedial work through ongoing training and on-the-job coaching.

##### **(4.1) Management training programme**

**47.** In April 2000, the HR Department launched a one-year coaching programme for 40 managers through the guidance of external coaches. This was deemed to be successful by the HR Department and an evaluation was prepared at the end of the programme, which recommended a fuller management and leadership programme. A programme has, therefore, been developed for the future, which will involve a three-point management and leadership skills programme.

**48.** The programme will involve a change of culture, including programme budgeting; managerial behaviours and styles; a series of workshops and individual follow-up programmes over a one year period; and also technical training in areas such as finance and the requirements stemming from the HR strategy. At the time of my staff's review in September 2002, the procurement process for an external supplier for this training was reaching a final stage, with the aim of appointing a supplier to train 180 managers over a three-year period beginning in early 2003.

**49.** I welcome this development which comes at a relatively late stage in the HR strategy, although the evaluation of the coaching programme was a necessary prerequisite to the full management and leadership programme. Under the strategy, managers are expected to take more responsibility, with the HR Department being available to check and encourage. Only a small number of managers will be fully trained within six years of the start of the strategy. This emphasizes one of the obstacles to successful implementation. Efforts to improve matters have been further hampered by ineffective application of resources.

##### **(4.2) Training support for the HR strategy**

**50.** Training in general across the ILO is key to implementation of the HR strategy in terms of improving individual and therefore corporate skills. The current training budget (training costs only) represents some 0.7 per cent of the total ILO salaries budget. This is a relatively low figure for such an organization and especially so for one wishing to implement a culture change and improve staff abilities. The overall level of the training budget needs to be considered in the light of HR strategy developments and general

expenditure on training. My staff found that the lack of management training and organizational commitment was a recurring theme in implementation problems.

#### (4.3) Overall conclusions on implementation

- 51.** A resource strategy to provide for the impact of the HR strategy on training is essential if progress is to be made other than by the current piecemeal approach. It is unlikely that the benefits of the HR strategy can be achieved as intended without a fundamental review of this nature. Each sector in the ILO would benefit from an agreed HR strategy incorporating a training and development plan for their staff, indicating how they intend to meet requirements on the skills mix of staff. This would entail appropriate resources but such arrangements would avoid the ad hoc requests which are currently a feature of training and development in the ILO.

**Recommendation 12.** I recommend that each sector in the ILO consider establishing a training strategy, produced as part of an overall HR strategy for the sector, in order to provide resource managers with a basis for decisions on how to prioritize their own resources and ILO training resources more generally.

**Recommendation 13.** In order to support change management and the successful implementation of the HR strategy, I recommend that the ILO give priority to a management training programme and that this should be a part of a wider review of training strategy across the ILO.

#### (5) *Employee relations*

- 52.** The implementation of the HR strategy required amendments to be made to the relevant parts of the Staff Regulations and these were intended to form a major part of the implementation process for the strategy. To improve employee relations, the strategy envisaged creating a negotiating machinery for matters relating to HR developments. The aim as set out in the HR strategy was to establish a partnership approach between management and staff through the Staff Union.
- 53.** The HR strategy also envisaged new procedures dealing with general grievances and with harassment grievances, in order to achieve solutions acceptable to all parties based on speed, dignity, independence and fairness.

##### (5.1) Establishing consultation machinery

- 54.** The establishing of the Joint Negotiating Committee (JNC) between ILO management and union representatives was a cornerstone for implementing the HR strategy. The JNC was established in 2000 under a recognition and procedural agreement, to provide a formal process for developing and implementing HR processes and providing a framework for ongoing discussions (GB.277/PFA/10, Appendix II). This represented official and formal recognition of the intended new process of partnership and collective bargaining. My staff noted that the JNC had met on some 20 occasions since its formation and has associated sub-committees with a detailed work plan for the following year which addresses current issues arising from the implementation of the HR strategy.
- 55.** In January 2000, ILO HR management, Staff Union representatives and other officials met and agreed on a work plan to take forward the implementation of the HR strategy. This work plan envisaged that all key parts of the strategy would be developed by late 2001 (GB.277/PFA/10, Appendix III) but it is apparent that this work plan, like the HR strategy itself, did not include detailed resource implications in terms of staff and financial resources.

**56.** In consequence, there had been some frustration at the apparent slow progress of implementation, notwithstanding these early efforts to take forward a partnership approach. In 2000, the HR Director decided to concentrate on outstanding vacancies and reclassification issues, since these were seen as the most pressing matters for attention. These difficult areas were given priority for implementation, therefore, and the original work plan has neither been followed up nor updated. My staff were told by HR Department officials that individual HR strategy implementation plans were going forward but there was limited evidence of coordination between areas within HR.

#### (5.2) General grievance procedure

**57.** In September 2000, the ILO signed a collective agreement which introduced a new grievance procedure and the establishment of new roles, including internal grievance facilitators, an ILO ombudsperson, and a Joint Panel. In principle, this procedure has been a success in that there is now a structured and more open process for handling grievances, which appears to have gained the confidence and interest of the staff. Success in these terms is indicated by the number of cases – over 70 grievances received in the first six months and over 50 referred to the joint panel.

**58.** However, the operation of the procedure was affected by difficulties from the start. The deadlines incorporated in the procedures for completing various stages are very tight, leading to the ombudsperson declining cases. A group of 24 facilitators, drawn from Office staff, were intended to help reduce the ombudsperson's work by informally resolving conflicts. However, this did not prove effective. Since the ombudsperson is charged with providing support and advice to facilitators in individual cases, she could face a conflict of interest in subsequently applying judgemental decisions/assessments in relation to the same cases. At the same time, there has been an absence of concerted management training to explain the new system and educate staff.

**59.** My staff noted that local managers were expected to play a key role in the new grievance procedures but were not specifically trained in conflict resolution; and did not appear to be intervening sufficiently early to solve potential grievances at a local level. Savings and greater efficiency – as well as improved relations with staff – could result from settling at least a proportion of those cases which reach the ombudsperson, if local management reacted more quickly and sensitively to potential grievance cases.

**60.** There is also a more fundamental problem in relation to the functions assigned to the ombudsperson. She is expected to be both investigator and mediator, fulfilling a hybrid role that could compromise her independence and leave her in a position of conflicted interest. The system is slow and cumbersome and my staff considered that less than adequate resources had been provided at the development stage for this important function.

**61.** The HR Department's professionals had limited time available for more strategic considerations since they have spent much of their time in crisis management and in giving individual advice. There is a demand for such advice but HR staff have been extremely challenged by the administrative detail of the procedures. There are no easy-to-read guides for staff or managers on the procedures and production of these could be given priority in work plans under the new HR structure.

#### (5.3) Grievance procedure concerning harassment

**62.** Grievance procedures for harassment cases were a further key plank of the HR strategy and the general desire for "decent work" initiatives. A collective agreement was negotiated and signed in February 2001 on the prevention and resolution of harassment-related grievances (GB.280/PFA/11, Appendix II). This agreement essentially shares the

infrastructure of the general grievance procedure but, because of the likely content of these particular grievances, is more sensitive to the possibility of the complainant not having to discuss the matter with an alleged harasser; and the ability to take cases direct to the ombudsperson.

63. For harassment cases there are differences of procedures to acknowledge the seriousness of harassment and the potential reticence of the complainant. For example, there is a six months timescale to bring cases rather than the 60 days for standard grievance cases. This new procedure revealed a number of potential cases, which confirms the need for adequate awareness and training in this area.

#### (5.4) Work-life agenda

64. This area covers a wide variety of issues and my staff found that progress was being made in the key areas such as a field security review; new rules on paternity leave and domestic partnerships; and steps to develop mobility packages. In these areas, the standards of the United Nations Common System are taken into account.

#### (5.5) Overall conclusions on implementation

65. Procedures for grievance and prevention of harassment have now been established and progress is being made on work-life balance issues. The number of cases reaching the grievance machinery may suggest something of a pent-up demand. However, at present the operation of the grievance machinery is subject to tight deadlines; a hybrid role for the ombudsperson; and little apparent link between grievance procedures and conduct and discipline matters.
66. Overall, the establishment of the JNC and the issue of the collective agreements has led to the establishment of good principles for action, but has also meant that implementation of the HR strategy has been affected by operational difficulties. The detail of the collective agreement on grievances will need to be considered when agreements are reviewed, to produce a workable system which will be satisfactory to management and staff.

**Recommendation 14.** To ensure that grievance procedures operate for the mutual benefit of both staff and management, I recommend that the ILO review the timescales and details of the procedures, with the aim of securing a more streamlined system which relies to a greater extent on local managers.

**Recommendation 15.** I recommend that the role of the ombudsperson be reviewed to address the currently conflicting roles of mediator and investigator.

### (6) *External awareness*

67. The aim set out in the HR strategy had been to institutionalize external relationships, and to constantly benchmark practices with best practices elsewhere. This was intended to include placements and exchanges of ILO staff with those in other organizations, as well as making the best use of external expertise to facilitate and participate in relevant meetings, and to provide top quality coaching.

#### (6.1) External links

68. In terms of external links, my staff found that the professional staff of the HR Department had made efforts to extend their informal contacts with United Nations and other relevant bodies. However, the professional staff in HR are relatively few in number and have been contending with strategic implementation in addition to the ongoing day-to-day

administration of HR. For external relationships to be cemented, the cadre of outwardly-looking HR professionals may need to be strengthened within the HR Department; and administrative functions streamlined to reduce the day-to-day loading on HR managers.

(6.2) The exchange programme

**69.** The exchange programme was in principle an excellent idea. Unfortunately, after links with external bodies were established and a potential system to operate exchanges had been set up, little happened except one individual exchange. Problems arose due to a lack of funding and direction, but specifically it is difficult to match salaries and conditions exactly. With a considered strategy in place, these problems can be overcome, since there is interest within the ILO and exchanges should benefit both the Organization and individual staff members.

(6.3) Overall conclusions on implementation

**70.** Overall, this represents an area where a very good intention was affected by limited opportunities for implementation. Now that exchanges may begin to take place, there needs to be some consideration of the impact on staffing within the ILO and of potential vacancies; and a concerted effort to build on the start made in preparing standard contracts and exchange agreements. Expectations have been raised in this area, which is an essential mechanism to bring in new ideas and for ILO staff to become more multiskilled.

**Recommendation 16.** In order to take forward the exchange programme as it was intended, I recommend that the ILO establish an agreed set of contracts and terms; and take steps to actively seek potential staff exchanges.

**Recommendation 17.** I recommend that wherever possible the HR Department should seek to streamline existing administrative procedures and increase the number of professionally trained staff dealing with strategic HR matters.

### **Other overall recommendations arising from my findings on implementation of the HR strategy**

**71.** My staff found that, in addition to the need for a management training programme and a more strategically oriented HR Department, two points were common to almost all the areas reviewed. These relate firstly to the desirability of better communications between the HR Department and their clients; and secondly to the need for a more integrated approach to implementing the strategy.

**72.** On the need for better communications, the proposed reorganization of the HR Department will place greater reliance on the senior HR officers who will provide a day to day link with Headquarters and field staff. My staff's investigation revealed many problems, which had arisen because of a lack of understanding (and training) in the areas covered by the HR strategy.

**Recommendation 18.** I recommend that the HR Department establish a communications strategy as a matter of priority, in order to identify the needs of all ILO staff for information on changes and developments under the HR strategy generally.

**73.** In addition, my review revealed that the initiatives taken following the HR strategy are many and varied. However, they are also part of a whole, where each impacts in some way on the others and problems arose because the initiatives were being carried out independently within the HR Department.

**Recommendation 19.** I recommend that the ILO identify a single focal point within the HR Department, to be responsible for reviewing the impact of each element of the HR strategy on other elements; and to provide a link to ILO staff on the benefits of the strategy.

## Part II: Resource requirements and costs

### Overall assessment of the immediate and ongoing resource requirements of the strategy

#### *General assumptions*

74. My staff noted that the ILO had carried out no comprehensive resource calculation for the impact of the HR strategy as a whole. In these circumstances, and in the absence of alternative costings, I have attempted to provide some reference points for the potential further costs of implementing the HR strategy, based on assumptions which are set out in the following section. These reference points are for indicative purposes only and the likely costs are very much conditional on circumstances. In estimating potential additional costs, my staff attempted to take a conservative view in each case and the calculations may be at the lower end of the potential scale of expenditure that might be involved. However, the potential costs suggested are necessarily approximate and only for guidance, and should be regarded in that light.
75. These costings do not include either mission costs – which could be significant – or staff costs for training courses.

#### **(1) *Personal and career development***

76. To be fully effective, and to achieve the required aim of all staff developing their skills to a higher level, it is reasonable to assume that the Personal Development Plan for each ILO permanent staff member will identify further training and development needs. A reasonable assumption for this might represent some five days' additional training per person per year. If this were the case, and assuming a training day to cost, say, \$150 for each of some 2,000 staff (noted in GB.273/PFA/11), additional training funding of some \$1,500,000 would be implied.
77. This does not include either the opportunity cost of the staff time taken up by training, nor the need identified for additional IT training for all staff; nor any additional resources to operate the PDP system when fully functioning in the HR Department. My staff estimated that such costs could involve \$20,000 for IT development aspects plus \$50,000 annually for IT support. There is also an initial training need for all staff operating the PDPs themselves. This could amount to some \$100,000 with an ongoing annual requirement for new staff and upgrades in the system amounting to, say, \$50,000.
78. The initial development costs for the young professionals programme amounted to \$100,000. For the first two programmes that were run, the costs included \$25,000 for publicity materials and \$400,000 for developing the specific training programmes for the young professionals. My staff estimate that one intake a year could give rise to an ongoing cost of perhaps \$200,000 a year for training costs for the programme.

**(2) *Prospection, recruitment and selection***

- 79.** The additional costs involved here relate to the running of assessment centres. My staff have not considered the opportunity costs of either the individuals who attend the centres, nor the time spent by assessors on assessment centre work. However, the training of further assessors could cost some \$15,000 for each new set of nine assessors and it might be prudent to assume expenditure up to \$30,000 each year to replace and bring in new assessors.
- 80.** Initial costs included \$80,000 to assist in establishing a competency framework; \$100,000 to set up the assessment centre system; and \$70,000 for piloting the centres. There were additional costs of some \$250,000 for assessor selection and training, and for the initial costs of the first year of running the centres. To run around 50 centres each year could require an annual cost of \$200,000.
- 81.** There is an urgent need for more administrative resource to help run the centres and my staff assume this would require one General Service grade at standard cost per year. The HR Department will need to consider how these additional resources can be provided.
- 82.** If the assessment centres are to fulfil their overall function, they need to be used for individual development needs. As with PDPs, this would be likely to lead to an increased demand for development training. Assuming 20 such development centres were run per year, my staff estimate that each could produce a demand for an extra 50 days' training in total for the participants at each centre; which could represent 1,000 days at \$150 per day, giving rise to additional annual training costs in the region of \$150,000 a year. The assessment centres might represent an element of additional training identified through the PDP process.

**(3) *Classification***

- 83.** My previous report to the Governing Body contained an estimated additional cost from the baseline grading exercise of \$1.4 to \$1.8 million for a full biennium. Taking a conservative view to allow for uncertainty in these figures, my staff estimated a possible annual cost from the exercise of at least \$800,000, although the annual costs might reduce over time, for example as a result of staff leaving the Organization.
- 84.** Ongoing classification work under the new procedures could lead to potentially significant costs. However, the percentage of upgrades in future is likely to be below the initial figure of 21 per cent, which followed a moratorium on reclassification, and it is extremely difficult to calculate this figure at present. I recommend that management should address this aspect as a matter of priority.
- 85.** An additional cost element is represented by the appointment of a P4 grade coordinator to help clear the backlog of appeals from the baseline exercise. Given the need for additional professional resources in this area, my staff have assumed that the post will continue for at least the short term at standard cost.
- 86.** The classification team require the ongoing assistance of external experts in this field, for which related expenditure amounted to some \$100,000 in the year 2001. Although the HR Department have always made use of consultants, my staff estimated that annual expenditure of \$100,000 might be required for classification work.
- 87.** Simplification of the contracts system offers potential for valuable administrative savings, given that much time at present is taken up with administration of the abundance of temporary and short-term contracts. Savings could be set against any additional costs

arising from the transfer of individuals to the new contracts system. In the long term, my staff consider that net savings should be available but it is not possible to quantify these until the new contracts system is agreed and procedures are in place.

#### **(4) People management skills**

- 88.** The cost of the management training programme outlined in my overall assessment of the implementation of the HR strategy is budgeted at \$1,800,000 for the next three years, following estimated costs of developing and running the initial management programmes of some \$300,000. This, however, will only cover 180 managers and the programme may need to be expanded and continued to train all existing and future managers. The potential cost of could be in the order of at least \$1,000,000 per annum.
- 89.** My staff have attempted to estimate the additional costs arising from the establishment of the PDP system assessment centres for individual development. However, the total training needs of the ILO would need to be assessed before an accurate training resource strategy incorporating associated costs can be put in place. This exercise would be a prerequisite to any accurate assessment of the total training needs arising from the HR strategy.

#### **(5) Employee relations**

- 90.** The additional costs of operating ILO's new grievance procedures have included a total of \$700,000 in 2000-2001 to cover development costs, as well as the costs of the ombudsperson; the selection and training of facilitators; training managers and staff; and the production of written guidance. This figure reduced to a budgeted \$500,000 in 2002-03 and will involve a continuing annual cost. However, if the grievance workload were to continue to increase there would be a requirement for additional spending. Given that the system is currently overburdened, my staff consider that this cost could conceivably increase.
- 91.** The initiatives underway in relation to work-life balance are difficult to quantify and cannot always be linked specifically to the HR review, since they are important areas, which would require funding in any case. An example of this would be the \$2,800,000 additional funding for security and safety of staff which are not included in my staff's estimate of possible HR strategy costs. However, the ILO allocated \$50,000 for the development of initial work-life issues and my staff have included this in their figures as a one-off cost to the HR strategy.

#### **(6) External awareness**

- 92.** My staff have not identified any additional cost implications from this area of the HR strategy.

#### **HR staff resources**

- 93.** Throughout this report I have referred to the need for a more professionally trained HR staff. The relatively small number of existing staff may be unable to meet all the requirements of the various policy and procedural developments under the new HR strategy because of the demands of their day to day work. It may be, therefore, that the HR Department itself may need additional focused training in client relations and service delivery areas; and more professional HR input in certain areas. Five days training for all 90 or so HR Department staff would cost in the region of \$67,500 at \$150 per person per day.

94. In addition, the need for more professional input as vacancies occur and professionally trained staff are recruited could give rise to a continuing cost in salary differentials of some \$350,000 each year.

**Table 4. Summary of estimated costs of the HR strategy**  
(figures are approximate and for illustrative purposes only)

Cost driver	One-off costs (US\$)	Potential recurring annual costs (US\$)
Training needs from PDPs	-	1 500 000
Set-up costs for PDPs	150 000	-
IT support for PDPs	20 000	50 000
PDP training	100 000	50 000
YPP development	100 000	-
YPP first two programmes	425 000	-
YPP annual spend	-	200 000
Assessment centres set-up	100 000	-
Competencies set-up	80 000	-
Assessors training	-	30 000
Piloting assessment centres	70 000	-
Annual cost of centres	-	200 000
Administrative support assessment centres	250 000	100 000
Training needs from assessment centres	-	150 000
Baseline regarding	800 000	800 000
IRG coordinator	-	130 000
External for classification	-	100 000
Management training	300 000	1 000 000
Grievance procedures	700 000	500 000
Work-life initiatives	50 000	-
HR staff training/qualifications	67 500	350 000
<b>Total</b>	<b>3 212 500</b>	<b>5 160 000</b>

**Recommendation 20.** In the light of the uncertainties and potentially large commitment of resources arising under the HR strategy, I recommend that the ILO carry out a comprehensive review of resource implications and the likely costs of the full implementation of the strategy for future years.

## Part III: Action and evaluation

### Suggestions for areas where immediate action might be considered

95. The recommendations in my report cover the whole range of often high level issues which from an audit perspective we believe are relevant in relation to implementation of the HR strategy. The following areas are those where the HR Department might be able to take immediate action, at relatively little additional cost, to improve effectiveness in relation to HR strategy issues:

- 
- Review global staffing needs and, where advisable, group together competition requests to hold joint recruitment and assessment centres rather than individual events.
  - Agree an incentive for assessment work, for example a time allowance for all assessors and members of groups and panels.
  - Clarify the role of performance assessments in relation to the PDP arrangements.
  - Produce simplified guides and checklists for staff and management covering the action needed for grievances and on any other relevant HR issues.
  - Hold a series of workshops with managers from all sectors to explain HR requirements and agree how to measure implementation.
  - Consider the future programme for assessment centres with a view to concentrating on managers or potential managers.
  - Provide periodic information to all staff on the progress in each HR area; on what HR expect from staff; and on what staff can expect in terms of service from HR.
  - Inform early decisions on the funding of the longer-term management training programme.
  - Examine the links between the strands of the HR strategy and the impacts that each strand has on the other.
  - Establish brief workshop-based training for HR staff in client relations and service issues.
  - Establish evaluation criteria for the HR strategy.

**Recommendation 21.** In order to provide a measure of the success of the HR strategy, I recommend that the ILO identify and apply appropriate evaluation criteria.

### Possible evaluation criteria

**96.** From the review carried out by my staff, the following criteria might be useful in evaluating the success of the HR strategy. In the HR field, real evaluation involves attempting to measure and quantify quality improvements rather than processes, and the following factors address this objective. They are presented in the context of the six areas of the strategy but include organization-wide evaluation.

**97.** In relation to PDPs and personal development:

- For PDPs, the number completed and actions taken by individuals after one year to improve themselves.
- Completion of sector training plans and review of how these have been put in place.
- For PDPs and sector training plans, monitoring how individual and office-wide performance has improved, year on year, against competency standards.
- Appropriate benchmarking against best UN or international practice.

**98.** In relation to recruitment and assessment:

- The length of time vacancies remain unfilled.
- The number of recruits still in the ILO after each subsequent year and their progress.
- The improvement in individuals' standards against competencies for those who have attended assessment centres.
- Quality measurement by reviewing career paths of recruits and graduates of the young professional's programme.
- When assessment centres are run on a regular and systematic basis for personal development, for the ILO as a whole, the measurement of performance improvement against competencies.

**99.** In relation to classification:

- The numbers in each grade by sector from year to year.
- Analysis of the numbers of staff in each grade in relation to performance against competencies.
- Analysis of contracts issued by type, with a view to reduction in repeat and short-term contracts issued.
- Quality review of the performance of individual managers' classification proposals.
- Benchmarking against UN or international comparators.

**100.** In relation to people management skills:

- Analysis of people management skills in assessment centres and promotions; and evaluation of the quality of team outputs.
- Assessment of managers' people management skills, to measure improvements over time.
- Analysis of statistics on people management skills training and on training in basic needs for HR processes.

**101.** In relation to employee relations:

- Monitoring or the use of targets to reduce the number of grievances reaching central process over time.
- Monitoring or the use of targets to reduce the number of harassment grievances over time.
- Use of guidelines or targets to achieve clearance of formal grievance cases within an agreed time frame.
- Benchmarking of the procedures and role of the ombudsperson against best international practice or appropriate comparators.

- Monitoring of staff views on whether work-life balance has improved; and to identify which issues should be given priority.

**102.** In relation to external awareness:

- Monitoring or the use of targets to reduce the administrative burden of the HR Department over time.
- Use of targets or strategic planning to increase the number of professionally trained staff within HR against an agreed timeframe.
- Use of targets or strategic planning to increase the number of exchanges of individuals to a predetermined level.
- Evaluation of the value of exchanges by reference to individual performance against competencies, after an appropriate period on return to the ILO.

**103.** Additionally, there may be scope for the ILO to make more use of questionnaires and customer feedback, from the standpoint that staff are customers of the HR Department. Any such initiatives could be expanded to cover all the main fields related to the strategy and be used to inform decisions made by the HR Department.

## **Acknowledgement**

**104.** I wish to express appreciation to the Director-General and his staff for the cooperation they have provided in the course of this review.

Sir John Bourn

Comptroller and Auditor General, United Kingdom  
External Auditor