



## Governing Body

332nd Session, Geneva, 8–22 March 2018

GB.332/PFA/11

Programme, Financial and Administrative Section  
*Personnel Segment*

**PFA**

Date: 6 March 2018

Original: English

### ELEVENTH ITEM ON THE AGENDA

## Update on the decisions taken by the International Civil Service Commission (ICSC) at its 85th Session regarding the post adjustment index for Geneva

#### Purpose of the document

To inform the Governing Body about the latest developments regarding post adjustment for Geneva and other duty stations following the review of the post adjustment methodology at the 40th session of the Advisory Committee on Post Adjustment Questions (ACPAQ). The Governing Body is invited to approve the draft decision in paragraph 13.

**Relevant strategic objective:** None.

**Main relevant outcome/cross-cutting policy driver:** None.

**Policy implications:** None.

**Legal implications:** The application of the revised post adjustment as decided by the ICSC is likely to be legally challenged by staff.

**Financial implications:** Financial implications could result from any successful legal challenges.

**Follow-up action required:** Active participation of the Office in the 86th Session of the ICSC considering recommendations on the post adjustment methodology resulting from the ACPAQ session.

**Author unit:** Human Resources Development Department (HRD).

**Related documents:** GB.331/PFA/16(Rev.).



1. By virtue of its agreement with the United Nations (UN) and its acceptance of the statute of the International Civil Service Commission (ICSC), the ILO participates in the UN common system of salaries, allowances and other conditions of services. The ILO recognises the ICSC as the competent body for the determination of the post adjustment component of the salaries of ILO staff in the Professional and higher categories and cooperates with the Commission on matters relating to remuneration and conditions of service. The Office reiterates its strong commitment to a single and unified UN common system as the cornerstone for the regulation, coordination and consistency of conditions of service for all staff across that system.
2. At its last session in October–November 2017 the Governing Body was informed that some recent decisions of the ICSC concerning the results of the 2016 survey for determining the post adjustment for Geneva had raised serious reservations regarding the methodology used and its implementation, and provoked serious management concerns in addition to significant legal risks.
3. It is recalled that the principal components of remuneration for staff in the professional category and above are a base salary (established relative to similar positions in the United States federal civil service) and a post adjustment payment determined by the ICSC for each UN duty station to provide equality of spending power to that of New York based staff. In September–October 2016 the ICSC conducted a baseline cost-of-living survey in a number of headquarters duty stations, including Geneva, to determine the post adjustment indexes at those locations. At its 84th Session in March 2017, the Commission approved the results of the survey in Geneva, the application of which would have led to an overall salary reduction of about 7.8 per cent for all ILO Geneva-based staff in the Professional category and above.
4. In line with their obligations as responsible employers to ensure that administrative decisions to be implemented had a sound and legal basis, Executive Heads of Geneva-based organizations sought further information on the conduct and outcome of the ICSC survey, including clarification on the application of the methodology applied and impact of modifications introduced to it for this survey. A meeting was held in Geneva with the Vice-Chairperson of the ICSC at the end of April 2017 and, subsequently, a team of statisticians was tasked by the Geneva-based organizations to review the application of the methodology and the factors that determined the results. A number of issues and errors were identified which called into question the reliability of the survey outcomes. The ILO and United Nations Office at Geneva (UNOG) Directors-General presented their concerns and observations to the ICSC on behalf of the Geneva-based organizations at its 85th session in July 2017, together with the findings of the team of experts submitted in a detailed conference room paper.
5. While the ICSC did not accept any of the concerns relating to the choice and application of the methodology, it did decide to reintroduce a 3 per cent buffer as part of the “gap closure” measure (instead of reinstating a 5 per cent buffer that had previously applied) to guard against margins of statistical error. The ICSC also delayed the effective implementation date of the decision from 1 August 2017 to 1 February 2018, indicating to organizations that an expected salary increase of around 2 per cent in the comparator service (United States federal civil service) would be applied to offset the remaining reduction in net take home pay.
6. However, taking note of the findings in the report of the team of experts on various aspects of the post adjustment methodology, the ICSC undertook to review, in collaboration with representatives of administrations and staff federations, the post adjustment survey methodology and its application, and accepted the proposal from the organizations to engage an independent expert to assist in the review. Despite expectations, Geneva-based organizations were not consulted on the terms of reference for the review nor the appointment of the consultant. On 4 October 2017 the organizations were informed that the

ICSC had unilaterally determined restricted terms of reference and engaged the services of a consultant to conduct a limited review of the methodology used for compiling the post adjustment index. The consultant was also requested to identify areas for possible improvements to the post adjustment methodology. Not until 27 November 2017 was the name and background of the consultant communicated to the organizations. Despite the assurances from the ICSC for a fully consultative approach to the review, there has been no contact from the consultant with the ILO or other organizations or any consultation on the review.

7. In preparation for the upcoming 40th Session of the ICSC Advisory Committee on Post Adjustment Questions (ACPAQ), the final report of the ICSC consultant was communicated to organizations on 9 February 2018. The report identifies many shortcomings in the ICSC methodology and includes 64 recommendations for consideration. The report generally concurs with the earlier findings of the Geneva-based team of experts. Similarly to the report of the team of experts, the consultant report raises concerns regarding index aggregation, the inclusion of public institutions in the education component, the inclusion of the pension component, the measurement of domestic services, the treatment of housing related expenditures and the estimation of housing index, the lack of proper documentation of decision-making in processing data, the identification of non-corrected errors and the lack of revision policy.
8. Further, and importantly, the consultant stopped short of responding positively to a question in the Terms of Reference as to whether the post adjustment system is “fit for purpose”. He states only that it goes a “long way towards” meeting the criteria for being fit for purpose but that there are “clearly areas for improvement” as detailed in his 64 recommendations. The report acknowledges that the post adjustment is a statistical construct aiming at striking a reasonable balance between accurate and punctual measurement of parity of purchasing power, and stability of remuneration. It emphasizes that compensation policy requires reasonable stability in salary and avoidance of sudden major drops in its value.
9. The review undertaken by the expert did not however extend to an examination of many of the specific issues and serious methodological, legal and managerial concerns raised by organizations and staff federations with regard to the results of the 2016 survey round. It therefore remains unresolved to date what specific, cumulative impact those issues had on the results of the 2016 survey round. Therefore, if implemented without further review and, as appropriate, revision, it appears probable that the ICSC decisions would be open to legal challenge by officials at concerned duty stations.
10. The consultant’s report was considered by ACPAQ at its meeting from 26 February to 5 March 2018. Agreement was reached to progress over 50 of the recommendations to rectify shortcomings in the statistical aspects of the ICSC methodology. Many of these shortcomings relate to those identified by the Geneva-based organizations in 2017. It is now also proposed for this matter to be further considered by the full session of the ICSC to be held from 19 to 29 March 2018 with the intention of identifying the operational aspects of the ICSC methodology that will also require review. It is expected that a workplan and timeframe will be established to progress both the statistical and operational improvements in parallel, and jointly between the ICSC, UN agencies and staff federations. This should result in significant improvement to the post adjustment methodology for the future.
11. On 1 February 2018 organizations were informed by the ICSC that the level of the post adjustment multiplier for Geneva will lead to a final reduction in net home pay of 5.2 per cent at the end of the transitional phase in June 2018. Despite expectations, the increase to US federal civil service salaries of 2.29 per cent was not reflected in the ICSC calculations and thus has not offset the salary reduction.

12. The ILO is committed to actively and fully cooperate with the Commission at its next sessions to ensure that the necessary improvements identified by the expert in his report to ACPAQ are appropriately reflected in a revised methodology for the determination of post adjustment.

## **Draft Decision**

13. *The Governing Body:*

- (a) takes note of the legal issues associated with the implementation of the results of the 2016 cost-of-living survey in respect of the duty station Geneva;*
- (b) instructs the Office to apply to all Professional and higher level staff in the Geneva duty station the revised post adjustment index decided by the ICSC from 1 April 2018; and*
- (c) requests the Office to continue to actively and fully cooperate with the ICSC at its 86th Session and beyond, including on the implementation of the recommendations made by ACPAQ at its 40th Session, with the objective of further improving the post adjustment methodology.*