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INTERNATIONAL CIVIL SERVICE
COMMISSION

COMMISSION DE LA FONCTION
PUBLIQUE INTERNATIONALE

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**ITEM 141: UNITED NATIONS COMMON SYSTEM
REPORT OF THE INTERNATIONAL CIVIL SERVICE COMMISSION**

**INTRODUCTORY STATEMENT BY THE CHAIRMAN
OF THE INTERNATIONAL CIVIL SERVICE COMMISSION
MR. KINGSTON P. RHODES
TO THE FIFTH COMMITTEE OF THE GENERAL ASSEMBLY
NEW YORK, 13 NOVEMBER 2013**

**Mr. Chairman,
Distinguished Members of the Fifth Committee,
Ladies and Gentlemen,**

I am honored to introduce the thirty-ninth annual report of the International Civil Service Commission. Before I do, please allow me to congratulate you, Mr. Chairman, on your election and extend best wishes to your colleagues in the Bureau. I have no doubt that under your leadership and guidance the Committee will conclude its work in a timely manner and arrive at a successful outcome.

The report of the ICSC usually covers a wide range of relatively complex items, all of which deal with the conditions of service of staff. Over the past year, in response to GA Resolution 67/257, the Commission has been focusing its attention on the review of the United Nations common system compensation package. We are carrying out the Review ever mindful of the UN common system organizations' present financial situation and the capacity of the organizations to attract and retain a competitive workforce. We have been approached by some member organizations whose governing bodies have urged the ICSC to take into consideration the financial situation of the organizations and its Member States during the comprehensive review of the compensation package. The FAO Conference, for example asked for greater vigilance with regard to increases in staff costs across the common system. Let me reiterate that the Commission is keenly aware and takes cognizance of the environment in which it operates and particularly so today in view of the serious financial situation faced by both Member States including their national civil services and common system organizations.

Review of the common system compensation package

The Commission commenced this Review earlier this year at its seventy-sixth session. Its scope is comprehensive, encompassing all elements of remuneration, as well as other HR elements under the ICSC mandate, but we have also flagged related areas not strictly under our mandate which may warrant useful scrutiny. As we are all aware, reviews by their very nature generate diverse expectations and even, at times, apprehension. That is why a review of this magnitude requires and depends on the full cooperation of stakeholders. For the Review to succeed the Commission must be able to count on their support. While we have been looking at the history and rationale for the various elements in the present compensation package, we have also found it useful to look beyond the present system and to consider alternative approaches where merited. Examining current trends and outside practices in expatriate compensation and assessing their applicability to the common system is therefore part of our study. Our biggest challenge is to ensure that the Review is carried out in a holistic and integrated manner so that competing priorities are reconciled and a revised system is coherent, sustainable and meets the concerns of Member States, organizations and the staff.

Now to some of the details about the way ICSC is proceeding. The Commission has established three working groups to enable it to engage in in-depth consideration of the various items in the Review. These are: (1) the remuneration structure; (2) competitiveness and sustainability; and (3) performance incentives and other human resources issues. In addition, the ICSC secretariat disseminated a global staff survey to identify areas of concern linked to compensation and performance management issues. I, together with the Vice-Chairman, met recently with Executive Heads of the organizations to discuss and seek their views on the review. The results of the global staff survey together with the views of the Executive Heads are expected to serve as valuable input for the first working group meeting scheduled for early December. These results will be reported to the Commission in the spring of next year, along with a progress report on all three working groups.

Some methodological reviews have been subsumed into the comprehensive Review, in particular those pertaining to the education grant, children's allowances and post adjustment, but until the Review is completed, ICSC will continue working to administer them and other allowances under the present system.

I would like to point out that despite intensive efforts during the current biennium to redistribute available resources to cover the Review, it has already placed a significant extra burden on the Commission's administrative and operational capacity. I call this to the Assembly's attention and hope that you will bear this in mind in your deliberations.

Mandatory age of separation

At its seventy-seventh session, the Commission considered raising the mandatory age of separation to age 65 for current United Nations common system staff members. The current mandatory age of separation is 60 for staff members who entered on duty before 1 January 1990, and 62 for those who entered after 1 January 1990. The Commission observed that the global trend has been to increase the age of retirement in recognition of people's better health and increased vitality and that many staff members continue to be productive and have the skills to work beyond the age of 62. A number of national governments have also amended their retirement schemes and introduced human resources management reforms that facilitate longer working lives. The Commission also believes that well-targeted human resources policies would address possible constraints in areas such as performance management, workforce rejuvenation and gender and geographical balance.

The United Nations Joint Staff Pension Fund Consulting Actuary has estimated that at a 70 percent utilization rate, a reduction in the actuarial deficit in the range of .13 percent of pensionable remuneration would result, positively impacting the Fund's long term sustainability. It should also be kept in mind that After-Service-Health-Insurance (ASHI) liabilities would be reduced by .85 percent.

The Commission is therefore recommending that for current United Nations common system staff the mandatory age of separation should be extended to age 65. In order to allow organizations time to implement the change, the effective date would be 1 January 2016, with the understanding that this decision would not affect the acquired rights of current staff.

Evolution of the United Nations/United States net remuneration margin

The Commission, under a standing mandate, monitors the margin between the net remuneration of United Nations staff in the Professional and higher categories in New York and that of their counterparts in the comparator civil service in Washington, D.C. For calendar year 2013, the margin stands at 119.6, the five-year average being 115.7 for the years 2009 to 2013.

The margin level has continued to increase in 2013, owing primarily to the statutory pay freeze in the comparator civil service, and it is expected to approach the upper limit of the established range even without further adjustment of pay levels in the two services in 2014. In addition, the variable factors used in the margin calculation may not be known by February 2014, which may ultimately affect the level of the margin for 2014. These variables include a possible continuing freeze in the comparator civil service beyond 31 December 2013 and the resulting levels of the United States actual salaries, the United Nations common system personnel statistics and the cost-of-living differential between New York and Washington, D.C., and other factors as well. Having considered scenarios of the evolution of the major variables and their cumulative effect on the margin, the Commission agreed that if the margin was to be maintained within the established range, the resulting projected level was unlikely to allow for the implementation of an increase in post adjustment for New York in February 2014.

The Commission will keep the matter under review and in 2014 is expected to implement the margin management procedures. To maintain purchasing power parity of salaries with New York, the base of the post adjustment system, post adjustment indices for all other duty stations would be proportionately scaled back to the extent of the ratio of the actual pay index to the pay index that would have been granted in New York under the normal operation of the post adjustment system.

Base/floor salary scale

Due to the pay freeze in effect in the comparator civil service since January 2011, the gross levels of the comparator's General Schedule have not changed in the last three years. However, slight changes in the federal tax schedule occurred both in 2012 and 2013, reflecting a revised tax rate schedule as well as revised amounts for personal exemptions and standard deductions. Therefore, despite the pay freeze, the aforementioned tax-related changes resulted, in net terms, in a slight increase in the comparator pay level.

It is recalled that the General Assembly did not act on the recommendation made by the Commission in 2012 to adjust the base/floor salary scale as of 1 January 2013. Accordingly, the present recommendation of ICSC reflects the net base salary movement in the United States federal civil service over the two-year period from 1 January 2012 to 1 January 2014. This movement amounts to 0.19 per cent, including the 0.12 per cent increase in base/floor salaries effective 1 January 2013 recommended by the Commission in 2012. The Assembly is therefore requested to adjust the base/floor salary scale by this amount, applying the standard procedure of increasing the base salary and commensurately reducing post adjustment multiplier points, which would result in no change in net take-home pay.

Children's and secondary dependants' allowances: review of the methodology

At the 2012 review, the Commission expressed concerns regarding the methodology to determine the levels of the children's and secondary dependants' allowances for Professional staff and therefore deferred consideration of a possible 16 per cent increase in these allowances. ICSC revisited the methodology in 2013 and considered ways to address distortions, potentially caused by the dominant impact of large duty stations such as Geneva and New York, in the proposed allowance levels.

Having explored various options, the Commission was of the view that the growth rates of child benefits tracked in local currency should complement the weighted average amounts as currently calculated. This would be a more meaningful basis for the Commission's recommendations to the Assembly. It therefore concluded that other concerns regarding the methodology should be dealt with in a comprehensive manner, recalling that in the ongoing comprehensive Review the various allowances and benefits, including those relating to dependants, would be examined holistically.

Surveys of best prevailing conditions of employment of General Service staff: Paris and Montreal

During 2013, the Commission completed two salary surveys in Paris and Montreal for the General Service category at headquarters and similar duty stations. The resulting salary scales, as recommended to the organizations in these two locations, are 2.19 lower and 1.22 per cent higher, respectively, than the existing salary scales. These scales, as well as the revised dependency allowances for Paris and Montreal, are shown in Annexes V and VI of the Commission's report.

Post adjustment matters

Lastly, you will note from our report that the Commission did not take action on some of the recommendations made by ACPAQ, namely, those pertaining for the most part to the round of place-to-place surveys at headquarters locations which would have been conducted in 2015. This was because the Commission considered that changes to the post adjustment system itself could be introduced following the comprehensive Review of the United Nations compensation package due to be submitted to the General Assembly by 2015. In the view of the Commission it would therefore be preferable to wait and launch the new round of surveys only after a new United Nations compensation package was in place.

Mr. Chairman, Distinguished Members of the Committee,

Let me conclude by saying that I look forward to working with you and receiving your comments on the work completed during the year.

I thank you Mr. Chairman and Members of the Committee for your attention. Please note that the Commission's recommendations, together with their financial implications, and upon which we wish the Committee to take action are summarized at the beginning of our report. My secretariat and I will be happy to answer your questions and provide any clarification you may need on the issues covered.

Once again, thank you for your attention.