

## THE ALLOWANCES IN THE UNITED NATIONS COMMON SYSTEM\*

1. The United Nations system is a complex group of autonomous organizations and of funds and programmes that are more or less tightly linked to the United Nations (proper). With respect to the terms and conditions of employment, it is characterized by a large degree of coordination, under the auspices of the **International Civil Service Commission (ICSC)**.

2. We shall briefly describe in this document the allowances (the elements paid in addition to the "salary"), with special emphasis on those related to the family, housing and languages pursuant to the wish expressed by the organizers of the meeting.

### A. Some basic notions

#### 1. The categories of staff

3. We shall limit ourselves to what may be called the "traditional" categories; like many employers operating on the basis of a detailed set of Staff Regulations and Rules (SRR), the United Nations system has succumbed to temptation and created gray zones, if not zones outside law.

4. There are two main categories of staff in the United Nations system:

- the **General Service category** (secretaries, clerks, manual workers, etc.);
- the **Professional and higher categories** (or administrators and higher officials).

#### 2. Recruitment categories

5. There are two recruitment modes for United Nations system officials:

- **local recruitment;**
- **international recruitment.**

6. The definitions vary somewhat from one duty station and also from one organization to the next. In the case of the World Intellectual Property Organization (WIPO), for instance, any staff member in the General Service category who is a Swiss national or who is recruited from within a radius of 25 km from Geneva *is regarded as* locally recruited. The other staff members are regarded as internationally recruited.

7. The rule is that staff members in the General Service category should be recruited locally, unless this proves impossible. It is quite easy to understand that this opens the door to all sorts of abuses. To be considered for employment, foreigners have to indicate an address

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in the duty station, which as everybody knows is more often than not fictitious. The rare exceptions pertain mainly to nationals of countries which have traditionally limited the freedom of circulation of persons, for instance the Chinese or Russian secretaries.

8. Internationally recruited staff members are normally entitled to the following allowances and benefits:

- payment of travel expenses on appointment and separation from service, for themselves and their dependents;
- removal of household effects;
- home leave;
- education grant;
- repatriation grant;
- rental subsidy.

## B. The General Service category

### 1. The principles governing salaries

9. "The paramount consideration in the recruitment of staff and in the determination of conditions of service shall be the necessity of securing for the International Bureau the services of persons with the highest standards of efficiency, competence and integrity" (WIPO, SRR 4.1). This entails "aligning the salary [...] with the salaries paid by the most representative local employers" (ILOAT judgement 1265, *in re* Berlioz and others, paragraph 3); the French text of the judgement continues with "selected from among the best in the duty station". This is the "**Flemming principle**".

10. To that end, the ICSC undertakes, in principle every five years, a survey of the presumed best employers of the duty station according to a methodology that is in principle rigorous (in practice it is open to fiddling). Salaries are set in the organizations at the level of the 75<sup>th</sup> percentile of the salaries (after the deduction of taxes) paid by some twenty outside employers.

### 2. The family allowances

#### (a) Dependency allowances

11. In the course of a survey, almost all fringe benefits offered by outside employers are amalgamated with base salary. The most important exception has to do with the family.

12. Staff members in the General Service category are entitled to:

- an **allowance in respect of a dependent spouse** (whose gross annual earnings are less than or equal to the gross annual salary at grade G.1, step 1);
- an **allowance in respect of each dependent child** (the allowance is increased, in Geneva, for the first child of a single parent).

13. The amounts of the allowances are calculated so as to mirror the outside situation, as obtaining with the reference employers, inside the organizations on the basis of the inside demographic situation. In the case of the dependent spouse allowance, this entails:

- calculating the difference between the income tax paid by a single tax-payer and that paid by a married one without children, for each outside average salary that serves as the matching point for a given inside grade;
- determining, for each inside grade, the number of spouses in respect of whom an allowance is paid;
- calculating the weighted average tax reduction;
- adding to the result of the preceding steps the arithmetic average of the allowances paid by the outside employers in respect of dependent spouses (total of the allowances divided by the total number of employees considered in the survey).

14. The calculation of the dependent child allowance is more complex since there is a need to reckon the number of children per family and also the family allowances paid by the social welfare system. In fact the methodology is beyond the reach of the ICSC secretariat and lacks rigor. In the case of Geneva, for instance, the ICSC secretariat found in 1995 that when an organization served an allowance, it did so in respect of 1.7 children; but then it averaged the tax reductions resulting from the first and second child, respectively. It similarly took the arithmetic average over 21 years of the (progressive) allowances paid by the Swiss authorities.

15. There is a floor for the dependent child allowance which is set at 3 per cent of the salary at the mid-point of the scale.

16. Beyond the criticism that arises from the methodology (there is no magic solution, however), it is important to note that the **approach** of the United Nations system to the allowances described here is **social**. Flat amounts are indeed more beneficial to people with low income.

*(b) The special allowances*

17. As stated above, the dependent child allowance is increased in Geneva in respect of the first child of a single parent: this mirrors inside the organizations the tax system of the host country (the income tax is calculated on the basis of two adults and one child in this case).

18. The United Nations system also provides (at least in Geneva) for:

- a special allowance in respect of disabled children;
- an allowance payable, where there is no dependent spouse, in respect of a dependent father, mother, brother or sister.

### 3. The language allowances

19. Staff members in the General Service category are normally assigned a working language upon appointment. An allowance is payable when they demonstrate proficiency in a second language (and, normally, pass a language proficiency examination); a higher allowance is paid in the case of proficiency in a third language.

20. The practical details of the system vary to some extent from one organization to another. In general, the allowances are only paid in respect of the official languages or the working languages (in WIPO they are Arabic, Chinese, English, French, German, Japanese,

Russian and Spanish; German and Japanese are used in certain patent procedures; German is also an official language of UPOV). No allowance is paid for the mother tongue or for a language in which the official is required to be fully proficient by the terms of his appointment. Those provisions give rise to difficulties which are exacerbated when personnel administration is particularly strict. Here are some examples:

- A French official needs to know a second language to get an allowance; an Italian official needs to know three.
- However, the French official needs to know three if he is recruited on a post that requires full proficiency in English (but not of French).
- He also needs to know three where the post is bilingual, but the Italian will need four in this case.
- The entitlement to the language allowance may be called into question (or arise) in the case of transfer or promotion.

21. The SRR usually provide that officials in receipt of an allowance may be required to undergo a control examination (at no less than five years interval). Of course, the ICSC and all those who look for savings adore this provision and would like to make it compulsory. Administrations, including the United Nations, oppose this, among others on the basis of practical difficulties and poor cost-benefit relation. The ICSC would also have liked the allowance to be payable only in respect of the languages used by the organization (so much for the promotion of a multilingual environment!).

22. The first language allowance represents 5 per cent of the annual salary of the first step of the grade corresponding to a bilingual secretary (i.e. G.4 or G.5); this formula was adopted in 1965. The second language tops it up by one half; this allowance and its amount were introduced in 1973.

23. The language allowance is "pensionable" and is reckoned in calculating remuneration for overtime and night differential, and payments and indemnities on separation from service. This again is a feature which the ICSC would have liked to do away. In our opinion, the language allowance is compensation for a competency and an important contribution to the functioning of the organization; it is only fair that it is treated as an element of salary.

## C. The Professional and higher categories

### 1. The principles governing salaries

24. According to the "Noblemaire principle", the salaries for those categories must be competitive with those of the best-paid national civil service (deemed to be the federal civil service of the United States of America) and include an element of compensation of expatriation. Whereas the General Service category is essentially local in character (the salary scales are therefore duty-station specific and reflect local circumstances), the Professional and higher categories are unified on a **worldwide** basis. Unification means that there must be **parity**, not of nominal salaries, but of **purchasing power**.

25. The compensation package includes:

- a (unified) **base/floor salary**;

- **post adjustment** (variable from duty station to duty station depending on cost-of-living and, for a given duty station, from month to month depending mainly on exchange rate fluctuations).

The system lacks transparency and is relatively complex. Whereas the basic elements have remained unchanged, the methods to calculate them have evolved considerably (often to the detriment of the staff). The system also lacks consistency. For instance, Washington, D.C. is the effective base of the system (since the salaries of the reference American federal civil servants are measured there), but New York is the notional base... and there is post adjustment in both cities. But the cost-of-living differential is not measured according to the same method on the way from Washington to New York (for the purpose of setting the notional base) and on the way back (for the purpose of setting the Washington post adjustment).

## 2. The salary with or without dependent

26. "A base/floor salary" is in fact wrong: there are two. The reason is that the differentiated taxation rates between single and married tax-payers has been reflected at the root of the salary system. Today, the difference between the two scales is arbitrary and amounts to some 7.5 per cent at the mid-point (6 per cent at P1/1; 8.7 per cent at P.5/13).

27. It will be noted that, here, the **financial logic** prevails over the social one.

## 3. The family-related allowances

28. The professionals and directors are entitled to an allowance in respect of each **dependent child** (as from the second where the spouse is not dependent), an additional allowance in respect of a disabled child, and also an allowance for a dependent relative under conditions that are similar to those applying to staff members in the General Service category.

29. The amounts of the allowances are different from those applying to staff members in the General Service category in view of the different basis for their determination (local practice in one case, practices in seven headquarters countries in the other).

## 4. The other allowances

### (a) *The education grant*

30. In the United Nations system, the education grant is a benefit linked to **expatriation**. It is thus not available to:

- locally-recruited staff members in the General Service category;
- staff members in the Professional and higher categories who, although internationally recruited, serve in their country of origin (in the case of Geneva, the exclusion also applies to officials of the United Nations who are of French nationality and reside in neighboring France).

This "discrimination" is challenged and indeed challengeable (for one could conceive a redistribution of the sums affected to salaries so as to make the grant available to all officials).



The United Nations system is not yet ready, by far, for a social evolution that requires a philosophical revolution.

31. As may be expected, the rules applying to the education grant are relatively complex. The salient features are as follows:

- The grant is served from primary school to the fourth year of post-secondary school studies or the award of the first recognized degree, whichever is earlier; but not beyond age 25;
- The grant amounts to 75 per cent of admissible expenses, up to a country-specific ceiling (the country of the school);
- The ceilings are reconsidered every two years on the basis of the reimbursement claims filed by the staff members; they are revised when, for a given country or zone, 5 per cent of the claims (or five claims in the case of countries for which a small number of claims are made) go beyond the ceiling of authorized expenses;
- A special grant is payable in respect of a disabled child;
- The travel costs are covered (one return ticket per school year);
- There are special provisions for boarding expenses;
- Where the child attends a local school, the costs of the teaching of the mother tongue are also covered.

32. The education grant system comes along with a relatively important workload since all reimbursements are subject to production of certified bills and detailed examination thereof. Some personnel administrators demand simplification... but are usually much less vocal when consideration is given to what can be done.

33. The ICSC recently had on its agenda the consideration of the basic principles of the education grant. Conservatism (or procrastination) prevailed, of course; but some options could be identified. In addition to a declarative system (with random checking), a system of lump sum was suggested, and also the possibility of making direct payments to schools. Some also look towards the World Bank where, in a recently introduced system applied to staff members hired on or after 1 July 1999, the costs arising from expatriation are compensated upfront, the official being supposed to invest the amounts received to meet future expenses (you must be a banker to invent such a system!).

(b) *Rental subsidy*

34. The rental subsidy scheme has been introduced in 1978 for field duty stations. It was extended to headquarters duty stations in 1983 in order to compensate to some extent the refusal of Member States to increase salaries, using the cost increases on the real estate market to grant a supplementary payment to newly recruited or transferred staff members.

35. The basic principles of the rental subsidy scheme are as follows:

- The subsidy is paid to newcomers and also to officials who have to change dwellings by reason of *force majeure*;
- The subsidy is paid during a limited period of time (7 years for newcomers, 5 years for staff members affected by *force majeure*), on the basis of a degressive rate;
- A floor rent is established on the basis of a survey of the housing costs of staff at the duty station; it is expressed as a percentage of the salary and represents the amount that the staff member can reasonably be expected to spend on housing;

- Types of dwellings are defined on the basis of family size (there are different systems in the different duty stations);
- A ceiling is defined for each type of dwelling on the basis of inquiries with real estate agents;
- The subsidy is a percentage (80 in the first year in the case of a newcomer, 20 in the seventh) of the difference between the rent that is effectively paid (subject to the ceiling) and the floor.

## **5. The compensation for linguistic skills**

36. It should be underlined at the outset that the question of compensation for linguistic skills for officials of the Professional and higher categories has given rise to discussions which the United Nations system cannot be proud of. The pioneering role was played by the United Nations, and they maintained their system despite all manoeuvres of the ICSC. The system has been extended to other organizations, but it is not applied in all of them.

37. The system has the effect of accelerating the increments granted to officials "who have an adequate and confirmed knowledge" (WIPO, SRR 3.4) of two languages. The interval between two steps is reduced from 12 to 10 (or 24 to 20) months. Staff in language posts are excluded from the system.

