

FICSA



UN Salaries Adjustment Method 2014

Salaries are governed in the UN Common System by the International Civil Service Commission

Professional Salaries – set according to an international standard

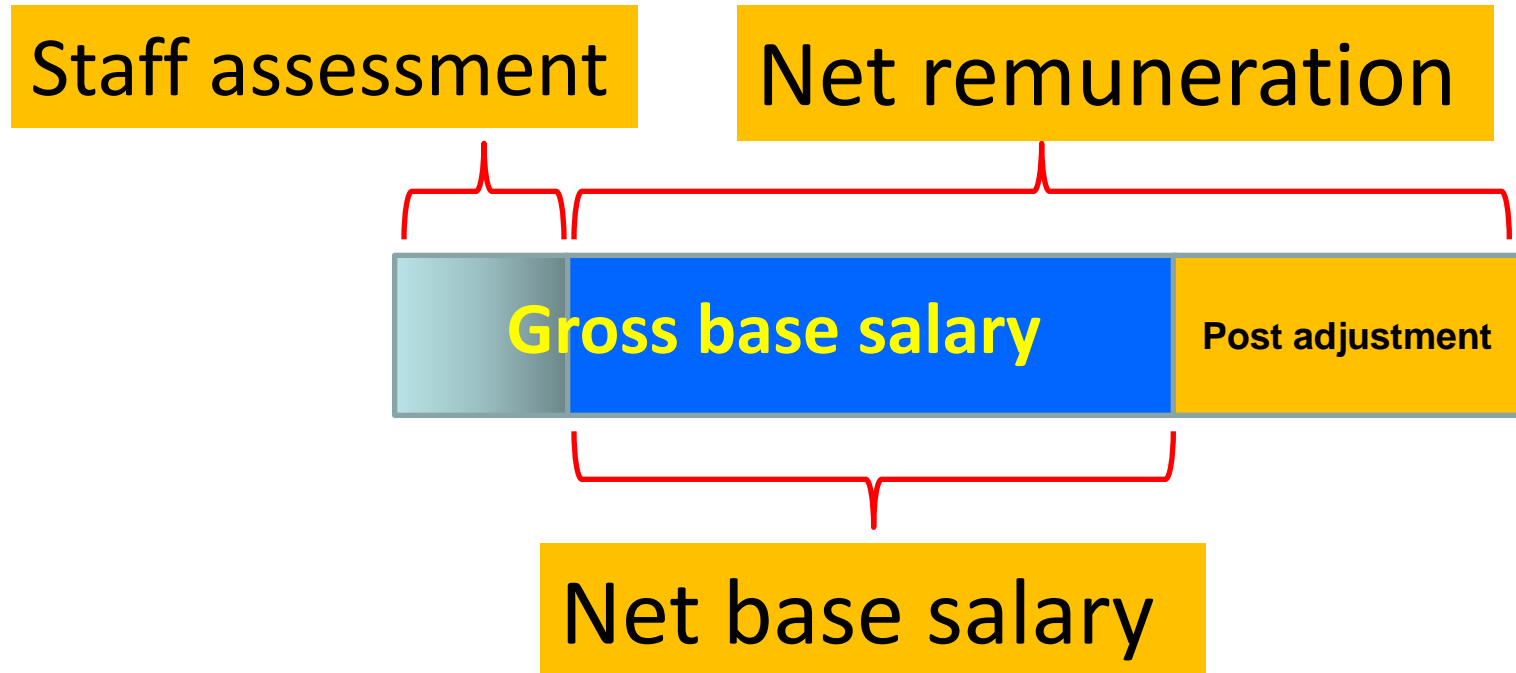
General Service salaries (set by a local labor market standard)

- The **Noblemaire Principle** “We admit that the salaries which we propose are based on those of the highest-paid Civil Services in the world...”
 - The civil service salary scales of the best-paying country
 - The difference between the level of the cost of living in the best-paying country and the headquarters of the League of Nations
 - The expatriation factor (target 15%).
- **Flemming Principle** which provides that the conditions of service for locally recruited staff should reflect the best prevailing conditions found locally for similar work.

Noblemaire vs Flemming

- **Professional category**
 - worldwide recruitment
 - serve in different countries
 - system of remuneration able to recruit from all member states, including highest paid
 - Noblemaire principle is based on highest civil service
 - maintaining purchasing power parity (post adjustment system)
 - base pay set in US\$
- **General service and national officer category**
 - local recruitment only
 - serve at the same duty station throughout the career
 - system of remuneration able to recruit from the local market
 - Flemming principle is based on the best prevailing local conditions found in the locality
 - salary surveys conducted to establish salaries based the best employers

Main elements of professional salaries



Staff assessment

- Staff assessment is a **form of taxation**, internal to the United Nations, comparable to national income tax in most countries.
- Staff members who have to pay national income taxes on their UN earnings are reimbursed from the Tax Equalization Fund, irrespective of the total amount of staff assessment deducted from their salaries.

What is post adjustment ?

- **Post adjustment** is an amount paid in addition to **net base salary**, which is designed to ensure that no matter where United Nations common system staff work, their net remuneration has a purchasing power equivalent to that at the base of the system, New York.

**Net base salary + post adjustment
= net remuneration.**

Calculating annual net remuneration

(net base salary plus post adjustment)

For a staff member at the P-4, step VI level, dependent rate
(all figures in United States dollars)

METHOD	DUTY STATION A	DUTY STATION B	DUTY STATION C
(a) Base/floor salary	80,502	80,502	80,502
(b) Post adjustment multiplier	68.4	40.3	72.9
(c) Post adjustment per index point = 1% per cent of base salary	805	805	805
(d) Post adjustment = (b) x (c)	55,063	32,442	58,686
(e) Net remuneration = (a) + (d)	135,565	112,944	139,188

Post Adjustment

- The **post adjustment index (PAI)** for a given location is a measurement of the cost-of-living costs of staff at that location relative to the base city, New York.

Components of post adjustment index

Major Components:

~40-57%

• In-Area

~25-40%

• Out-of-area

~10-12%

• Pension contribution

~8%

• Medical insurance

Calculating the post adjustment index

Expenditure Group	% Weight	Index
Total In-Area	59.18	111.5
Food and non-alcoholic beverages	8.50	130.6
Alcoholic beverages and tobacco	1.07	92.0
Clothing and footwear	1.82	142.3
Housing, water, electricity, gas and fuels	22.57	77.2
Furniture, household equipment and routine maintenance of the house	4.22	125.3
Health	2.70	119.3
Transport	6.89	151.4
Communication	1.85	156.4
Recreation and culture	4.12	142.6
Education	0.97	84.1
Restaurants and hotels	2.25	129.4
Miscellaneous goods and services	2.23	128.3
Medical Insurance	6.54	107.2
Pension Contribution	10.77	116.6
Out-Of-Area	23.51	117.8
Total WALSH	100.00	113.3

Values for Vienna as of January 2009

Updating the post adjustment index

- Between place-to-place surveys, the post adjustment index (PAI) is updated monthly to reflect price changes at the duty station and movements in the exchange rate of the local currency relative to the United States dollar and to adjust for inflation related to expenditures made by staff outside the duty station.
- Disaggregated Local consumer price indices (CPIs) published by national institutions are used for this purpose in combination with results of surveys of housing costs of international staff and the out-of-area price index.

Salary Adjustments

- Post adjustment becomes negative = no reduction below base
- Salary slips outside the margin range relative to comparator (110 – 120 percent) = freezing of salaries until back within the range of the margin (or 115)
- Freezing of comparator salaries – freezing for political purposes

Local Salary Methodology

Compensation in the United Nations



**THE
FLEMMING
PRINCIPLE**

- “Compensation for locally recruited staff should reflect the **best prevailing conditions found in the labour market for similar work.**” (original definition)
- “The conditions of service, including both paid remuneration and other basic elements of compensation, **are to be among the best** in the locality, **without being the absolute best.**” (subsequent ICSC refinement)

Means to achieve the goal of best prevailing conditions

- Conducting salary survey with employers in the same labor market who recruit staff of equally high caliber and qualifications for work which is similar in nature and equal in value.

Survey of :

- salaries
- allowances
- fringe benefits
- other conditions of employment

Public Sector

- Local Government
- Parastatal Enterprises (e.g. Central Bank, electricity & water companies), though only if the government establishes the salaries, otherwise must be considered private sector
- Embassy Community (e.g. US, UK, Germany, Canada, The Netherlands)
- NGOs (e.g. Save the Children, Red Cross)
- International/Regional Organizations (e.g. EU, World Bank)

Interim adjustment measures

Types of interim measure, based on local conditions:

- Mini-survey: updates on average percentage movement of minimum salaries and allowances, applied across-the-board
- Indexation (e.g. consumer-price index, labour-wage index, or movement of a particular employer)

Local Salary Adjustments

- Consequences of a salary survey that results in a decline in salary levels.
 - Salary freeze for existing workers
 - New entrants paid at lower level

Comprehensive Review of the common system compensation package

- Established by UN General Assembly resolution 67/257
 - Holistic approach
- Conclusions by December 2015 (70th UNGA session)
- Will review all compensation, allowances and benefits (both monetary and non-monetary for professional staff)

Comprehensive Review Objectives

- **Ensure ability to effectively deliver respective mandates**
- **Provide a degree of flexibility in applying the compensation package**
- **Attract and retain the best combinations of talents, competencies and diversity**
- **Creation of a coherent and integrated system that is streamlined, transparent and cost effective**
- **Drive organizational excellence through motivation and engagement of staff**
- **Bear in mind the financial situation of participating organizations and their capacity to attract a competitive workforce.**

Thanks !