

C 2015/3 - Medium Term Plan 2014-17 (reviewed) / Programme of Work and Budget 2016-17
Information Note no. 3 – March 2015
Reducing staff costs – ICSC review of staff compensation package

Summary: This note provides information on the authority to make changes to staff benefits and entitlements and the opportunities to reduce increases in staff costs through action by the United Nations General Assembly, the International Civil Service Commission (ICSC), the FAO governing bodies and the FAO Director-General, and the experience over the last two years. The vast majority of the benefits and entitlements for FAO staff are provided for under the UN common system, and neither the FAO governing bodies nor the Director-General has authority to make changes to them. Significant changes to the compensation package can only be achieved through effective dialogue with the UN General Assembly and the ICSC and active participation in their ongoing comprehensive review of the staff compensation package.

1. Staff costs consistently make up about 75% of FAO’s Regular Programme Budget and a similar portion of the biennial cost increases. At its session of April 2013, Council “requested that the Secretariat identify possible options to reduce increases in staff costs”.¹ The Conference in June 2013:

*In stressing the importance of efforts to reduce increases in staff costs of the Organization, the Conference recognized that most of FAO staff benefits and entitlements were determined under the United Nations Common System and were approved by the International Civil Service Commission (ICSC) and/or the United Nations General Assembly in New York. The Conference appealed to the ICSC and the General Assembly, and likewise urged the Director-General to make a similar appeal, to consider the need for greater vigilance with regard to increases in staff costs across the Common System, particularly within the context of the ongoing comprehensive review being undertaken by the ICSC.*²

2. Most recently, at its 157th Session in March 2015, the Finance Committee³ “recognized that efficiency savings efforts should focus on staff costs, and noting that the vast majority of these costs were not under the authority of the Director-General, encouraged the Secretariat to follow the discussions in the ICSC and FAO Members to engage with the 5th Committee of the General Assembly”.

3. For the purposes of this note, staff costs are the salaries, pension, education grant, entitlement travel, medical insurance and other allowances received by FAO personnel (professional and general service staff).⁴

I. Authority to make changes to staff benefits and entitlements

4. The vast majority of staff benefits and entitlements for organizations of the United Nations system are determined under the UN common system compensation package approved by the United Nations General Assembly on the basis of recommendations from the International Civil Service Commission (ICSC). In this regard, the two key articles of the ICSC Statute are as follows.

¹ CL 146/REP paragraph 9n)

² C 2013/REP paragraph 106

³ CL 151/3 paragraph 20i)

⁴ C 2015/3 MTP/PWB paragraphs 146-151 and Information Note no. 1



Article 10

The Commission shall make recommendations to the General Assembly on:

- a) *The broad principles for the determination of the conditions of service of the staff;*
- b) *The scales of salaries and post adjustments for staff in the Professional and higher categories;*
- c) *Allowances and benefits of staff which are determined by the General Assembly;*⁵
- d) *Staff assessment.*

Article 11

The Commission shall establish:

- a) *The methods by which the principles for determining conditions of service should be applied;*
- b) *Rates of allowances and benefits, other than pensions and those referred to in article 10 (c), the conditions of entitlements thereto and standards of travel;*
- c) *The classification of duty stations for the purpose of applying post adjustments.*

5. In addition, under Article 12 of its Statute, the Commission shall establish the relevant facts for and make recommendations to Organizations on salary scales of staff in the general service and other locally-recruited categories.

6. The attached table lists the various benefits and entitlements provided for under the UN common system, the category of staff to whom they apply, and shows the authority, role and competence of the ICSC, the United Nations General Assembly, the FAO governing bodies, and the FAO Director-General with regard to changes to these benefits and entitlements.

7. The vast majority of benefits and entitlements for FAO staff are provided for under the UN common system, and neither the FAO governing bodies nor the Director-General have the authority to make changes to them. Significant changes to the compensation package can only be achieved through effective dialogue with the UN General Assembly and the ICSC, including active participation in the ongoing comprehensive review outlined in Section II.

II. ICSC comprehensive review of staff compensation package

8. The ICSC is undertaking a comprehensive review of the staff compensation package at present.⁶ For the purposes of the review, the ICSC has identified all current staff entitlements and has grouped them into five categories as follows:

- a) Salary, post adjustment and rental subsidy;
- b) Dependency-related allowances (spouse, dependent, children, secondary dependants, education grant, etc.);
- c) Leave-related entitlements (annual, sick, official holidays, etc.);
- d) Mobility and hardship-related allowances (assignment grant, removal of goods, danger pay, rest and recuperation, mobility allowance, etc.); and
- e) Separation-related allowances (termination indemnity, repatriation grant, etc.).

9. In noting the decision of the ICSC to conduct a comprehensive review, the General Assembly requested the Commission to bear in mind the financial situation of the Organizations participating in the UN Common System and their capacity to attract a competitive workforce. The final conclusions and

⁵ Dependency allowances and language incentives for staff in the professional and higher categories, education grant, home leave, repatriation grant and termination indemnity.

⁶ ICSC/76/R.3 – Review of the common system compensation package

recommendations of the ICSC on the comprehensive review are to be reported to the General Assembly as soon as possible but no later than the last quarter of 2015.

10. In view of the scope of the review, the ICSC has proposed a phased approach over a period of three years (2013-2015), as described below.

11. It is clear that the earlier the review is completed, the quicker it will be possible to introduce the measures recommended by the ICSC and that are approved by the UN General Assembly. **Therefore, a structural reduction in the increases of staff costs at FAO and in other UN entities may only be achieved through proactive leadership and commitment of Members of the General Assembly to timely introduction of system-wide measures.**

12. The two ICSC sessions in March and July 2015 will be largely devoted to the compensation review. In that regard, it is crucial that FAO Member countries reiterate both through their capitals and delegations in New York, **the need to contain staff costs and simplify the system** with a view to improving overall the delivery capacity of the UN.

13. It has already been decided to freeze allowances pending the outcome of the compensation package review, and it is important that member countries support continuation of this freeze until the review is completed, and to bring the current margin with the comparator US civil service from the current 17.4% to the desired 15%.

14. Of the topics related to the ongoing review that will be discussed at the next ICSC sessions, and will result in the final recommendations to be discussed at the 5th Committee, there are several areas needing support from Members. In particular, there appears to be consensus that a single unified salary scale should be introduced. The unified salary scale would remove dependency rates of salary, and instead allowances for dependents would be introduced, in line with the comparator civil service. A change in the salary scales would affect other elements, such as pensionable remuneration, gross salary rates and staff assessment, termination indemnity and repatriation grant, and these topics will also need to be discussed by the ICSC.

15. Specifically, support is needed for the following proposals which are in front of the ICSC:

- a) **Salary steps (WIGSI) within the scales should be biennial and tied to good performance**, rather than annual increases as is currently the case. However, this move should not be linked to an obligation to use the savings derived from the longer periodicity of steps for rewards/recognition schemes. This approach is in line with the existing understanding that the granting of WIGSI/rewards mechanisms (upon recruitment/in the course of the career to recognize seniority and performance) should be within the discretionary authority of the individual organizations within a broad framework established by the ICSC.
- b) **Education grant - move to a more simplified and less costly system** by reducing expenses under this benefit. In particular, the ICSC has proposed to limit eligible expenses to items directly linked to tuition and enrolment fees and boarding costs in non-headquarters duty stations. FAO supports this option as organizations should not have to pay for transportation or lunches as part of the education grant.
- c) **Relocation-related elements.** Various options will be discussed regarding shipment, including the possible introduction of mandatory or optional lump sum payments. While a mandatory lump sum for shipment could increase expenses, there are proposals to group several entitlements granted upon relocation into one-single lump sum, including the costs of shipment that are being reviewed. This may be a valuable option resulting in reductions in costs, as well as simplification of administrative processes, but the financial impact is unclear.

- d) **Mobility and hardship elements** simplification. Currently there are nine possible additional allowances and benefits payable for field postings and six possible classifications of duty stations in terms of hardship. Simplifying **allowances should allow savings to be made at all but the most difficult duty stations**, as well as **simplification of the hardship levels with a move from the six existing levels to three levels**.

16. Overall, member countries are invited to renew their appeal to the General Assembly in Resolution 7/2013 of the Conference to consider the need for greater vigilance with regard to increase in staff costs across the UN system, particularly within the context of the ongoing review being undertaken by the ICSC.

III. Measures already taken by the Director-General

17. As indicated in the attached table, there are some areas of staff costs that fall under the FAO's authority. The Director-General has already taken steps in some of these areas to reduce staff costs over the last three years, for example as regards rental subsidy and limiting expenses in relation to duty travel.

18. The provisions governing the rental subsidy scheme were revised at the start of 2013. It is foreseen that with the introduction of stricter conditions regarding eligibility, some decrease in costs - albeit limited - of the overall rental subsidy system may be achieved in the long run. For example, eligibility criteria now exclude newly recruited staff members who were previously residing at the duty station, as well as those who own adequate property at the duty station. Stricter conditions are also introduced for eligibility for rental subsidy under force majeure.

19. The reasonable maximum rent levels for staff based in Rome have also been reviewed. The maximum rent levels are no longer established on the personal grade of staff members, but on the size of their family. This change is in line with the approach adopted in other headquarters duty stations of the United Nations common system. It ensures that the intent of the rental subsidy scheme is better met and provides higher financial assistance to those staff requiring larger accommodations based on the number of their recognized dependents, not on their personal grade.

20. Measures to control and reduce the cost of duty travel have been introduced across the Organization. For example, the payment of Daily Subsistence Allowance to grades D1 and above is now fixed at the standard rate rather than at the higher rate that was previously payable, and travel rules for business class have been changed so that the entitlement now begins at 12 hours' duration rather than 9 hours.

21. As regards social security and, in particular, health insurance, it is expected that the new contract for health insurance which began on 1 January 2015 will produce savings and those savings will be maintained for at least the next three years since the contract provides for fixed premiums for this period.

22. Although the ICSC determines rates of accrual of annual leave, the Director-General has the authority to determine how the scheme is operated. By reducing the maximum annual leave payment on separation from 60 days to 30 days, FAO has already realized savings.

23. The work to reduce staff costs will remain a critical factor in achieving a more balanced distribution of expenditures in FAO. The Director-General is committed to this task, and the decisions of Members, in particular in the context of the current review by the ICSC and the UN General Assembly, will play a key role.

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
SALARIES AND RELATED ALLOWANCES					
Salary Scales	Prof & GS	Recommends scale	Approves for Prof Category	Must promulgate	Must give effect to salary scales recommended and approved by ICSC and UNGA.
Post Adjustment	Prof	Determines the level at each duty station	-	-	Must give effect to post adjustment as issued by ICSC.
Rental Subsidy	Prof	Determines most conditions and amount	-	-	Must apply ICSC conditions. Authority relates to defining reasonable accommodation e.g. linking payment to grade or to family size and establishing the maximum reasonable rent ceilings for Rome.
Language Allowance	GS	Determines conditions and amount	-	-	Must apply ICSC rates of allowance. FAO has no allowance for Prof staff.
Overtime and Night Differential	Prof & GS (Overtime), GS (night differential)	Determines conditions	-	-	Must follow ICSC. Authority to determine how to be compensated (for example compensatory time off).
Special Post Allowance (a non-pensionable allowance for staff members who are required to assume duties of higher-level posts for substantial periods of time)	Prof & GS	Determines conditions and amount	-	-	Must follow ICSC.
Dependency Benefits	Prof & GS	Determines conditions and amount	Approves for Prof category	-	Must follow UNGA and ICSC.
Education Grant	Prof & GS (international)	Determines conditions and amount	Approves	-	Must follow UNGA and ICSC.

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
ENTITLEMENTS RELATED TO TRAVEL, RELOCATION AND MOBILITY OF STAFF					
DSA	Prof & GS	Provides guidance on DSA rates	-	-	Norm is to follow ICSC rates but can establish ad hoc rates and negotiate rates to reduce hotel costs.
Mobility and Hardship	Prof & GS (international)	Determines conditions and amount	Approves amounts	-	Must follow UNGA and ICSC.
Assignment Grant	Prof & GS (international)	Determines conditions and amount	-	-	Must follow ICSC.
Removal and Shipment costs	Prof & GS (international)	Determines most conditions and weight and volume limitations	-	-	Must follow ICSC rules. Authority to determine practical implementation e.g. lump-sum in lieu of organized shipment.
LEAVE					
Annual Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC.
Home Leave	Prof & GS (international)	Determines most conditions	Approves	-	Must follow UNGA and ICSC. Authority regarding lump sum payments.
Sick Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC. Authority to determine how entitlement will be given.
Maternity, paternity, adoption leave	Prof & GS	Determines conditions	-	-	Must follow ICSC.
Special Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC. Authority to determine how entitlement will be given (including whether the leave be with or without pay).
Official Holidays	Prof & GS	Determines number (10 a year)	-	-	Must follow ICSC.
SEPARATION PAYMENTS					
Commutation of annual leave	Prof & GS	Determines conditions and maximum days that can be paid	-	-	Must follow ICSC rules but can determine number of days.
Repatriation grant	Prof	Determines conditions	Approves	-	Must follow UNGA and ICSC.
Termination indemnity	Prof & GS	Determines conditions	Approves	-	Must follow UNGA and ICSC.
End-of-Service Grant	GS	Determines conditions (only applies Rome and Vienna)	-	-	Must follow ICSC.
SOCIAL SECURITY					
Health insurance	Prof & GS	ICSC Statute does not address this issue	See ICSC	Approves	Authority to establish scheme although

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Benefit/Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
		directly. ICSC was however requested to undertake a system-wide review by the GA in the 1980's and followed up in the 1990's with a comparison of costs borne by staff across agencies. Current ICSC review of compensation package does not refer to medical insurance.	column for background. UNGA has in recent years only addressed medical insurance issues for UN itself.	financial commitment through PWB.	the current health insurance scheme also covers WFP, IFAD and ICCROM. The Director-General receives recommendations on the scheme from a Joint Advisory Committee in which those Organizations participate, as well as representatives of the staff bodies and of retirees.
Compensation for service incurred death, injury or illness	Prof & GS	Statute does not address this issue directly and Commission has not reviewed it. Current ICSC review of compensation package does not refer to this subject.	Only considers UN scheme which is part of UN staff rules. Changes need to be reported to UNGA.	Approves financial commitment through PWB.	Basic authority in establishing scheme. FAO scheme is based on UN Secretariat scheme contained in Appendix D to UN Staff Rules. Harmonization around UN rules advisable for the common system.
Pensions	Prof & GS	Establishes conditions and entitlement specifically linked to UN Joint Staff Pension Fund.	Approves	-	Must follow UNGA and ICSC