

PART I: MATTERS FOR CONSIDERATION BY ACC

(a) *Preparation for the discussion of specific agenda items in ACC*

1. At its second regular session in October 1993, ACC endorsed proposals submitted by CCAQ in respect of developing an agenda for improved effectiveness and accountability. In particular, ACC requested CCAQ to complete its studies on the Director category and the P.6 grade for presentation to ICSC in 1994. It also invited CCAQ to develop proposals to provide a political and technical framework for its strategy to improve effectiveness and accountability.

2. To this end, CCAQ dedicated a large part of its eightieth session to the consideration of proposals pertaining to the creation of the category of Director and of the P.6 grade. Immediately prior to its session, members of the Committee took part in a symposium on performance management which *inter alia* provided an overview of some Member States' practices in respect of performance review and performance-related rewards.

3. As a result of the discussions in CCAQ and the symposium, the Committee has developed more detailed proposals. These have been summarized in a separate document entitled "Managerial effectiveness and accountability - Introduction of the category of Director or Manager" which is annexed to this report. It is the Committee's intention, with ACC's endorsement, that this document be used for briefing representatives of Member States either in Governing Bodies or, for example, through members of the Geneva Group. CCAQ provided this information document and outlined its major features to ICSC at its thirty-ninth session in March.

4. The essential elements of the proposals being made at this stage follow the outline put forward to ACC's October 1993 session. They have been broadened to take account of the importance of strengthening the managerial competence of the organizations in the context of the major programme demands which those organizations are required to fulfil. They have also been reshaped in a bid to emphasize that the core element of all the proposals is that of instituting a performance management culture.

5. ACC is invited to endorse the key elements of these proposals which are as follows:

- to distinguish managerial jobs which are at the current D.1 and D.2 levels;
- to revise the contractual arrangements which pertain to these managerial jobs;
- to introduce rigorous performance appraisal standards based on pre-defined job goals and on management competencies;
- to remunerate staff in the managerial category on the basis of performance, including the award of non-pensionable lump sum bonuses to the very best performers;
- to introduce a P.6 grade level to accommodate posts currently graded D.1 which are not managerial in nature;

- to develop a training and briefing programme to accompany the introduction of this new category.

6. Each of these elements is analysed in greater detail in the information document (see annex III).

7. CCAQ intends to pursue the technical details of each of these elements which will be presented as a package to ICSC in June 1994 with a view to their submission, as appropriate, by ICSC to the General Assembly's forty-ninth session later the same year. Thereafter it is expected that organizations would put in place the necessary arrangements and transitional measures to introduce the category of Director on 1 January 1996.

8. As was reported to ACC in October last year, these proposals on the introduction of the Director category also have to be seen within the context of the work which has already been undertaken in respect of broadening the application of the Noblemaire Principle. CCAQ has already confirmed to ICSC that other international organizations, such as the World Bank, the Coordinated Organisations and the European Union compete with the UN family for expertise yet offer far better remuneration. The Committee continues to insist on the inclusion in some form or other of these competitors as comparators in the determination of appropriate UN common system pay levels.

9. ICSC, at its March 1994 session, did not reach a conclusion in respect of the application of the Noblemaire Principle, preferring that it be left until June of the same year.

(b) *Matters for endorsement or approval by ACC*

10. ACC is invited to endorse, for submission to ICSC, the proposals as put forward in the information document (annex III).

11. CCAQ would also recommend that ACC should urge ICSC to reach a decision in respect of its review of all aspects of the Noblemaire Principle at its June 1994 session.

12. To this end, CCAQ recommends that ACC adopt the following decision:

A. ACC, recalling the concerns it has repeatedly expressed at the continued lack of competitiveness of the conditions of service of the Professional and higher categories of staff, and cognizant that the General Assembly acknowledged in resolution 47/216 that the comparisons carried out by the International Civil Service Commission indicate that the remuneration levels of other major international organizations outside the common system are higher than those of the common system,

urges the International Civil Service Commission at its summer 1994 session to make proposals to the General Assembly which will improve the competitiveness of United Nations common system conditions of service by including, in the application of the Noblemaire Principle, the remuneration applicable to other international organizations which compete with the United Nations common system organizations for staff.

B. Mindful of the need to secure improved performance and strengthen management capabilities, ACC

also urges ICSC to endorse its proposals for the development of the category of Director or Manager for submission to the General Assembly's forty-ninth session.

13. CCAQ would further recommend that a statement on the above matters should be submitted to the General Assembly's forty-ninth session and will prepare a draft accordingly for submission to ACC's second regular session in October 1994.

(c) *Date and place of the next meeting*

14. The eighty-first session of CCAQ(PER) is scheduled to take place in New York from 13 to 17 June 1994 in conjunction with the fortieth session of ICSC.

PART II: WORK OF THE COMMITTEE

INTRODUCTION

15. In order to enable members to attend the thirty-ninth session of the International Civil Service Commission (ICSC), which took place from 28 February to 11 March 1994, the Consultative Committee on Administrative Questions (Personnel and General Administrative Questions) held its eightieth session from 22 to 28 February 1994 at the United Nations Conference Centre in Bangkok (Thailand). Immediately prior to the session, members of the Committee attended a two-day Symposium on Performance Management which was related to ACC's agenda for improved effectiveness and accountability and which was also attended by representatives of the ICSC secretariat, CCISUA and FICSA.

16. At the thirty-ninth session of ICSC, the Committee provided the Commission with an informal briefing of the findings and conclusions of its work related to the strategy to improve management effectiveness and accountability and the introduction of the Director category.

17. The session was attended by representatives of member organizations, the ICSC secretariat, the United Nations Joint Staff Pension Board (UNJSPB), the Federation of International Civil Servants' Associations (FICSA), and the Coordinating Committee for International Staff Unions and Associations (CCISUA). The list of participants is attached in annex I.

18. Mr. A.T. Slater (FAO) was re-elected Chairperson of the Committee and presided over the meeting. Mr. J.-P Bare (ITU) was re-elected Vice-Chairperson of the Committee.

19. On behalf of the Executive Secretary of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), Ms. Seiko Takahashi, Deputy Executive Secretary, welcomed members to the United Nations building in Bangkok. She noted a number of issues on the agenda which were central to the ability of the organizations to cope with change, in particular the ACC strategy to improve management effectiveness and accountability. The Secretary-General, in responding to the requests of Member States, had proposed an *agenda for peace* which represented a starting point for defining how the organizations would have to change to meet the challenges of the future. Those involved in personnel matters had a special responsibility for encouraging and motivating, as well as adequately compensating, staff - the most important resource of the common system. Alternative arrangements for the Director category, application of the Noblemaire principle and the way in which performance must play a part in how people were paid were key elements of the remuneration system. Against the backdrop of an ever-changing international climate and the serious economic difficulties of Member States, managers were increasingly held accountable for the effective and efficient use of resources. Many current personnel management systems and procedures tended to stifle initiative, reward mediocrity and tolerate inefficiency. Greater attention had to be given to how staff were motivated, including providing incentives which promoted excellence. Clear and measurable objectives against which to assess performance were needed. Redefined corporate goals must be achieved through the sound leadership of managers who were decisive, motivated and backed by modern personnel practices.

20. The agenda as adopted by the Committee is contained in annex II.

ACTIONS TAKEN AND DECISIONS ADOPTED BY THE COMMITTEE

21. The following decisions were taken by the Committee under its own responsibility.

Remuneration of the Professional and higher category: Examination of the Noblemaire Principle

22. The Committee decided that the following policies be presented to ICSC at its thirty-ninth session:

- (a) to reflect the comparator civil service's new pay strategies in the margin calculation;
- (b) to calculate the margin by reference to the best paying federal civil service pay system for those occupational groups of relevance to the UN common system;
- (c) in the context of ICSC's study of the highest paid civil service, to pursue the following alternative approaches for margin calculation purposes: (a) using the non common system organizations as direct comparators; (b) using the remuneration levels of the non common system organizations in some proportion with the remuneration levels of the comparator civil service; or (c) using non common system organizations as reference points for adjustment of the margin up until such time as the comparator civil service had attained competitiveness in the national market;
- (d) in this context, to inform ICSC of its current recruitment and retention difficulties.

Post adjustment questions

23. The Committee decided to request that ICSC include in its agenda an item on the implementation of the post adjustment system.

National Professional Officers

24. The Committee decided to request that the Commission hold over until its next session consideration of proposals in relation to the quantification of benefits in relation to the determination of salaries of National Professional Officers in order to allow for consultations to be undertaken with organizations employing this category.

Pensions and pension-related matters

25. The Committee decided to request ICSC to limit its review of the special index for pensioners to (i) the taxes used in the determination of the special index and (ii) the maximum amount used in special index calculations in the light of the recent changes made in the "Washington Formula".

26. Within this framework, it would request that (a) the tax rates be updated regularly to

reflect not only changes in normal tax rates but also changes in the tax systems themselves and (b) the P.2 top step used in the calculation of the special index be replaced by P.4 top step.

Review of dependency allowances

27. The Committee decided to urge ICSC: (a) to increase the levels of the children's allowance by 10.26 per cent and the secondary dependant's allowance to a level equal to 50 per cent of the respective children's allowance; (b) to stop expressing these allowances in the CFA franc and to apply the US dollar for the 14 countries in which the CFA franc amounts applied; and (c) for the other local currency amounts, to establish a floor provision based on the US dollar equivalent established on the basis of the exchange rate in effect at the time the proposal was made to the UN General Assembly.

Resolutions and decisions adopted by the General Assembly

28. In order to allow for consultations between organizations' Legal Officers, the Committee decided to pursue at its next session a response to the request in General Assembly resolution 48/224 to examine the feasibility of amending the ICSC Statute or the Rules of the Administrative Tribunals.

Job classification

29. The Committee endorsed all of the findings and recommendations contained in the report of the twentieth session of its Sub-Committee on Job Classification which included *inter alia* the Tier II Classification Standard for Library and Information Network Specialists, a revised Glossary and Guidelines for the Master Standard, an approach for the development of a computerized analytical system for the application of common system classification standards.

Matters related to the CCAQ secretariat

30. The Committee agreed that the appointments of its Secretary and Assistant Secretary should be extended for a further two-year period.

SUMMARY OF DELIBERATIONS

The Director Category

31. Within the framework of its agenda and strategy to improve effectiveness and accountability which CCAQ had elaborated at its seventy-ninth session and which ACC had subsequently endorsed, the Committee considered documents ACC/1994/PER/R.2, ACC/1994/PER/R.2/Add.1-8 and ACC/1994/PER/CRP.6. The discussion of this matter took place against the backdrop of the outcome of the Symposium on Performance Management which took place immediately prior to the session. A separate comprehensive report covering the Committee's proposals on the Director category complements this report (see annex III). The following are the conclusions reached on each of the key features of the proposals:

(i) *The Definition of the Director Category*
(ACC/1994/PER/R.2)

32. In order to allow for the primary characteristics of the Director category to be focused on high-level managerial functions, the Committee endorsed a draft definition of the Director category. This is attached as an appendix to annex III.

33. Definitions for distinguishing between General Service and Professional-level work underpinned the current classification system of the organizations of the common system. The application of a common system definition for distinguishing posts which should fall into the Director category accorded with this approach. Moreover, it was noted that such an approach was similar to that applied by the current comparator for distinguishing positions in the Senior Executive Service.

(ii) *Management Competencies* (ACC/1994/PER/R.2/Add.1)

34. Experience gained in Member States had incontestably shown that management competencies were pivotal to the formulation of a rigorous system of performance review and hence to the introduction of performance-related pay. They could and should be used to underpin a variety of other performance and personnel management systems.

35. The Committee therefore:

- (i) recommended the introduction in the common system of management competencies for the Director category to be used in conjunction with:
 - the selection of managers
 - their performance review
 - their promotion, and
 - their training and development; and
- (ii) mandated a working group to develop a set of core competencies and guidelines for their use along the lines put forward in (a) ACC/1994/PER/R.2 and Add.1, and (b) the report of the Chairpersons of the Sub-Committees on Staff Training and Job Classification and the Chief of ICSC's PPD Division. Such core competencies should serve as the model to the organizations of the common system and could be supplemented by organizations in the light of their job-specific requirements.

36. It was underlined that to be successfully introduced, management competencies should be developed in the closest consultation with those affected - i.e. the senior managers of the United Nations common system.

(iii) *Performance Review* (ACC/1994/PER/R.2/Add.2)

37. The Committee recognized that the proper assessment of performance was central to the establishment of an effective performance-related pay scheme. While over the years many organizations had redesigned their performance appraisal systems, there had been limited success in making these more effective. One of the biggest problems with current systems was that of

attaining the level of rigour required to make performance appraisal work as it should. Performance management systems which focussed primarily on work and tasks were no longer considered fully adequate in distinguishing effective from less effective managers. Therefore, the creation of management competencies which codified the knowledge, skills and abilities required for effective performance would help provide a more objective and sound basis for measuring managerial performance.

38. The exact manner in which the performance appraisal of Directors was undertaken would require careful consideration by each organization in the light of its size and structure. The Committee considered however that there were certain principles - in addition to those being adopted by ICSC - which were pertinent to the evaluation of performance of managers in all organizations of the common system. These were as follows:

- (i) rigorous performance appraisal of managers was the critical element of a performance management system, including the establishment of an effective performance-related pay scheme;
- (ii) the highest levels of management must be committed to instituting such rigorous performance appraisal systems to the managerial cadre;
- (iii) the standards against which the performance of managers was appraised should be based upon (a) pre-determined goals which were result/output oriented and (b) the managerial competencies required to carry out the job; and
- (iv) any decision in respect of performance-related pay, contractual status, promotion and training and development must be based upon performance appraisal.

39. Four levels of performance could be assessed through performance review. The highest level (A) was that of "outstanding performance", or performance that "consistently exceeded the standard". The second level (B) would "exceed the normal" or be "more than competent or satisfactory". The third category (C), in which the majority of staff would be expected to fall, would be the category of "fully satisfactory performance". The fourth and lowest category (D) would be that of "less than satisfactory" or "less than competent" and would reflect performance that did not meet the standard.

40. The Committee supported the principle that there should be some limits on the proportion of staff with ratings at levels above full performance and that therefore each organization should establish controls on the allocation of performance levels to ensure that ratings were not inflated and the system thereby devalued.

41. The Committee was conscious that, in the period following the introduction of the performance appraisal system, it might be necessary to create mechanisms to screen performance ratings to decide *inter alia* on bonus awards. In this context, the organizations foresaw a distribution of ratings for the Director category along the following lines:

highest level of performance	5 per cent
performance exceeding the fully satisfactory level	15 per cent
fully satisfactory performance	75 per cent
below fully satisfactory performance	5 per cent

42. A 1 per cent tolerance was recommended in using this rating distribution matrix. In the long run, it could be replaced by rating curves tailored to the needs of each organization.

43. Pivotal also to the success of introducing greater rigour and avoiding "political" or other inconsistencies was the determination of who would do the appraising. Organizations would therefore consider within their existing structures which of the following, singly or in combination, would best ensure the necessary objectivity and transparency: self-appraisal, peer review, review by hierarchical supervisor, review by subordinates for certain specific management competencies related to the manager's supervisory role, review by a performance review board or committee (such a committee could include an independent member from outside the organization). A committee approach could also serve as a review mechanism to help ensure the consistency of the appraisal system across an organization.

(iv) *Performance-related Pay* (ACC/1994/PER/R.2.Add.3)

44. The proposal to introduce a performance-related pay scheme was an essential part of the wider set of structural "new managerial" reforms and was a logical component of reforms aimed at the more efficient and effective delivery of public services, as it provided for discretionary pay increases based on an assessment of individual managerial performance.

45. After an in-depth discussion of the various forms that such incentives could take and the key elements which had led to successes in performance-related pay systems, the Committee considered that a performance-related pay system which focused on the award of lump-sum non-pensionable bonuses would best suit the UN common system Director category. Bonuses would be payable strictly on the basis of the performance appraisal system.

52. On balance, at this current stage, there was a preference for the more traditional approach of a pay band with small steps through which a staff member might progress if performance warranted. The band could be divided into two sections - the first for managers, the second for senior managers - with absolute levels similar, at the minima, to current D.1 and D.2 levels. Maxima could, however, be extended and caps on potential total earnings in any one year in terms of basic pay and bonus could be set so that these two elements would not exceed an absolute maximum just below pay at the ASG/ADG level. Alternatively, the minimum of the pay band could be revised to a point above the top of the current Professional salary scale with commensurate increase to the maximum. A further variant would remove any distinction in the pay band between managers and senior managers and allow for placement in the band on the basis not only of the difficulties and complexities of the job itself, but also the experience, qualifications and managerial competencies required for its performance.

53. The Committee requested that its secretariat explore each of these options and conduct research into experience with the administration of similar systems.

(vi) *Contractual Status and Separation Allowances*
(ACC/1994/PER/R.2/Add.4)

54. Another aspect of rewarding effective managerial performance was that of managing unsatisfactory performance. The introduction of an element which clearly established that managers could not expect permanency in their job unless they performed well had generally benefited national civil services. Introducing such uncertainty had to be weighed against the potential for political interference in a "career" senior executive service.

55. The Committee decided to propose that Directors be appointed to management positions on two-year fixed term contracts. Newly appointed Directors would be subject to a probationary period of one year. Those Directors holding permanent or career appointments at the time of assignment as a Director would retain the right to return to the grade and contractual status they held prior to appointment as a Director.

56. For staff members currently in the D.1 and D.2 grades who were converted to the new category of Director, CCAQ intended to work out transitional arrangements. These arrangements would ensure that in accordance with the procedures applicable in the given organization the contractual obligations entered into with each staff member were appropriately safeguarded. At its summer session, the Committee would review potential arrangements for such transitional measures.

(vii) *An Additional Grade Level in the Professional Category*
(ACC/1994/PER/R.2/Add.5)

57. The introduction of a P.6 grade level in the Professional category was a corollary to distinguishing senior managerial posts from other posts currently graded D.1 or D.2. The Committee considered that the P.6 level should be introduced to accommodate senior advisory or research posts which did not contain the managerial demands and responsibilities laid down in the definition of the Director category (see paras. 10-11). It therefore decided to endorse:

- (i) the introduction of a P.6 level remunerated on the basis of the current D.1 salary scale;
- (ii) the methodology for distinguishing between posts at the P.6 level from those in the Director category (i.e. to use a definition of Director);
- (iii) the classification of posts according to this definition, either as Director or P.6 on the basis of the Master Standard and the Director Category definition.

58. On the basis of experience gained, CCAQ would at some future date request that its Sub-Committee on Job Classification review the continued validity of the factors and factor weights of the Master Standard.

(viii) *Consequences for the Margin (ACC/1994/PER/R.2/Add.7)*

59. The Committee undertook a review of the impact the recommendations as a whole might have on the computation of the margin between UN and US net remuneration which was the trigger for action by ICSC and the General Assembly in terms of increasing remuneration.

60. Determining the exact impact required clarification as to the number of staff who would become Directors as opposed to P.6. The introduction of bonuses would have almost no impact on the margin, however, as bonuses at the US SES levels, except for doctors, were currently excluded from the computation.

61. In connection with the computation of the margin at the current D.1 and D.2 levels, some aspects requiring further study were the effect on the computation of (i) the consequences of the inclusion of the US GS-7 level on the bottom of the UN scale; (ii) the inclusion of the bonuses of doctors on the comparator's side on the top of the UN scale; (iii) the impact, if separate new UN equivalencies were established, for each US SES level; and (iv) the impact of not regressing the data. These aspects however need not and should not slow down the introduction of reforms.

(ix) *Briefing and Training Needs*

62. An essential element in the introduction of the Director or Manager category is the process of briefing and induction. The CCAQ Sub-Committee on Training would be asked to develop a training and induction package to ensure that:

- (a) consultations were carried out with all those involved prior to implementation;
- (b) the necessary briefing programmes and guidance manuals were in place prior to introduction of the category;
- (c) effective management development training programmes were in place to meet ongoing skills training requirements and on-the-job coaching needs related to performance-related pay, performance appraisal, etc.

(x) *Timetable for the Introduction of the Director Category*

63. The Committee considered how best to bring forward its proposals to ACC, ICSC and the General Assembly. There was a large momentum for change in the organizations which in many cases were already undertaking significant programmatic and structural reforms. Major new initiatives in response to the requests of Member States such as the Secretary-General's *agenda for peace*, the Children's Summit and the forthcoming Social Summit, as well as those pursued by individual organizations, were defining how the organizations must change and do more with less. The climate in which organizations had now to operate made urgent reform of the personnel systems imperative if they were to meet these challenges. Members were therefore committed to undertaking the requisite work in the areas of management competencies and performance appraisal which were basic to the package.

64. While acknowledging that some elements were more complex than others and that therefore they might require more time for development and full implementation, there was urgency to proceed quickly in this matter, also because of the pressures being exerted by many of the organizations' governing bodies. CCAQ therefore intended to bring forward proposals to ICSC's fortieth session in June 1994 with a view to their submission to the General Assembly's forty-ninth session later the same year. Thereafter, organizations would put in place the necessary arrangements and transitional measures to introduce the Director category on 1 January 1996 [for example, the introduction of pay reform, new contractual arrangements and the P.6 level]. With this optique, the Committee agreed to: (a) brief the Commission at its current session on the proposals in order to ensure their proper integration in ICSC'S work for its summer session; (b) request members to explain the proposals to their representatives on the Organizational Committee, including their rationale; (c) promote an understanding of these initiatives as appropriate among the members of their organizations' governing bodies; and (d) brief Member States representatives of the Geneva Group. To facilitate this process, the secretariat was requested to prepare a document summarizing the package of proposals (see annex III).

(xi) *Costs of the Proposals*

65. As had been suggested at the Committee's seventy-ninth session in Vienna, the costs of introducing the Director category had to be seen also in the context of cost benefit analysis. The direct costs of the proposals would in any case be very limited. Whatever direct costs might be involved would be subject to scrutiny by governing bodies; it was likely that the vast majority of those bodies would impose cost neutrality. In all events, the proposals would have to be seen also in the context of any other proposals being forwarded by ICSC to the General Assembly in respect of the application of the Noblemaire principle.

Remuneration of the Professional and Higher Categories

(a) Examination of the application of the Noblemaire Principle

66. Under this item, the Committee considered document ICSC/39/R.4 and its addenda prepared by the ICSC secretariat relating to specific issues regarding the application of the Noblemaire Principle which had been called for by General Assembly resolution 48/224. It was the view of the Committee that the following issues were intricately linked. In view of their technicality, each issue was treated separately.

(i) *Developments pertaining to the comparator's
Federal Pay Comparability Act of 1990 (FEPCA)*

67. The Committee noted the helpful analysis provided by the ICSC secretariat in ICSC/39/R.4/Add.1 in respect both of the utilization of the features introduced by the US federal civil service as a result of the FEPCA legislation and of the potential implication of the introduction of the FEPCA legislation for the calculation of the margin up to the year 2000 and beyond. It was evident from the information presented that several of the special features introduced by the FEPCA legislation, such as retention allowance and the relocation and recruitment bonuses had to date been made little use of. The common system would want to follow carefully the ongoing use of such special features in the context of personnel management developments in the common system. It was evident that the American civil service now had considerable flexibility in pay-setting and in other areas which might successfully be emulated in the common system.

68. Of the scenarios put forward by the ICSC secretariat for the manner in which the margin might be managed over the period up to 2004, the Committee considered that the alternative which allowed for the gradual adjustment of pay over the period 1994 to 2002, would be the easiest to maintain and had the advantage of automaticity. A variation on this approach could be to adjust the base scale on a gradual, but full percentage basis, which would maintain the margin around the mid-point.

(ii) *Special Pay Systems*

69. ICSC/39/R.4/Add.2 supplemented the information which had been provided inter alia in CCAQ document ACC/1992/PER/R.3 in respect of the special pay systems being introduced by the comparator civil service. Already in 1991 ACC had asked CCAQ to pay particular attention to the impact which the fragmentation of the conditions of employment in the comparator civil service would have on the UN common system. The Committee had concluded that it was necessary to reflect the introduction of new pay strategies in the comparator civil service in the conditions of service of staff of the common system.

70. This further study showed that the remuneration system of the US federal civil service had fragmented and was becoming increasingly complex in terms of the systems that were being used to pay federal civil servants. It was essential that ICSC and the organizations keep abreast of developments in these areas and particularly on the evolution of pay, which in many cases was significantly higher than that of the US General Schedule, the dominant element in salary comparisons with the UN common system.

71. Recalling that ACC had asked ICSC already in 1990 "to review the manner in which margin comparisons should be made in the context of those occupations for which the better

paying US federal agencies are applying special rates", the Committee reaffirmed its conclusion that appropriate special rates should be subsumed in the margin computation. The Committee would urge ICSC to calculate the margin by reference to the best paying federal civil service pay systems for those occupational groups of relevance to the UN common system.

(iii) *Identification of Highest Paid Civil Service*

72. Document ICSC/39/R.4/Add.3 provided the results of Phase I of the study on the identification of the highest paid national civil service, in particular concerning the national civil services of Germany, Japan and Switzerland. While some information had been gathered with respect to job classification and pension systems, the focus of the exercise was primarily on cash compensation levels.

73. While aware of the difficulties inherent in making such comparisons and appreciative of the work undertaken to date, the Committee felt that an overly conservative approach had been adopted. Phase II of the study should be pursued with the three civil services retained; a validity check should be undertaken of one or two others considered as borderline, especially the French civil service.

74. Determination of the differences in cost of living between cities was one of the most difficult aspects of the comparison. The Committee did not believe that the post adjustment mechanism was the appropriate tool for this purpose. It recommended that the Runzheimer arrangements being used for determining the cost-of-living differential between Washington and New York were more viable and their use would be consistent with the methodology for the margin computation.

75. The other issue raised in the document concerned the extent to which the World Bank, the Coordinated Organisations and European Union were considered to be competitors with the common system and the extent to which any comparison should be used in determining UN common system remuneration levels. The information was a follow-up to CCAQ's studies on this matter, which had revealed that these institutions carried out work that was broadly similar to the UN system and competed with the UN family for expertise, yet offered far better remuneration. CCAQ would press energetically for including comparisons with these international organizations in the margin calculation. To this end, it would make a major presentation of the conclusions of its earlier research to ICSC's current session. [CCAQ presented a Conference Room Paper (ICSC/39/CRP.6) to ICSC's session.]

76. While the ICSC secretariat had concluded that because the European Union did not apply a rank-in-post approach it did not lend itself to such comparisons, the Committee felt it would be premature to exclude it from further study as there were ways and means of carrying out job comparison with agencies or civil services which operated according to a rank-in-person approach as was the case with the US Senior Executive Service.

77. Based upon the conclusions of its previous session, the Committee confirmed that a number of alternatives should continue to be pursued: (a) using the non common system organizations as direct comparators for margin calculations; (b) using the remuneration levels of the non common system organizations in some proportion with the remuneration levels of the comparator civil service for margin purposes; or (c) using non common system organizations as

reference points for adjustment of the margin up until such time as the comparator civil service had attained competitiveness in the national market.

(iv) *Recruitment/retention difficulties*

78. The Committee considered the results of a study (ACC/1994/PER/R.3) undertaken by its secretariat in response to the request of ICSC that the organizations report their recruitment and retention difficulties to ICSC's thirty-ninth session. The study analysed experience since 1989 for a large number of organizations which had reported quantitative data related to (i) turnover, in particular turnover resulting from voluntary departures; (ii) the extent to which applicants could be deemed to be qualified for vacancies; (iii) the number of applicants declining offers of appointment; and (iv) the rate at which organizations were hiring staff above the mid-point of the respective salary scales.

79. The Committee believed that the approach taken in the study represented a significant step forward in trying for the first time to review, in a systematic and analytical fashion, the recruitment and retention situation across organizations of the common system. While some broad conclusions could be drawn, these had to be viewed as preliminary. The context for many organizations was one of restructuring and downsizing, whereas others were expanding. Care had to be taken when drawing conclusions based purely on a quantitative assessment. Nevertheless, preliminary findings showed that: (i) the common system had a much higher quit rate than that of the comparator; (ii) approximately one third of all common system departures were voluntary; (iii) voluntary departures were most critical at levels P.4 and above and for nationals from the Western European and Other Group; and (iv) the supply of qualified candidates was inadequate if organizations were to maintain the highest standards of competence, efficiency and integrity.

80. For the future, the format of the current exercise provided a good framework for organizations to establish a more systematic, ongoing management information system on recruitment and retention. Case studies would also be useful to complement quantitative analyses, particularly as a means of indicating the extent of a decline in the quality of the work force. In considering whether or not further studies would be undertaken, the cost and time involved in their compilation had to be weighed against the commitment by common system bodies to make use of the data in improving the remuneration package of the Professional and higher categories.

(v) *Structure of the salary scale*

81. The Committee's consideration of ICSC/39/R.4/Add.5 (Structure of the salary scale) was largely integrated with its discussion of the Director category. No one area of the remuneration system could be reviewed in isolation. The type of salary structure was contingent upon what responded best to policy needs. The human resources requirements of the organizations had significantly evolved over time in response to their programme needs. CCAQ's own historical perspective on the structure of the salary scale (ACC/1993/PER/R.3) had clearly indicated that the current and projected appointment and staffing practice showed little or no relation to that foreseen when the scale was devised. The organizational landscape had dramatically changed and a return to earlier career patterns was not foreseen. The P.1 level could therefore not be used more effectively other than for trainees. The extent of its use also depended upon salary levels

at different duty stations. Recalling its discussion on the structure of the scale at its seventy-eighth session, the Committee reaffirmed its support for exclusion of the P.1 from the margin calculation (ACC/1993/6, para.37).

82. Increasing the number of grades would run counter to efforts to create greater accountability and efficiency. CCAQ's proposals for the creation of a P.6 level equal to D.1 for specialized positions without managerial responsibility would better balance organizational requirements than increasing or decreasing the overall number of grades. There appeared to be no policy need at this stage for the introduction of a D.3 level.

83. A review of scale relativities should be undertaken in conjunction with CCAQ's proposal to create a distinct Director category, in particular the pay-setting aspect. Since the comprehensive review, CCAQ had requested that scale relativities be reviewed whenever there was a substantial real increase. Significant modifications could only be achieved at the time of a salary increase.

(b) Evolution of the margin

84. The Committee noted developments within the US federal civil service affecting the margin between the net remuneration of the United Nations staff in the Professional and higher categories in New York and that of the US federal civil service at Washington, D.C. as presented in ICSC/39/R.3. It also noted that the most recent estimate for the margin for 1994 was 113.9. Other margin management concerns were considered under agenda item 5 (ii).

85. The Committee also considered CCISUA's request (ICSC/39/R.3/Add.1) that the Commission review two aspects of the current margin methodology: (a) the appropriateness of square root weighting as opposed to the use of full weights, bearing in mind that the actual number of US incumbents (straight weights) was used for weighting US salaries in the current methodology; and (b) the appropriateness of the use of weighted regression. Since informal discussions at CCAQ's seventy-ninth session, clarifications provided by the ICSC secretariat showed that minor differences between ICSC's and CCISUA's margin estimates resulted from ICSC's use of weighted as opposed to unweighted regression.

86. Noting that on the US side the application of regression analysis had been abandoned in its own comparisons with the private sector, the Committee saw no reason for continuing to apply weighted regression in margin calculations, especially in view of the fact that the reason for its introduction had been its use by the US civil service. With regard to the second CCISUA proposal, CCAQ considered that weighting US salary data by the square root of the number of UN incumbents per occupation and grade or weighting by the actual number of UN incumbents were both technically valid. A simulation exercise should, however, first be conducted in order to compare the two approaches. Whichever alternative was finally selected, should be applied to both sides of the comparison.

Post adjustment questions: draft agenda for the eighteenth session of the Advisory Committee on Post Adjustment Questions (ACPAQ)

87. In ICSC/39/R.6, the Committee noted the proposed agenda for the eighteenth session of ACPAQ scheduled for May 1994, which centred largely on issues relating to the next round of place-to-place surveys, application of the revised cost-of-living survey methodology at field duty stations and the monthly updating of post adjustment indices.

88. ACPAQ had a purely technical advisory role. The Committee regretted that the agenda as proposed in the document appeared to re-open debate on a number of policy issues such as the use of external data. The slowness in implementing decisions which had been taken some time ago and the manner in which the consultative process was undertaken raised questions regarding the working methods of the ICSC secretariat. The post adjustment system suffered most from lack of credibility; staff continued to be reluctant to participate in surveys. The timing of surveys was critical. The Committee would request ICSC to include on its agenda an item on the implementation of the post adjustment system in order to discuss these difficulties. In this connection, it was recalled that, while the original purpose of using external data was to streamline the system, it seemed that the ICSC secretariat was attempting to straitjacket external data into the current post adjustment system. The latest notes from the consultant, ORC, retained to assist in the collection of external data, raised a number of important issues that could not be dealt with by organizations within the short time-frame provided by the ICSC secretariat and should be the subject of consultation with all the parties concerned.

Job classification: Report of the twentieth session of the Sub-Committee on Job Classification

89. The Committee noted with appreciation the report of its Sub-Committee on Job Classification (ACC/1994/PER/R.4) and endorsed all of its findings. The work it had undertaken on the creation of the definition of the Director category had been critical in furthering CCAQ's progress on its proposals on the Director category.

90. Interest was expressed in the progress made on the development of the automated analytical system for the application of common system classification standards. The Committee concluded that (a) organizations should explore all possible means for ensuring that the requisite resources -either financial or in kind - be made available as a matter of priority for the project and (b) ICSC should collaborate and, to the extent possible, participate financially in the venture in view of its responsibility as custodian of common system classification standards. The secretariat was requested to ensure the necessary follow up on the financing of the automated system upon receipt from UNDP, the lead agency, of further details regarding the benefits expected to accrue from it.

National Professional Officers (NPOs)

91. At its thirty-eighth session, the Commission had decided to establish a working group, consisting of members of the Commission and representatives of organizations and staff, to study all aspects of NPOs. This had met in November 1993; its report was provided in ICSC/39/R.7.

92. The process had been beneficial in furthering the discussion of this issue. It had dispelled misperceptions about the use of this category of staff and brought out the salient features of the manner in which NPOs were administered and remunerated. The upcoming visits of members of the Commission to field locations would be instructive in allowing the Commission to see NPOs working in situ.

93. Not all the organizations were users of this category; those who were, subscribed to the recommendations put forward in the document. FAO and UNHCR announced that they were about to make use of this category.

94. Noting that the consultative process had worked well, the Committee felt that further proposals - notably in relation to the quantification of benefits - would also benefit from further consultation. It would therefore request that any additional proposals be held over until the Commission's next session.

Pensions and pension-related matters: Review of the special index for pensioners

95. Document ICSC/39/R.8 provided a comprehensive analysis of the background to the issues which were before the Commission and which would need to be decided in cooperation with the Pension Board; these issues were raised because inter alia of the changes to the pension adjustment system effective April 1992. Currently, the special index was computed on the basis of tax information provided by a consultant for all countries. It was used to reduce the cost-of-living differential factor used in applying the "Washington Formula".

96. The Committee underlined that some of the matters raised in the document should not be re-opened; these had already been approved by the General Assembly after extensive consultation both in the Board and/or in the Commission. Thus, the way in which staff assessment, pensionable remuneration for the Professional and higher categories and the post adjustment system itself were established and maintained were not matters for discussion at this stage.

97. Within this framework, the Committee considered that issues of a long-term conceptual nature should be distinguished from other short-term technical concerns. To the extent that the long-term conceptual issues required review, they should be considered as part of the studies which would take place in 1996. In addition, a full analysis of how the special index had worked, the impact it had had on pensions and on the workings of the Fund itself should also form part of the 1996 review.

98. The Committee considered that, given the pressure on the Commission's agenda, and the lack of urgency in reaching long-term solutions, ICSC should limit its review to two issues:

- (i) the taxes used in the determination of the special index;
- (ii) the maximum amount used in special index calculations in the light of the recent changes made in the "Washington Formula".

99. As to the tax rates, the Committee considered that it would be equitable to adjust annually the tax element of the special index to reflect not only changes in nominal tax rates, but also changes in the tax system itself, including the introduction of new taxes, new deductions or new definitions of taxable income.

100. As to the grade and step used in the special index calculations, the Committee decided to recommend that P.2 top step be replaced by P.4 top step; hence the practice applied under the "Washington Formula" pension adjustment system would be replicated in the context of the special index.

Allowances: Review of dependency allowances

101. ICSC/39/R.5 reviewed (i) the levels of the children's and secondary dependant's allowances and proposed that the children's allowance be increased by 10.26 per cent; (ii) the methodology used for calculating the secondary dependant's allowance and (iii) the specification of the allowances in local "hard" currencies.

102. Noting the information provided in the document in respect of the two-yearly updating of the level of the allowances, the Committee concurred with the proposal to increase the children's allowance to reflect the 10.26 per cent increase in the value of tax abatement and payments under the social legislation applicable at the seven headquarters' duty stations. It also agreed that the secondary dependant's allowance be increased to a level equal to 50 per cent of the respective children's allowance. At the same time, CCAQ noted that as at 31 December 1992, out of a total of 18,569 staff in the Professional and higher categories, only 652 -or 3.5 per cent - were in receipt of the secondary dependant's allowance.

103. The Committee was concerned about problems that had arisen with the establishment and updating of these allowances in local currencies; as a first step, their expression in the CFA franc should be stopped and the dollar figure applied for the 14 countries in which the CFA franc amounts had been used. For the remaining countries, the Committee agreed that for the two-year period between reviews, the local currency amount should not be less than the US dollar equivalent. In this connection, the equivalent levels should be established on the basis of the exchange rate in effect at the time when the proposal was made to the UN General Assembly. The representative of the ICSC secretariat confirmed that the proposals in respect of the dependency allowance had no implication on the methodology used for establishing separate currency levels for the education grant as the latter was based on the determination of costs in each given country; the dependency allowances were universal in nature.

**Resolutions and decisions adopted by the United Nations
General Assembly and by the Governing Bodies of other
organizations of the common system**

104. The Committee noted documents ICSC/39/R.2 and Addenda.

105. The United Nations introduced a note (CCAQ(PER)/80/CRP.7) on the subject of decisions of Administrative Tribunals. The note had been prepared in response to General Assembly resolution 48/224, in which the Assembly had requested the Secretary-General, in consultation with the executive heads of the common system, to examine the feasibility of:

"(a) amending the statute of the International Civil Service Commission and/or the relationship agreements between the United Nations and the other organizations of the common system with a view to ensuring a coordinated response in all appeals involving the conditions of service of staff of the common system;

(b) introducing arrangements similar to those under article 20 of the rules of procedure of the United Nations Administrative Tribunal and article 17 (1) of the Rules of Court of the Administrative Tribunal of the International Labour Organization, with established mechanisms for providing timely notice of such cases to the International Civil Service Commission, to enable the Commission to intervene in appeals before those Tribunals involving decisions or recommendations of the Commission or any other common system issues; " (para. 7(a) and (b) of the resolution).

106. The United Nations did not believe that it was appropriate to seek to amend the Relationship Agreements between the United Nations and the Specialized Agencies. Amendment of the ICSC Statute, similarly, could pose difficulties.

107. It was noted that the ILO Administrative Tribunal had recently amended its Rules of Court. Under Article 13 of the new rules, notice of a complaint could be given to any third party to an appeal if it agreed that such third party might want to make a submission. A similar amendment could be introduced to Article 20 of the Rules of the UN Administrative Tribunal (UNAT).

108. The representative of the Secretary-General indicated that the United Nations would pursue this matter with organizations prior to the preparation of the report requested by the General Assembly.

109. The representative of UNESCO stated that his organization would not, in principle, be in favour of ICSC being given the right to intervene or otherwise make submissions directly to the ILO Administrative Tribunal in a given case that may be submitted to the Tribunal against the organization by an aggrieved staff member of its secretariat, even if the administrative decision of the organization being called into question before the Tribunal had as its origin a recommendation or a decision of ICSC. Inasmuch as such a case would necessarily involve adversary proceedings essentially between the staff member and the organization as complainant and respondent respectively, ICSC would not seem to have a legally legitimate locus standi directly to make submissions to the Tribunal, unlike other staff members or common system

organizations which might have valid reasons to apply to intervene as co-complainants or co-respondents, as the case might be, to the extent that the outcome of the case could affect their legal rights or obligations.

110. Notwithstanding the foregoing preliminary position of principle, UNESCO would naturally take a pragmatic and common sense approach to such cases. UNESCO would therefore request the ICSC secretariat's input whenever the organization determined that such input would be useful for the preparation of the organization's reply to a complaint before the Tribunal, it being understood that the contribution provided would be used by the UNESCO secretariat, as appropriate and upon its own responsibility, in the preparation of the organization's defence submissions to the Tribunal.

111. As further consultations between organizations' Legal Officers were necessary, the Committee did not feel that it was in a position to conclude on the substance of the issue. It agreed nevertheless that it would pursue this matter at its next session.

Review of a proposal to create a voluntary insurance coverage for long-term care

112. In ACC/1994/PER/R.5 the Committee gave preliminary consideration to a proposal for obtaining a global common system voluntary group insurance for long-term care. The issue had been raised with the secretariat by the Association of Former Civil Servants (New York and Geneva) and by UNIDO.

113. The Committee, recognizing that the issue was one that would gain in importance over time, expressed support for pursuing the matter. The secretariat was therefore requested to pursue negotiations, in consultation with interested organizations, with Van Breda along with other potential insurers with a view to bringing the matter forward at the Committee's next session.

Staff representation

114. The Committee noted in ACC/1994/PER/R.6 a full background of inter-agency arrangements governing staff representation, prepared in response to a request at its seventy-ninth session *inter alia* that FICSA's request to allow for the full-time release of its Vice-President be viewed in a more global perspective. After consideration of the historical antecedents, the Committee concluded that it could not for the present recommend an extension of the current arrangements for the release of the officers of FICSA.

Matters relating to the CCAQ secretariat

115. The Committee agreed to extend the appointments of the Secretary and Assistant Secretary of CCAQ for a further two-year period. The Committee was unanimous in commending the consistently high standard of work carried out by these officers. The organizations concerned confirmed their willingness to continue the present contractual arrangements regarding them. The Committee also noted the appointment of the Associate Secretary of CCAQ at the D.1 level, and recalled the inter-agency discussions which had taken place in 1993 concerning the grade levels of posts in the secretariats of inter-agency bodies: it

concluded that the establishment of the grade level of all posts in the secretariats of inter-agency bodies should be the subject of consultations with CCAQ(PER), the body designated by ACC to deal with job classification responsibilities in the common system.

Other business

(a) *Language incentive schemes*

116. The Committee exchanged information on the status of introducing language incentive schemes for the Professional and higher categories in response to General Assembly resolution 48/224 which had inter alia recommended modalities for such schemes based on the recommendation of ICSC. Three organizations had recently introduced such a scheme and several others were in the process of doing so.

117. It was noted that the guiding principle behind the ICSC proposal was that only organizations which felt the need for such incentives should introduce them.

(b) *Development of CCAQ data base and education grant monitoring data collection system*

118. The Committee at its seventy-seventh session, had underlined the need for one compatible computerized approach when organizations reported their expenditure data for the review of the level of the education grant. Requests by ICSC and the General Assembly for comprehensive data at the time of the next review made a computerized approach all the more imperative. The secretariat informed the Committee that it had therefore engaged a consultant to refine the PARADOX application which had been developed by the United Nations at the time of the last review. The diskette would be made available to all organizations early in spring 1994 so as to ensure organizations' timely reporting for CCAQ's review of the levels of the grant for its eighty-first (summer 1994) session.

119. The Committee, which was also informed of actions recently undertaken by its secretariat to develop further the inter-agency personnel data base, expressed its gratitude to the International Computing Centre (ICC) for the support it was lending to the secretariat in this regard.

(c) *Standards of travel*

120. The United Nations requested that organizations which had not had the opportunity to do so, should reply to the agenda paper on this matter which had been circulated through the CCAQ secretariat at the end of 1993.

Annex I

LIST OF PARTICIPANTS

Chairperson: Mr. A.T. Slater
Vice-Chairperson: Mr. J.-P. Baré

Representatives of member organizations

- United Nations: Ms. Momoyo Ise, Officer-in-Charge,
Staff Administration & Training Division,
OHRM
- Mr. Keith Walton, Chief,
Compensation and Classification Service,
SATD/OHRM
- UNDP: Mr. Bruce Frank, Chief,
Policies, Compensation and Administration,
Division of Personnel
- UNICEF: Mr. Edward J. Lannert, Director,
Division of Personnel
- Mr. Michael Corbett, Deputy Director,
Division of Personnel
- UNRWA: Mr. Joseph Acar, Director,
Administration and Human Resources
- UNHCR: Mr. Daniel Conway, Director,
Division of Human Resources Management
- Mr. Alejandro Henning, Chief,
Personnel Administration Section
Division of Human Resources Management
- ITC: Mr. Hans E. Berggren, Chief,
Personnel Administration Section
- ILO: Ms. Helen Schebesta, Chief,
Salaries and Entitlements Section

FAO: Mr. A.T. Slater, Director,
Personnel Division

Mr. Charles F. Juge, Chief,
Personnel Policy & Entitlements Service

UNESCO: Ms. Haruko Hirose, Director,
Bureau of Personnel

Mr. J. Atta Kusi, Director,
Division of Staff Policy and Procedures

Mr. Dirk-Jan Goossen, Chief,
Personnel Branch

WHO: Mr. Dario Sanvincenti, Director,
Division of Personnel

Ms. Renee Lopez, Chief,
Employment Policy and Administration

ITU: Mr. Jean-Patrick Baré, Chief,
Personnel and Social Protection Department

WMO: Mr. Mubarak Husain, Acting Director,
Administration Department

Mr. Eric Renlund, Chief,
Personnel Division

IFAD: Mr. Alan Prien, Director of Personnel

UNIDO: Mr. Hugo Creydt, Director,
Personnel Services Division

IAEA: Mr. Dieter Goethel, Director,
Division of Personnel

GATT: Mr. Paul Rolian, Director of Personnel

CAO

Observers

ICSC: Mr. Prakash Ranadive, Executive Secretary
Ms. Enid Steward-Goffman, Chief/PPD
Mr. Warren Sach, Chief/SAD
Mr. Fred Ordelt, Senior Pay Research Officer

UNJSPF: Mr. Raymond Gieri, Secretary

FICSA: Ms. Judy Lavnick-Wainstead, President
Mr. Wayne R. Dixon, Vice-President
Mr. Bradford P. Cross, Member, Executive Committee

CCISUA: Mr. Frederic Siegenthaler, 1st Vice-President
Ms. Christina Mercader-Steele, Research Officer

Guests

CFC: Mr. Garry Slark, Administrative Officer

CCAQ secretariat

Secretary: Mr. Roger Eggleston

Assistant
Secretary: Ms. Mary-Jane Peters

Annex II

AGENDA AS ADOPTED BY THE COMMITTEE ON 22 FEBRUARY 1994

[* Items relevant to the agenda of the thirty-ninth
session of ICSC]

<u>Item</u>	<u>Document</u>
1. <u>Election of Chairperson and Vice-Chairperson</u>	
2. <u>Adoption of the agenda</u>	ACC/1994/PER/R.1
3. <u>The Director category</u>	ACC/1994/PER/R.2
(i) Management competencies	ACC/1994/PER/R.2/Add.1
(ii) Performance review	ACC/1994/PER/R.2/Add.2
(iii) Performance-related pay	ACC/1994/PER/R.2/Add.3
(iv) Contractual status and separation allowances	ACC/1994/PER/R.2/Add.4
(v) An additional grade level in the Professional category	ACC/1994/PER/R.2/Add.5
(vi) Pay setting	ACC/1994/PER/R.2/Add.6
(vii) Consequences for the margin	ACC/1994/PER/R.2/Add.7
(viii) Bibliography	ACC/1994/PER/R.2/Add.8
4. <u>Study on recruitment and retention</u>	ACC/1994/PER/R.3

<u>Item</u>	<u>Document</u>
5. * <u>Examination of the application of the Noblemaire principle</u> ¹	ICSC/39/R.4
(i) Developments pertaining to the comparator's Federal Pay Comparability Act of 1990 (FEPCA)	ICSC/39/R.4/Add.1
(ii) Special pay systems	ICSC/39/R.4/Add.2
(iii) Identification of the highest paid civil service	ICSC/39/R.4/Add.3
(iv) Recruitment and retention difficulties	ICSC/39/R.4/Add.4
(v) Structure of the salary scale	ICSC/39/R.4/Add.5
6. <u>Remuneration of the Professional and higher categories</u>	
*6.1 Evolution of the margin between the net remuneration of the United States federal civil service and that of the United Nations system	ICSC/39/R.3
*6.2 Post adjustment questions: Draft agenda for the eighteenth session of the Advisory Committee on Post Adjustment Questions	ICSC/39/R.6
7. <u>Job classification:</u> Report of the twentieth session of the Sub-Committee on Job Classification	ACC/1994/PER/R.4 ²
8. * <u>National Professional Officers:</u> Report of the Working Group	ICSC/39/R.7
9. * <u>Pensions and pension-related matters:</u> Review of the special index for pensioners	ICSC/39/R.8

¹ In connection with consideration of this agenda item, the Committee may wish also to review documents ACC/1993/PER/R.11 and Adds. 1 and 2, prepared for its seventy-ninth session in July 1993.

² Document circulated on 29 September 1993.

10. * Allowances: Review of dependency allowances for the Professional and higher categories ICSC/39/R.5
11. * Resolutions and decisions adopted by the United Nations General Assembly and by the Governing Bodies of other organizations of the common system ICSC/39/R.2 and Adds.
12. * For consideration by organizations concerned
Survey of best prevailing conditions of employment for the General Service and related categories of staff at Montreal ICSC/39/R.9
13. Review of a proposal to create a voluntary insurance coverage for long-term care ACC/1994/PER/R.5
CCAQ(PER)/80/CRP.5
14. Staff representation ACC/1994/PER/R.6
15. Matters relating to the CCAQ secretariat
16. Other business
- 16.1 Developmental work on data base for the education grant
- 16.2 Decisions of Administrative Tribunals CCAQ(PER)/80/CRP.7
- 16.3 Standards of travel

Annex III

**MANAGERIAL EFFECTIVENESS
AND ACCOUNTABILITY**

**INTRODUCTION OF THE CATEGORY OF
DIRECTOR OR MANAGER**

This document provides, in summary, the proposals being put forward by the Consultative Committee on Administrative Questions (CCAQ) in respect of the designation of the category of Director. They mark the first step on the road to the creation of greater performance awareness and orientation in the organizations. At this stage, the proposals pertain essentially to one category. This does not imply that they could not and should not be applied to other categories of staff.

WHAT IS BEING PROPOSED

1. What follows is an inter-linked package of proposals which, subject to ACC's endorsement, will be further elaborated for submission to the International Civil Service Commission (ICSC) in June 1994 and, subsequently, as required, to the United Nations General Assembly.
2. The key elements of the proposals are:
 - . to distinguish managerial jobs which are at the current D.1 and D.2 levels;
 - . to revise the contractual arrangements which pertain to these managerial jobs;
 - . to introduce rigorous performance appraisal standards based on pre-defined job goals and on management competencies;
 - . to remunerate staff in the managerial category on the basis of performance, including the award of non-pensionable lump sum bonuses to the very best performers;
 - . to introduce a P.6 grade level to accommodate posts currently graded D.1 which are not managerial in nature;
 - . to develop a training and briefing programme to accompany the introduction of this new category.

BACKGROUND

3. The proposals made in this document have to be seen first within the context of the major programme and funding changes facing the common system. System-wide initiatives such as the Agenda for Peace, the Children's Summit and the Social Summit, as well as those pursued by individual agencies, bring with them increasingly urgent calls that organizations must do more with less.

4. In all organizations, Member States have for some time been calling, in one form or another, for improved efficiency and productivity "in order to ensure that resources are used in the most effective way and that the programme managers are fully responsible and accountable", as the UN General Assembly stated in April 1993. What the Member States seek is value for money.

"NEW MANAGERIALISM"

5. The ramifications of the introduction of the category of Director go far beyond those of simply changing the way the performance of managerial staff at the current D.1 and D.2 levels is appraised or the manner in which increments are awarded to this group of staff.

6. The development of the Director category calls not only for the creation of management competencies or core skills, the development of a more rigorous performance review process and

the introduction of a performance-related pay scheme, but also for the institution of a performance management culture or climate, a "new managerialism" in the common system.

7. This may mean, in some organizations, a re-definition of the managerial structure which may also imply a reappraisal of operational needs. It will, in almost all organizations, require the definition of performance indicators for managers and the creation of managerial competencies or skills against which managers can be recruited and measured and which can be used in the determination of training and development needs.

8. The goal is that of recognizing the managerial, supervisory and policy-making roles played by the managers of the common system organizations and, through that recognition, of encouraging the innovation, creativity and the accountability needed to increase productivity and effectiveness.

9. In the preparation of these proposals, CCAQ has tried to balance the need to maximize managerial accountability and improve managerial effectiveness, while avoiding "politicization" of the selection, performance evaluation or pay levels of the Director or manager category. In presenting them here, it is also important to underline that these proposals are intrinsically linked in a "virtuous" circle. Each is dependent on the other.

10. For example, the proposed rigorous performance appraisal system requires the development of management competencies; similarly, the performance-related reward system cannot work without the introduction of effective, objective performance ratings based on the performance appraisal. The performance appraisal system itself will only gain credence and acceptance when it is seen to be used as the basis of performance-related bonuses as well as for promotion, selection, training and other personnel management decisions.

11. Much of what is proposed is founded in guidelines which have been put forward by the International Civil Service Commission and endorsed by the General Assembly over a number of years.

PERFORMANCE REVIEW

12. The core element of CCAQ's proposals is that of introducing greater accountability through rigorous performance appraisal. The effective and equitable assessment of performance is not only a prerequisite for the introduction of a performance-related pay scheme, it is central to the intricate set of performance management reforms put forward here.

13. For a number of reasons, and notwithstanding some notable attempts to make appraisal systems more acceptable, performance appraisal has fallen into disrepute. The problem is probably less that of the design of a performance appraisal system and more of the will or commitment to make that system work in the culturally diverse United Nations setting. This problem is compounded in general by the lack of effective performance appraisal. More often than not, personnel decisions and promotion or other career moves are taken without regard to ability, experience or potential as demonstrated through performance appraisals. If performance appraisal serves little or no purpose, it will not be credible. Worst of all, performance appraisal has too frequently been viewed in isolation from performance management or indeed from anything to do with the management of an organization or the delivery of the goals of that organization. This must be remedied.

14. These concerns are disquieting at any level of the organization's structure; at the managerial level, they are crucial and must be addressed.

15. CCAQ is committed to introducing and to gaining the support at the highest levels for the introduction of rigorous performance appraisal systems for managers.

16. Within the framework of the guidelines already formulated by ICSC, a prototype performance appraisal system will be developed by CCAQ for review and modification by each organization in the light of its size, structure and existing appraisal arrangements.

17. This prototype will take into account that the standards against which managers are appraised should be based on:

(a) pre-determined job goals or objectives (within the organization's overall programme objectives) which are result or output oriented and

(b) the managerial competencies required to carry out the job (see paragraphs 20 to 23 below).

18. Pivotal to the success of the appraisal process for the managerial cadre is a clear definition as to who will do the appraising. Organizations will be invited to consider, within their existing structures, which of the following, singly or in combination, would best ensure objectivity and transparency:

- self appraisal;
- peer review;
- review by hierarchical supervisor;

- review by a performance review committee or board (the membership of the committee could include an independent member who did not work in the same organization as the staff member being appraised);
- review - for some specifically designated competencies - by subordinates.

19. If the performance appraisal system is to be accepted and to become a viable part of an organization's personnel management structure, it is evident that any decision in respect of (i) contractual status, (ii) performance-related pay, (iii) promotion and (iv) training and development must be based on that appraisal system.

MANAGEMENT COMPETENCE AND COMPETENCIES

20. In close connection inter alia with the re-invigoration of the revised performance appraisal system referred to above, CCAQ foresees the introduction of management competencies. Such competencies are already made use of by a number of national civil services.

21. Management competencies identify the underlying analytical, interpersonal and emotional characteristics which affect a staff member's performance. They codify the knowledge, skills and abilities required for effective performance.

22. Once developed, management competencies can and should be used to underpin performance and personnel management systems.

23. CCAQ, using its Sub-Committees on Training and Job Classification and in cooperation with the ICSC secretariat, will develop such core competencies for use not only in conjunction with the performance appraisal of managers, but also their recruitment and selection, their promotion and their training and development.

CONTRACTUAL STATUS

24. Researchers consider that all managers should be awarded fixed-term contracts in the management positions they hold. This introduces an element into the contractual arrangement which clearly establishes that managers cannot expect permanency in their job unless they perform well.

25. To this end, CCAQ will propose that Directors be appointed to management positions on two-year fixed term contracts. Newly appointed Directors will be subject to a probationary period of one year in the management position. If these Directors are holding permanent or career appointments at the time of assignment as a Director, they will normally retain the right to return to the grade and contractual status they held prior to appointment as a Director.

26. Organizations will work out transitional arrangements for staff members currently in the D.1 and D.2 grades who are converted to the new category of Director to safeguard current contractual obligations.

DIRECTOR/MANAGER PAY LEVELS

27. CCAQ is reviewing two alternatives in respect of the manner in which the pay level of the Director category is set. First, a range of pay for the category as a whole which could be divided into two or more ranges along the lines of the current D.1 and D.2 levels with progression through the range based on performance combined with service. Second, two single pay levels at which a staff member's pay would be fixed. In this option, there would be no steps; the only adjustments to the level would be for cost-of-living increases. This approach is used by the current comparator for its Senior Executive Service.

28. On balance, at this stage, there is a preference for the more traditional approach of a pay band with small steps through which a staff member may progress if performance warrants. The band could be divided into two sections - the first for managers, the second for senior managers - with absolute levels similar, at the minima, to current D.1 and D.2 levels. Maxima could, however, be extended and caps on potential total earnings in any one year in terms of basic pay and bonus could be set so that these two elements would not exceed an absolute maximum just below the emoluments at the ASG/ADG level. Alternatively, the minimum of the pay band could be revised to a point above the top of the current Professional salary scale with commensurate increase to the maximum of the range.

29. Each of these options requires careful analysis and research into experience with the administration of similar systems.

PERFORMANCE-RELATED PAY

30. Whatever pay system were preferred, CCAQ considers at this stage that the performance-related pay scheme which will best suit the common system Director category will be one which focuses on the award of lump-sum non-pensionable bonuses.

31. The bonuses would be payable strictly on the basis of the performance appraisal system referred to in paragraphs 12 to 19. There would be two levels. The highest category of performers would be eligible for the higher level bonus, the next category of performers for the second level bonus. Bonuses would not be payable at any other levels of performance. Fully satisfactory performers would, however, receive an annual increment. Neither the increment nor the bonus would, however, be payable to those whose performance was deemed less than satisfactory.

32. Four levels of performance could be assessed through performance review. The highest level (A) is that of "outstanding" performance, or performance that "consistently exceeds the standard". The second level (B) would "exceed" the normal or be more than competent or satisfactory. The third category (C), in which the majority of staff would be expected to fall, would be the category of fully satisfactory performance. The fourth and lowest category (D) would be that of less than satisfactory or less than competent performance and would reflect performance that did not meet the standard.

33. Given these four categories, bonuses and increments could be awarded on the basis of the matrix which follows:

Performance level	Bonus	Increment
A (highest)	Yes	Yes
B	Yes	Yes
C	No	Yes
D (lowest)	No	No

34. To be meaningful, bonuses should be sizeable. The higher level of bonus should be roughly equivalent to one month's pay. The lower level bonus would be approximately half a month's pay. The figures suggested are:

- higher level bonus = \$9,000 to \$10,000
- lower level bonus = \$4,500 to \$5,000

35. In the final proposal, these levels will be expressed as percentages of the base pay scale adopted for the category rather than as absolute amounts. They would be modified as and when adjustments are made to that pay scale.

36. The bonuses would not be considered as part of base salary; they would not be taken into account for pensionable remuneration purposes nor in the determination of any other common system entitlement. They would be paid as a lump sum.

THE DISTRIBUTION OF RATINGS

37. As mentioned above, these proposals link performance appraisal and the rating of performance directly to the extension or not of contracts and to the award of performance-related bonuses. To this end, the performance appraisal system must provide the objective basis for distinguishing between different levels of performance and for identifying that level of performance that is truly meritorious.

38. A distribution curve of performance ratings will be applied to ensure that these ratings are not inflated. This measure of control must flow from the rigour of performance ratings. Supervisors - or committees established for the purpose - have to make tough decisions in rating their staff.

39. CCAQ is conscious, however, that, in the period following the introduction of the performance appraisal system, it may be necessary to create mechanisms to screen performance ratings to decide on bonus awards. In this context, the organizations foresee a distribution of ratings for the Director category along the following lines:

highest level of performance	5 per cent
performance exceeding the fully satisfactory level	15 per cent
fully satisfactory performance	75 per cent
below fully satisfactory performance	5 per cent

40. A 1 per cent tolerance is recommended in using the rating distribution matrix. In the long run, it could be replaced by rating curves tailored to the needs of each organization.

THE P.6 GRADE

41. In order to determine which posts are managerial in nature, CCAQ has developed a definition to be applied to posts at the D.1 and D.2 levels (see annex).

42. One consequence of distinguishing senior managerial posts from other posts currently graded D.1 or D.2 is the concurrent introduction of a P.6 grade level in the Professional category. This would accommodate senior advisory or research posts which did not contain managerial functions and responsibilities.

43. These P.6 posts would continue to be classified in accordance with the Master Standard and would be remunerated at the levels which are currently those applied at the D.1 grade.

THE INTRODUCTION OF THE CATEGORY

44. An intrinsic element in the introduction of the Director or Manager category is the process of briefing and induction. The CCAQ Sub-Committee on Training will develop an appropriate training and induction package to ensure that:

- (a) appropriate consultations are carried out with all those involved prior to implementation;
- (b) the necessary briefing programmes and guidance manuals are in place prior to introduction of the category;
- (c) effective management development training programmes are in place to meet ongoing skills training requirements and on-the-job coaching needs related to performance-related pay, performance appraisal, etc.

TIMING

45. There is urgency to proceed quickly in this matter, both because of organizations' programme needs and the pressures being exerted by many of their governing bodies. CCAQ therefore intends to bring forward formal proposals to ICSC's fortieth session in June 1994 with a view to their submission to the General Assembly's forty-ninth session later the same year. Thereafter, organizations will be invited to put in place the necessary arrangements and transitional measures to introduce the Director category on 1 January 1996.

Appendix

THE DIRECTOR CATEGORY

The Director category is composed of executive positions within organizations of the United Nations common system.

The incumbents of these positions are responsible for the development of policies and the management of programmes and activities which have a significant influence on the direction of the organizations of the United Nations common system.

The incumbents of positions in the Director category:

- (1) review recommendations on policies related to their areas of responsibility or to the overall mandate and objectives of an organization; assess the relevant political, social, economic, technical and administrative implications of these recommendations; provide authoritative advice to the highest levels of management and to policy organs; thus, they commit the organization to a course of action;
- (2) plan, develop and recommend new or modified programme goals, and the means for their implementation and management, including the design of the organizational structure and the realignment or mobilization of resources; and contribute to the development of the programme goals of the higher unit of which the position is a part;
- (3) translate the strategy and objectives of an organization into operational policy; plan, direct and control the human, financial and material resources of a number of organizational units or an organizational unit of strategic importance for an organization's work, with different or distinct roles and types of work or pursuing different objectives;
- (4) are accountable for the effective and efficient use of resources and achievement of results; set and evaluate performance standards; and, in accordance with the overall goals of the organization, make decisions on courses of action required to implement the goals of the programme for which they are responsible; and
- (5) are typically not more than four hierarchical levels below the Executive Head.

The evaluation of duties and responsibilities of positions within the Director category carried out in accordance with the application of the ICSC Master Standard results in a point score falling within the ranges for the D.1 and D.2 grades (2480-3339).

Typically, excluded from the Director category are:

- (1) *positions assigned to technical cooperation projects, as these are not part of an organization's executive management; and*
- (2) *positions for which the conduct of research and development or the provision of high-*

level advisory services is the primary component.

References

In order to provide a brief overall view of CCAQ's proposals, it has not been possible to include in this document the detailed analyses and background information which led to their adoption. For these background details, reference should be made to the following:

ACC/1994/PER/R.2	The Director category;
ACC/1994/PER/R.2/Add.1	Management competencies;
ACC/1994/PER/R.2/Add.2	Performance review;
ACC/1994/PER/R.2/Add.3	Performance-related pay;
ACC/1994/PER/R.2/Add.4	Contractual status and separation allowances;
ACC/1994/PER/R.2/Add.5	An additional grade level in the Professional category;
ACC/1994/PER/R.2/Add.6	Pay setting;
ACC/1994/PER/R.2/Add.7	Consequences for the margin;
ACC/1994/PER/R.2/Add.8	Bibliography;
ACC/1993/PER/R.3	The structure of the salary scale.
ACC/1993/PER/R.12	The Director category
ACC/1993/PER/R.13	The P.6 grade

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