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**FINANCE COMMITTEE CIRCULAR
LETTER 5/2003
17 October 2003**

References: a) CL 4/2003 of 10th January 2003
b) FCCL 3/2002 of 1st October 2002
c) FCCL 05/2002 of 27th November 2002
d) XVIth I.H. Conference Decision N°21a

**REPORT OF WORKING GROUP OF THE FINANCE COMMITTEE
ON SALARY ALIGNMENT WITH THE UNITED NATIONS SYSTEM**

Dear Hydrographer,

Decision 21(a) of the XVIth International Hydrographic Conference called for the establishment of a Working Group of the Finance Committee (FCWG) to study the alignment of salaries of the IHB Directors and Staff with the UN system, to make proposals to Member States for any adjustments considered necessary and to quantify the financial impact of those adjustments on IHO expenditure. FCCL 3/2002 of 1 October 2002 requested Members of the Finance Committee to nominate representatives to participate in the Working Group. France, United Kingdom and United States of America nominated representatives. The FCWG met at the Bureau on 27-28 February 2003 with follow-on work done by correspondence. The Chairman of the Working Group submitted the final report to the Bureau and to the Chairman of the Finance Committee on 25 July 2003.

The salient aspects of the report, contained in its entirety at Annex A, are summarized below:

- The salaries of Directors, Category A staff (Professional Assistants) and Translators should be aligned with the United Nations pay scales. There were no grounds to align Category B/C staff (except Translators) with the UN system.
- The pay rates should reflect the market price relevant to the grades and experience required. However, alignment with equivalent UN grades, as determined by the UN Global Consulting Services, would result in salary increases much higher than the Organization could sustain. Therefore, pay grades for Directors, Professional Assistants and Translators were determined through alignment with a reasonable and equitable salary. For the Directors and newly recruited Professional Assistants, this alignment would be phased in over one and three years, respectively.
- The alignment would be set at the time of initial appointment to the UN pay rates effective on that date.

- Maintenance of the salaries of Directors, Category A staff and Translators will be in line with the average percentage pay awards made to the Monaco Civil Service. This maintenance will be accomplished as specified in current staff regulations for the Category A staff and after three years of service for the Directors. The payment of a yearly bonus equivalent to one month's salary will cease with the implementation of this salary alignment.
- The recommendations of the FCWG should be implemented effective 1 January 2004.

The Finance Committee Chairman and Vice-Chairman, Mr. Gaziello from Monaco and Mr. Bussey from UK, met with the Directing Committee at the Bureau on 23 September 2003, examined the report and agreed that it be sent to the Member States for their approval noting the following:

- If approved by Member States, the total estimated cost of the report's recommendations will be as follows :

	2004	2005	2006	2007
Salary increase with reference to present conditions	236,946€	271,993€	284,197€	296,315€

- Due to the length of the normal review and approval process, the implementation of the recommended changes could not begin before 1 July 2004 instead of 1 January 2004, as proposed by the FCWG
- Assuming a 1 July 2004 start date, the funds needed to cover the increase of the salaries for six months is 118,473 Euros. The Finance Committee Officers and the Directing Committee propose to fund this expense from within the 139.552 Euros Budget Excess allocated in the 2004 Budget.
- The money needed for 2005 and subsequent years is available through a combination of sources including the budget excesses, contributions of new Member States, the currently approved increases in share value, the extra internal tax on the new gross salaries, changes in the required level of Working Capital and separation of the Internal Retirement Fund activities from the operating budget.
- The maintenance of the salaries of Directors will be based on an increase after three years in Office, calculated on the average awards made to the Monaco Civil Service during the past three years. This figure will be provided by the Monaco Government. Based on past statistical figures, this increase will be in the order of 5% after 3 years.
- The maintenance of the salaries of the Category A Staff will continue as at present, following the appropriate table of steps and indices contained in the Staff Regulations.

The Finance Committee Officers and the Directing Committee believe that the funds needed now and in the future to cover the recommended increases are available for reasons outlined above. Increases in the share value above those currently approved in the Five Year Budget are not envisaged for this specific issue.

The implementation of these recommendations will increase the approved level of expenditures for 2004 –2007 to the following amounts:

	2004	2005	2006	2007
Total Chapter 1 Expenditures (including salary increase)	1,906,566€	1,961,412€	2,014,224€	2,066,917€
Total Expenditures	2,568,258€	2,640,744€	2,703,023€	2,765,800€

A two-thirds majority of all Member States must approve this increase in expenditures. **Member States are kindly requested to return the attached Voting Paper, duly completed, to the Bureau by 29 February 2004.**

On behalf of the Directing Committee
Yours sincerely,

(original signed)

Vice Admiral Alexandros MARATOS
President

Encl: Annex A: Report of the Working Group of the Finance Committee
Annex B: Voting Form – Alignment of salaries of Directors, Category A Staff
and Translators with the UN system.

REPORT OF THE WORKING GROUP OF THE FINANCE COMMITTEE ESTABLISHED BY DECISION 21A OF THE XVIIth INTERNATIONAL HYDROGRAPHIC CONFERENCE TO STUDY THE ALIGNMENT OF SALARIES OF THE IHB DIRECTORS AND STAFF WITH THE UN SYSTEM - FEBRUARY 27 -28, 2003

1. The FCWG met at the IHB on 27 and 28 February 2003, to study the alignment of salaries of the IHB Directors and staff with the UN system. The FCWG was established by Decision 21a of the XVIIth IHC. The President and Directors of the IHB provided a briefing which included the historical background of the salary issue at the IHB. The FCWG had been provided in advance with the evaluation study completed in November 2002 by Global Consulting Services (GCS) of the UN, which was used as the basis for our discussion. The FCWG discussed current salary levels of (1) the Directors, (2) Category A internationally recruited professional assistants, (3) Categories B/C locally recruited employees, and (4) discussed various revisions to the Staff Regulations. The FCWG report was submitted to the meeting of the Finance Committee held on 2 April 2003 which asked for further aspects to be considered prior to circulation of the paper to IHO members.

2. Members of the FCWG: Alan Maidment representing the United Kingdom Hydrographic Office and elected Chairman of the FCWG, Anthony Talandier Lespinasse representing the French Hydrographic Service, and Bernice Powell representing the Government of the United States of America. Maurice Gaziello, Chairman of the IHO Finance Committee, attended the meetings of the FCWG.

SUMMARY OF KEY RECOMMENDATIONS

3. These are as follows:

- a. Directors, Category A staff and Translators should have their rates of pay aligned with UN pay scales.
- b. Average increases in net pay awards should be made to the above with effect from 1 January 2004 as follows:

Directors	-	25%
Category A Staff	-	22.4%
Translators	-	11.7%

- c. The Finance Committee may wish to consider the granting of a one-step increase to all Category B/C personnel from 1 January 2004, representing an average rise of 2.9%.
- d. The payment of a bonus representing one month's salary should cease to all staff whose salary scales are aligned with UN pay scales with effect from 1 January 2004.
- e. The UN pay scales, including the Post Adjustment factor, should be used as a benchmark against which the IHB scales are determined for individuals at the time of initial appointment or re-appointment where this is subject to a process of external competition. The scale range contracted for upon appointment will be subject to increases in line with the average awards made to the Monaco Civil Service.
- f. The Finance Committee should consider absorbing some or all of the cost of the award, which represents a 9.91% increase to the 2004 budget, from surpluses.

4. Other recommendations relating to consequential changes in respect of IHB Staff Regulations arising from the above are also contained within the report.

GENERAL CONSIDERATIONS

5. **Financial.** The President of the IHC stated that the FCWG should be tasked with reviewing salaries at all levels of the IHB keeping in mind that they should be commensurate with those in other international organisations. The simulation produced by the IHB, according to the GCS evaluation, indicated salary increases much higher than the Organisation could sustain and disproportionate between categories, i.e. from zero to 70%.

6. **Recruitment.** The Working Group also noted that the salary index of the Directors had been frozen since 1987. The fact that despite this posts had been filled through international recruitment was partially attributed to the prestige of working for an international organisation of the IHB's repute. It was also noted that for many of the key senior appointees the positions reflected the embarkation upon a "second career". It was not considered desirable for the IHB to continue to rely upon these factors if it wished to secure the most ably qualified to fill senior positions. Pay rates should reflect the market price relevant to the grades and experience required if the best candidates were to be attracted.

IHB Staff Regulations

7. Article IV.1.1 Salaries Principles:

The Article states:

- (a) "That in the case of Directors and Category A staff, they be established and maintained at levels of other comparable international organisations.
- (b) That in the case of Category B staff they be established and maintained to be comparable with civil servants in the Monaco Civil Service."

8. Therefore the FCWG reviewed the GCS survey of all categories of personnel, including Categories B/C and concluded that there were no grounds to align Category B/C staff with the UN system except for Translators, where there is no local equivalent in the Monaco Civil Service. **The FCWG recommends that Translators only should be aligned with the UN system within the Category B/C group.**

9. Article IV.1.1(a) states that the salaries of Directors and Category A staff should be maintained at levels of other comparable international organisations. **The FCWG recommends that this regulation should be amended to state that the alignment should be with UN pay scales.**

10. Article IV.1.1(c) states that all salaries (including those of Directors) will be adjusted in accordance with the evolution of salaries of Civil Servants in Monaco, and will be reviewed at the midpoint between conferences and the results reported to the Conference six months before. **The FCWG recommends that in the case of Directors, Category A staff and Translators, this Article should be amended to state that the salaries of these personnel will be assimilated to the appropriate UN pay scales on initial appointment (or on re-appointment following competitive external competition), inclusive of the relevant Post Adjustment factor, and subsequently adjusted in line with the average percentage pay awards made to the Monaco Civil Service.**

11. Article IV.1.2(b) states that the Gross salary is composed of the Basic salary, including the Monaco Allowance (5% Salary), and other allowances permissible under these Regulations including Bonus (equivalent to one month's Gross Salary) (IV.2.1.2). **The FCWG considers that where IHB salaries are aligned with UN rates, payment of the Monaco Allowance will be subsumed through the application of the UN Post Adjustment factor. This is designed to ensure that professional salaries have the same purchasing power at all duty stations. The post adjustment indices are determined by periodic place-to-place surveys conducted once every four or five years and updated monthly to reflect changes due to inflation and exchange rate fluctuations between local currency and the US Dollar. However, in order to ensure that salary scales maintain their local purchasing power they should be adjusted in line with the average percentage pay awards made to the Monaco Civil Service. Continued payment of the Bonus to these grades would effectively mean that the principle of alignment with comparable UN salary levels would be breached.**

Payment of the Bonus to Directors, Category A and Translator staff should therefore cease (see Article IV.2.1.2). The WFGC recommends that both Articles IV.1.2(b) and IV.2.1.2 be amended to reflect these changes.

12. Apart from the above all other allowances and conditions of service remain unchanged.

SPECIFIC RECOMMENDATIONS FOR EACH CATEGORY

13. **Directors:** The salary index of the Directors has been frozen since 1987. The FCWG emphasised that alignment with the UN system (Article IV.1.1(a)) is relevant in this case. **The GCS survey proposed assimilation of IHB Directors to the UN D-2 level. However, for a variety of reasons, including budgetary (+45%), the FCWG recommends a level of D-1.** However, assimilation of current salary levels to the base point of the UN scale would still represent a 33% increase. The FCWG considered that increases in net salary should be restricted to a 25% maximum. Consequently, we have devised a transitional scale to align them to the first step of the D-1 salary within one year (i.e. from January 2005). The transitional scale is only intended as an interim measure for the realignment of existing salary levels and will be retained for one year only until progression to the recognised base UN scale point. In future, new appointees will commence at the normal UN base point of the scale.

14. **Professional Assistants:** GCS recommended P-5 level for the highest paid Professional Assistant (Technical Assistant) but did not examine the other three positions, and P-4 for the sole Professional Assistant for Administration and Logistics of the IHB. The impact on the budget was considered to be unsustainable. The Directing Committee strongly suggested that it was very important to have all Professional Assistants in the same category. **The FCWG proposed P-4 for all Professional Assistants and to limit the initial salary increases on realignment to an average percentage within the 25% maximum agreed for Directors.** Consequently, in order to respect the maximum allowed increase, for two of the positions (PAD and PAH) we devised a transitional scale to align them to the first step of the P-4 salary in three years' time. The overall average increase in net salary proposed for the Professional Assistant group is 22.4%.

15. The transitional scale is only intended as an interim measure for the realignment of existing salary levels. In future, new appointees will commence at the normal UN base point of the scale unless such appointments arise within the next three years during which existing personnel will still be on the transitional scale points. In such cases the new appointee should commence at the same interim scale point attained by existing IHB personnel at the time of their appointment. It is intended that interim scale points will only be retained for one year before progression to the next point.

16. **Translators:** The GCS survey classified the two Translators as P-2. **In terms of consistency in the application of increases, the FCWG recommends that the Translators should be aligned with the UN system professional category P-1 in recognition of the fact that there is no equivalent position within the Monaco Civil Service.** An average increase in net salary of 11.7% is proposed for Translators.

17. **Other B/C Categories:** **In accordance with the mandate of the IHC and with the proposal of the IHC President to review salaries of all staff, the FCWG suggests that the Finance Committee may wish to consider granting all category B/C employees a one-step increase. This represents an average rise of 2.9%.** This suggestion is included because alignment of Category B/C employees with the UN system would be prejudicial to some, not to others, and as they are locally recruited employees, work under a different staff regulation.

18. **The FCWG recommends that the above changes should be implemented with effect from 1 January 2004.**

APPLICATION METHODOLOGY

19. UN salary scales are subject to periodic review. In addition, a UN Post Adjustment factor is applied. This is designed to ensure that professional salaries have the same purchasing power at all duty stations. The adjustment indices are determined by periodic place-to-place surveys conducted

once every four or five years and updated monthly to reflect changes due to inflation and exchange rate fluctuations between local currency and the US Dollar. **The FCWG recommends that the UN rates, including the Post Adjustment factor, are used as a benchmark against which the IHB scales are determined for individuals at the time of initial appointment or re-appointment where this is subject to a process of external competition. The scale range contracted for upon appointment will be subject to increases in line with the average awards made to the Monaco Civil Service.**

20. Because the UN Post Adjustment factor reflects exchange rate fluctuations between the US Dollar and local currency, it is possible that when personnel are re-appointed following external competition the re-assimilation to the current UN scale may identify that current IHB rates are greater than the extant UN rates, after application of the Post Adjustment factor. If such a situation arose, the existing IHB scale would be retained other than for new applicants. The latter would be subject to assimilation with the extant UN scales after application of the factor.

IMPACT OF RECOMMENDATIONS

21. The key increases to Directors, Category A and Translator staff arising from alignment of salaries with UN salary rates are as follows:

Post	Current Net Salary €	Net Salary 1 January 2004 €	% Increase	Current Gross Salary €	Gross Salary 1 January 2004 €	% Increase
President	82,890	103,618	25	96,392	121,190	25.7
Director I	82,890	103,618	25	96,392	121,190	25.7
Director II	82,890	103,618	25	96,392	121,190	25.7
PATP	65,983	80,832	22.5	80,891	100,611	24.4
PAC	65,983	80,832	22.5	80,891	100,611	24.4
PAH	53,211	64,783	21.7	65,102	80,423	23.5
PAD	55,089	67,039	21.7	67,437	83,260	23.5
PAAL	68,236	84,168	23.3	83,783	104,806	25.1
Trans - F	35,056	39,250	12.0	41,751	46,897	12.3
Trans - Sp	38,671	43,078	11.4	45,954	51,374	11.8

22. The rates are based upon UN salary scales effective from 1 January 2003 and post adjustment index (29.7) effective at 1 March 2003, enhanced by 3% representing projected pay inflation at 1 January 2004. Net salary represents the level of salary actually received by the individual; Gross salary reflects the full cost to the IHB after allowance for pension, social charges and internal taxes.

23. **Implementation of these rates from 1 January 2004 will increase the overall budget by €236,946 (9.91%) or the equivalent of €387.80 per share. However, the FCWG recommends that the IHB Finance Committee should be requested to absorb some or all of this increase from surpluses.**

SUMMARY

24. The FCWG recognises that implementation of these recommendations will result in significant pay awards to the above staff. However, they represent the product of successive Conference decisions to withhold salary adjustments since 1987. There can be few parallels in comparable international organisations of such stringent and prolonged salary constraints. The levels of increase now recommended are considered to fall within the boundaries of those that would have been effected over the period, based upon inflationary trends provided by the IHB. The levels are also at least one grade below that of UN equivalent posts indicated from the IHB posts reviewed by GCS. The FCWG considers it highly desirable that IHB salary scales are reflective of comparable international rates if it is to continue to secure the most suitably qualified candidates to fill its senior posts.

25. The FCWG concludes that the recommended increases should be implemented in total from 1 January 2004.

**ALIGNMENT OF SALARIES OF DIRECTORS, CATEGORY A STAFF AND
TRANSLATORS WITH UN SYSTEM**

VOTING FORM

(to be returned to the IHB by 29 February 2004)

E-Mail: info@ihb.mc - Fax: +377 93 10 81 40

MEMBER STATE:

Do you agree with the plan of the Finance Committee Officers, as outlined in FCCL 5/2003, to implement the recommendations contained in the *Report of the Working Group of the Finance Committee established by Decision 21a of the XVIth International Hydrographic Conference to study the alignment of salaries of the IHB Directors and Staff with the UN System – February 27-28, 2003* (provided as Annex A to FCCL 5/2003) that will increase the expenditures to the following amount:

	2004	2005	2006	2007
Chapter 1 Expenditures	1,906,566€	1,961,412€	2,014,224€	2,066,917€
Total Expenditures	2,568,258€	2,640,744€	2,703,023€	2,765,800€

Note : Increases in the share value above those currently approved in the Five Year Budget are not envisaged for this specific issue.

YES NO

Comment:.....
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.....
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Date: Signature: