

C 2013/3 – Medium Term Plan 2014-17 and Programme of Work and Budget 2014-15

Information Note no. 6 – June 2013

Possible options to reduce increases in staff costs (other than efficiency measures)

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

1. At its session of April 2013, Council “requested that the Secretariat identify possible options to reduce increases in staff costs”.¹ For the purposes of this note, staff costs are the salaries, pension, education grant, entitlement travel, medical insurance and other allowances received by FAO personnel (professional and general service staff).² A separate Information Note will cover reducing staff costs through efficiency measures.

I. Authority to make changes to staff benefits and entitlements

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

Article 10

The Commission shall make recommendations to the General Assembly on:

- a) The broad principles for the determination of the conditions of service of the staff;*
- b) The scales of salaries and post adjustments for staff in the Professional and higher categories;*
- c) Allowances and benefits of staff which are determined by the General Assembly;³*
- d) Staff assessment.*

Article 11

The Commission shall establish:

- a) The methods by which the principles for determining conditions of service should be applied;*
- b) Rates of allowances and benefits, other than pensions and those referred to in article 109 (c), the conditions of entitlements thereto and standards of travel;*
- c) The classification of duty stations for the purpose of applying post adjustments.*

¹ CL 146/REP paragraph 9n)

² C 2013/3 MTP/PWB paragraphs 292-296 and Information Note no. 1 paragraphs 13-16 and table 4

³ Dependency allowances and language incentives for staff in the professional and higher categories, education grant, home leave, repatriation grant and termination indemnity.

3. In addition, under Article 12 of its Statute, the Commission shall establish the relevant facts for and make recommendations to Organizations on salary scales of staff in the general service and other locally recruited categories.
4. The attached table lists the various benefits and entitlements provided for under the UN common system, the category of staff to whom they apply, and shows the authority, role and competence of the ICSC, the United Nations General Assembly, the FAO governing bodies, and the FAO Director-General with regard to changes to these benefits and entitlements.
5. The vast majority of benefits and entitlements for FAO staff are provided for under the UN common system, and neither the FAO governing bodies nor the Director-General has the authority to make changes to them. Significant changes to the compensation package can only be achieved through effective dialogue with the UN General Assembly and the ICSC, including active participation in the ongoing comprehensive review outlined in Section II.

II. Opportunities to reduce increases in staff costs

ICSC comprehensive review

6. The ICSC is undertaking a comprehensive review of the staff compensation package at present.⁴ For the purposes of the review, the ICSC has identified all current staff entitlements and has grouped them into five categories as follows:
 - a) Salary, post adjustment and rental subsidy;
 - b) Dependency-related allowances (primary dependent, children, secondary dependants, education grant, etc.);
 - c) Leave-related entitlements (annual, sick, maternity, special leave, official holidays, etc.);
 - d) Mobility and hardship-related allowances (assignment grant, removal of goods, danger pay, rest and recuperation, mobility allowance, etc.); and
 - e) Separation-related allowances (pension, termination indemnity, repatriation grant, etc.)
7. In noting the decision of the ICSC to conduct a comprehensive review, the General Assembly requested the Commission to bear in mind the financial situation of the Organizations participating in the UN Common System and their capacity to attract a competitive workforce. The General Assembly also requested the ICSC to report to it on the progress, preliminary findings and administrative aspects of the comprehensive review in the last quarters of 2013 and of 2014. The final conclusions and recommendations of the ICSC on the comprehensive review are to be reported to the General Assembly as soon as possible but no later than the last quarter of 2015.
8. In view of the scope of the review, the ICSC has proposed a phased approach as follows:
 - i) Stage 1 (second quarter 2013): review the present compensation system, including examining the salary scales and their structure (e.g. steps/single-dependency rates/pensionable remuneration, etc.), identifying the linkages between different elements of the compensation package and problem/areas of improvement.

⁴ ICSC/76/R.3 – Review of the common system compensation package

- ii) Stage 2 (third quarter 2013): review the compensation systems in other organizations and gather information as to how they have dealt with some of the problems and areas of improvement identified during stage 1.
- iii) Stage 3 (2014): formulate proposals to revise the elements of compensation package, as appropriate, taking into account best practices or other alternative approaches to address problems or issues identified.
- iv) Stage 4 (2015): finalize the review on the basis of a holistic approach.

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

Measures under the purview of the Director-General

10. As indicated in the attached table, there are some areas of staff costs that fall under the FAO's authority. The Director-General has already taken steps in some of these areas to reduce staff costs, for example as regards rental subsidy and limiting hotel expenses in relation to duty travel. Additional areas are now being reviewed to determine the possibilities for further action to reduce the increase in staff costs.

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

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

13. Measures to control and reduce the cost of duty travel are being introduced across the Organization to meet the planned travel volume reduction target for 2012-13 and contribute to the USD 10 million of already planned efficiency savings in 2014-15;⁵ some of these measures may result in savings in entitlement travel of staff. For example, the payment of Daily Subsistence Allowance to grades D1 and above is now fixed at the standard rate rather than at the higher rate that was previously payable, and business class travel rules are also being changed to bring the higher grade entitlement in line with the standard entitlement for all staff.

14. As regards social security and, in particular, health insurance, this matter will be taken up by the Finance Committee in the context of its comprehensive review of proposals to improve FAO's financial

⁵ CL 143/3 paragraph 40 and C 2013/3 paragraph 263

health, liquidity and reserves at its regular session in the last quarter of 2013.⁶ Work is now underway to review all aspects of the current scheme and the related contracts. In particular, the Secretariat is currently leading efforts to **rationalize the contracts with external providers of medical and other insurance schemes. However, due to statutory requirements, the Director-General may only obtain results in this area with the collaboration of other Rome-based agencies and staff representative bodies. Accordingly, intense dialogue is being undertaken in this regard.**

15. While the ICSC determines eligibility and volume limitations of removal and shipment allowances, the Director-General has the authority to determine practical implementation issues, including the provision of lump-sum allowances in lieu of organized shipment. Past reviews in this area have not indicated that cost reductions could be generated by such a change, but in view of the fact that other agencies are using the lump-sum, a cost-benefit analysis will be undertaken to determine whether it would be advantageous, from a financial and administrative perspective, to introduce lump-sum options for certain benefits.

16. Although the ICSC determines rates of accrual of annual leave, the Director-General has the authority to determine how the scheme is operated. By reducing the maximum annual leave payment from the current 60 days to 30 days, FAO could realize savings. This matter will be reviewed in the light also of practice in other organizations of the United Nations system.

17. There is potential to generate cost reductions by limiting the use of Temporary Assistance Pool (TAP) support staff to time-bound, temporary assignments of less than six months (as opposed to the current eleven months), thereby obviating FAO's obligation to pay pension contributions, and reinforcing the intended temporary nature of the Pool. The impact of such a change on the work quality would need to be assessed. In parallel, the recruitment process to entry-level positions could be significantly streamlined through the introduction of a roster of pre-qualified TAP candidates, whom managers could recruit directly onto entry-level positions.

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

⁶ CL 146/Report, paragraph 8

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

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/ Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
Special Post Allowance (a non-pensionable allowance for staff members who are required to assume duties of higher-level posts for substantial periods of time)	Prof & GS	Determines conditions and amount	-	-	Must follow ICSC.
Dependency Benefits	Prof & GS	Determines conditions and amount	Approves for Prof category	-	Must follow UNGA and ICSC.
Education Grant	Prof & GS (international)	Determines conditions and amount	Approves	-	Must follow UNGA and ICSC.
ENTITLEMENTS RELATED TO TRAVEL, RELOCATION AND MOBILITY OF STAFF					
DSA	Prof & GS	Provides guidance on DSA rates	-	-	Norm is to follow ICSC rates but can establish ad hoc rates and negotiate rates to reduce hotel costs.
Mobility and Hardship	Prof & GS (international)	Determines conditions and amount	Approves amounts	-	Must follow UNGA and ICSC.
Assignment Grant	Prof & GS (international)	Determines conditions and amount	-	-	Must follow ICSC.

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/ Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
Removal and Shipment costs	Prof & GS (international)	Determines most conditions and weight and volume limitations	-	-	Must follow ICSC rules. Authority to determine practical implementation e.g. lump-sum in lieu of organized shipment.
LEAVE					
Annual Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC.
Home Leave	Prof & GS (international)	Determines most conditions	Approves	-	Must follow UNGA and ICSC. Authority regarding lump sum payments.
Sick Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC. Authority to determine how entitlement will be given.
Maternity, paternity, adoption leave	Prof & GS	Determines conditions	-	-	Must follow ICSC.
Special Leave	Prof & GS	Determines conditions	-	-	Must follow ICSC. Authority to determine how entitlement will be given (including whether the leave be with or without pay).
Official Holidays	Prof & GS	Determines number (10 a year)	-	-	Must follow ICSC.

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/ Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
SEPARATION PAYMENTS					
Commutation of annual leave	Prof & GS	Determines conditions and maximum days that can be paid	-	-	Must follow ICSC rules but can determine number of days.
Repatriation grant	Prof	Determines conditions	Approves	-	Must follow UNGA and ICSC.
Termination indemnity	Prof & GS	Determines conditions	Approves	-	Must follow UNGA and ICSC.
End-of-Service Grant	GS	Determines conditions (only applies Rome and Vienna)	-	-	Must follow ICSC.
SOCIAL SECURITY					
Health insurance	Prof & GS	ICSC Statute does not address this issue directly. ICSC was however requested to undertake a system-wide review by the GA in the 1980's and followed up in the 1990's with a comparison of costs borne by staff across agencies. Current ICSC review of compensation package does not refer to medical insurance.	See ICSC column for background. UNGA has in recent years only addressed medical insurance issues for UN itself.	Approves financial commitment through PWB.	Authority to establish scheme although the current health insurance scheme also covers WFP, IFAD and ICCROM. The Director-General receives recommendations on the scheme from a Joint Advisory Committee in which those Organizations participate, as well as representatives of the staff bodies and of retirees.

STAFF BENEFIT/ENTITLEMENT As provided under UN common system		RESPONSIBILITY			
Benefit/ Entitlement	Staff Category Eligible	International Civil Service Commission (ICSC)	UN General Assembly	FAO Governing Bodies	FAO Director-General
Compensation for service incurred death, injury or illness	Prof & GS	Statute does not address this issue directly and Commission has not reviewed it. Current ICSC review of compensation package does not refer to this subject.	Only considers UN scheme which is part of UN staff rules. Changes need to be reported to UNGA.	Approves financial commitment through PWB.	Basic authority in establishing scheme. FAO scheme is based on UN Secretariat scheme contained in Appendix D to UN Staff Rules. Harmonization around UN rules advisable for the common system.
Pensions	Prof & GS	Establishes conditions and entitlement specifically linked to UN Joint Staff Pension Fund.	Approves	-	Must follow UNGA and ICSC