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Programme, Financial and Administrative Section
Personnel Segment

PFA

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TENTH ITEM ON THE AGENDA

ILO staff costs in the context of the comprehensive review by the ICSC

Purpose of the document

This document provides a brief update on the status of the International Civil Service Commission's review of the common system compensation package, together with an overview of trends in staff costs as requested by the Governing Body.

Relevant strategic objective: Governance, support and management.

Policy implications: None.

Legal implications: None.

Financial implications: None.

Follow-up action required: None.

Author units: Human Resources Development Department (HRD); Financial Management Department (FINANCE).

Related documents: GB.320/PFA/INF/5; CEB/2013/2; ICSC/78/R.4.

I. Review of the common system compensation package

1. In March 2013, the International Civil Service Commission (ICSC) launched a comprehensive review of the United Nations (UN) common system compensation package to examine all elements of staff compensation falling under its mandate.¹ The objective of the ongoing review is a revised compensation system that is coherent, sustainable and addresses the concerns and expectations of staff, organizations and member States alike. Member organizations of the UN Chief Executives Board for Coordination (CEB), including the ILO, consider that a future compensation system should be fit for purpose, adaptable to different organizations' mandates, recognize performance and incentivize mobility, while also being cost-effective, transparent and simple to understand and administer, in order to ensure competitiveness.²
2. As part of the review, an in-depth examination of the history and rationale of all elements of the compensation package has been carried out, also taking into consideration current trends and practices in expatriate compensation used in other international organizations, non-governmental organizations and the private sector.
3. Three working groups have been formed to facilitate the work of the ICSC, each group with a specific focus, covering: (1) the remuneration structure; (2) competitiveness and sustainability; and (3) performance incentives and other human resources issues. To ensure the full participation of all stakeholders, each working group is composed of ICSC members and representatives of the common system organizations and the three global staff federations. The ILO is actively participating in this review and is represented in working group (1) on the remuneration structure.
4. Progress reports from the meeting of the working groups were submitted to the ICSC at its 78th and 79th sessions.³ With regard to the compensation package, initial proposals were put forward in respect of revisions to the salary structure and related family allowances, aiming also at simplifying its overall administration. At the next stage, it is intended for the revised compensation package to be appraised in a holistic manner to ensure that it fully corresponds to the attributes agreed upon by the Commission and the UN General Assembly. The final results of the review are expected to be submitted to the General Assembly at the end of 2015.

II. Trends in staff costs and their impact on the delivery of programmes

5. During the Director-General's reply to a question raised at the 320th Session (March 2014) of the Governing Body, he indicated that information relating to the evolution of staff costs would be made available to the Governing Body. Subsequently, at the request of Governing Body representatives it was agreed to include information on ILO staff cost trends and their impact on the delivery of programmes, within the current agenda item.

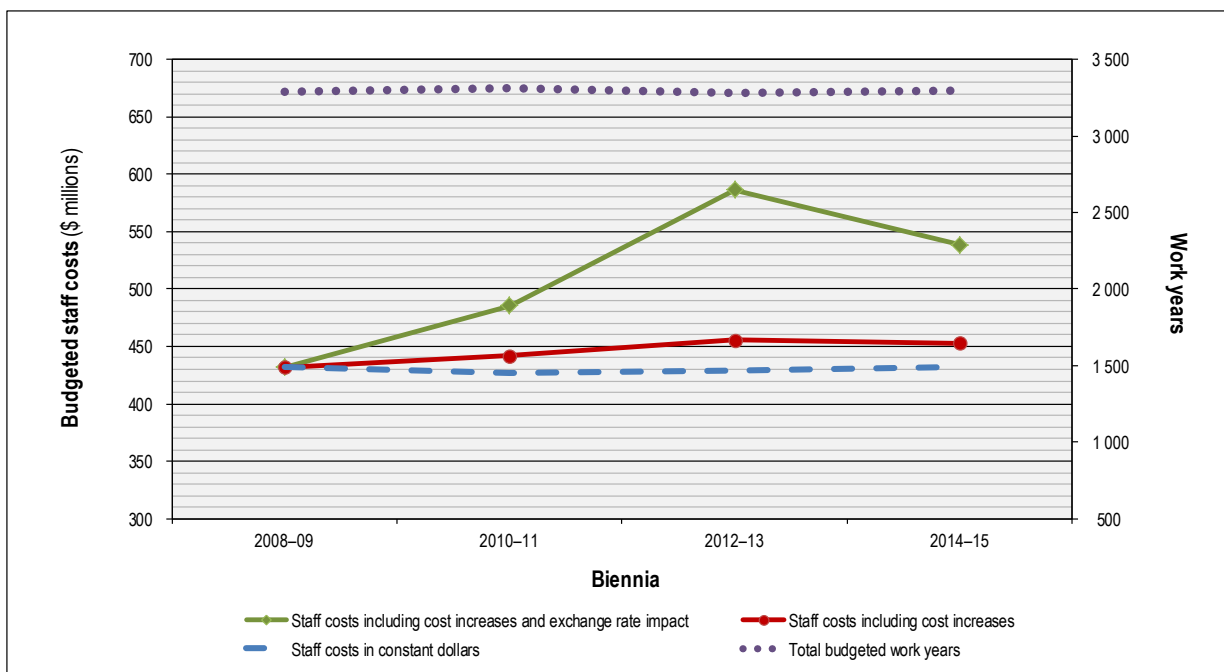
¹ See GB.320/PFA/INF/5 http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_234627.pdf.

² CEB/2013/2.

³ ICSC/78/R.4 and A/69/30 (paras 50–82).

6. Delivery of the mandate of the ILO is essentially provided by its personnel. Advocacy and the provision of expert advice to constituents, two key roles of the Organization, are dependent on a cadre of highly skilled and dedicated staff. The growth in demand for these services and the resulting increase in activities undertaken by the Office have been accommodated through increased efficiencies in order to maintain the budget of the Organization at the same level in real terms. Consequently staff costs have and continue to represent a significant proportion of the approved budget. These costs include direct remuneration, entitlements and indirect costs associated with staff, such as recruitment, mobility and separation costs.
7. As described in the previous section, staff compensation is determined by the ICSC, with decisions being brought to the attention of the Governing Body. The ILO, as a member of the UN common system, applies ICSC decisions to ILO staff. The methodologies adopted by the ICSC endeavour to ensure equitable remuneration across the UN system irrespective of geographical location. As such the remuneration in each duty station is adjusted by the ICSC to reflect local cost of living and exchange rate differentials with the base location, which is New York. With over half of the ILO regular budget workforce based in Geneva, Switzerland, the movement in the Swiss franc when compared to the US dollar has a significant impact on staff costs when measured in US dollars – the currency of the ILO budget.
8. Figure 1 below shows that staff costs in constant dollar terms have remained flat over the past three biennia. There have been minor increases for inflation but the most significant impact on the nominal level of staff costs, when viewed in US dollars, has been the strengthening of the Swiss franc. A further conclusion that can be drawn from this graph is that while overall staff costs have increased in nominal US dollar terms, this has not had an impact on total staff numbers, which reflect the Office’s capacity to deliver its mandate.

Figure 1. Budgeted staff costs and work years (in constant 2008 US dollars)



9. Further analysis of cost increases and adjustments for movement in the Swiss franc/US dollar exchange rate, as approved by the International Labour Conference in adopting the last three biennial budgets, is presented in table 1. Local inflation has resulted in cost increases for non-staff items of 13.0 per cent during this period. Staff costs, whose levels are determined almost exclusively by decisions of the ICSC and UN General Assembly, have increased at a much slower rate. These increases include the impact of changes in the exchange rate of local currencies in duty stations other than Geneva. A final impact on the level of the budget when expressed in US dollars has been the weakening of the dollar against the Swiss franc. Both staff and non-staff costs incurred in Geneva are affected by changes in this exchange rate.

Table 1. Programme and budget cost increase percentages and currency adjustments

| | 2010–11 | 2012–13 | 2014–15 | Cumulative |
|--|---------|---------|---------|------------|
| Non-staff costs | 7.6 | 2.2 | 3.2 | 13.0 |
| Staff costs | 3.8 | 2.7 | -0.9 | 5.6 |
| Total cost increases | 3.6 | 2.4 | 0.3 | 6.3 |
| Exchange rate adjustments | 9.6 | 16.5 | -7.3 | 18.8 |
| Overall change in the real level of the budget | 0 | -0.3 | 0 | -0.3 |

III. Summary

10. The above summarized table shows that consolidated inflation trends in staff costs have not exceeded the broader economic trends in the regions in which the ILO operates. The International Labour Conference has traditionally recognized the need to maintain the budgetary capacity of the Office at a constant real level in order to deliver a growing programme of work and has therefore approved nominal increases in the budget to account for inflation and exchange rate adjustments; both of which are beyond the control of the Office. Despite a marginal decrease in the real level of the budget, through the implementation of new technologies, more efficient processes and improvements in productivity, the ILO has been able to extend its outreach and programmes while keeping cost increases to a minimum.