REPORT OF THE COMMITTEE ON BUDGET,
FINANCE AND ADMINISTRATION

Erosion of Salaries and Allowances for
Staff in the Professional Category and Above

1. At its meeting in October 1974 (document L/4097), the Committee on Budget,
Finance and Administration proposed the establishment of an Informal Contact Group,
composed of members of the Committee, representatives of the staff and
representatives of the secretariat, to study the question of the erosion of
salaries and allowances for staff in the professional category and above. The
Committee's proposal was approved by the Council on 8 November 1974
(document C/M/101) and adopted by the CONTRACTING PARTIES on 19 November 1974
(document SR.30/2). The Informal Contact Group met on 16, 27 and 30 January 1975
and submitted its report on 31 January 1975.

2. The Committee on Budget, Finance and Administration met at the Villa Le Bocage,
Geneva, on 4 February 1975, to examine the report of the Informal Contact Group,
which is annexed hereto.

3. The Committee was chaired by Mr. J.P. Clark of Canada and the following
twelve members attended:

   Australia       Germany, F.R.       Switzerland
   Brazil          Israel             United Kingdom
   Canada          Japan              United States
   France          Sweden            Yugoslavia

4. The Committee was addressed by the Director-General who referred to his
statement to the Contact Group, recorded in the Group's report (paragraphs 11
and 12). He underlined his dual responsibility, on the one hand to the
secretariat staff to ensure that its morale and material well-being were
maintained, and on the other hand to the CONTRACTING PARTIES for the efficient administration of the secretariat. Awaiting the practical effects of the measures recently adopted by the United Nations General Assembly regarding pensions, he would leave this question aside, for the time being, and concentrate on the problems of the erosion of remuneration and the growing discrimination between staff members with dependents and those without. The situation created by these problems was highly abnormal and it had now become indispensable to do something about such unhealthy circumstances in which the secretariat had to work. The quality of GATT's work was of the utmost importance and, as manager of the secretariat, he was concerned that bad administration caused by erosion of salaries and distortion of salary scales resulting from currency fluctuations would affect the quality of the work of the GATT. The Director-General was convinced that there were possibilities for making technical corrections that would not prejudice the common system and he considered that it was now time for the CONTRACTING PARTIES to face up to these facts and to take the necessary steps to ensure an improvement in the administrative practices that were being applied to the staff.

5. The Director-General pointed out to the Committee that, to meet the requests of the staff for 1974, the CONTRACTING PARTIES could dispose of funds out of the 1974 year-end surplus which was going to be higher than anticipated. At the Thirtieth Session these funds were allocated by the CONTRACTING PARTIES on the basis of an estimated figure of two and a half million Swiss francs. It now appeared that the final year-end surplus amounted to Swiss francs 3,035,000. The CONTRACTING PARTIES might therefore wish to take this into account when the financial implications of any action came under consideration.

6. The Committee congratulated the Informal Contact Group on the thorough job it had done in exploring on a fact-finding basis the various issues surrounding the problems of the staff in the area of remuneration. In this regard, they noted particularly the thoroughness with which the statements put forward by the representatives of the staff had been prepared.

7. The Committee agreed that it was questionable whether the situation described in paragraph 3 of the Group's report embodied sound administrative and personnel practices. The Committee noted, however, that this situation was not limited to the GATT staff but affected all Geneva-based international civil servants.
8. The Committee took note of the Group's conclusions in respect of the adequacy of the United Nations common system during periods of wide swings in exchange parities. This situation affected international civil servants in Geneva and those posted in other centres where instability of exchange rates had occurred. The United Nations common system was a complex one, and in the view of the Committee it should be kept under constant review to ensure just and equitable treatment for all staff concerned.

9. A number of solutions were examined by the Informal Contact Group. Members of the Budget Committee who were present were bound both by their authorities' instructions and by decisions of the CONTRACTING PARTIES to adopt the United Nations common system in respect of GATT staff, not to endorse or accept any solutions or technical adjustments which would involve departures from the UN common system. It was not possible to reach agreement on the technical conformity with the common system of the proposals put forward by the representatives of the staff or on the lines of action suggested by the Director-General. The Committee considered that neither itself nor the Informal Contact Group were the proper fora to interpret the legal boundaries of the common system.

10. The Committee noted that it was within the competence of the CONTRACTING PARTIES to adapt the system of remuneration to GATT's needs if it is considered desirable to do so. The Committee, after examining the proposed solutions put forward at various times, did not rule out that the request of the staff could be met to a significant extent if an accounting rate were to be fixed for staff salaries and the post adjustment mechanism were to apply only to cost-of-living fluctuations, but did not consider itself technically competent to judge compatibility with the common system.

11. The Committee agreed with the view of the Informal Contact Group that these were pressing problems requiring solution as soon as possible and, in accordance with that Group's recommendation, decided to forward the report of the Contact Group with this report to the Council for examination at their next meeting.

12. The Committee considered that the Council might wish to

- request the recently-established International Civil Service Commission (ICSC) to undertake a comprehensive review of salary and allowance structures as a matter of priority, including cost implications of any adjustments considered; and
request the Director-General and the contracting parties both individually and as a whole to make immediate further contact with ICSC to emphasize the urgency of this issue.

13. The Committee in its rôle as adviser on sound budgetary and administrative practices to the CONTRACTING PARTIES, considers that the CONTRACTING PARTIES should, in examining this matter, adopt a very cautious and considered approach taking full account of the following:

- the situation facing the GATT staff is not unique to them, it affects all Geneva-based international civil servants;
- ad hoc solutions which might have precedental implications should be avoided if at all possible;
- any solution dealing with 1974 would require additional assessment on contracting parties, unless the CONTRACTING PARTIES, in the light of the recent information that the surplus would be significantly greater than expected at the time of the CONTRACTING PARTIES' meeting, decide to amend their decision of 19 November 1974 on the allocation of the 1974 surplus, as proposed by the Director-General in paragraph 5 above.
APPENDIX

EROSION OF SALARIES AND ALLOWANCES FOR STAFF IN THE PROFESSIONAL CATEGORY AND ABOVE

Report of the Informal Contact Group

1. The Informal Contact Group met at the Villa Le Bocage, Geneva, on 16, 27 and 30 January 1975.

2. The Group was chaired by Mr. J.P. Clark of Canada, and was composed of six members of the Committee on Budget, Finance and Administration (Brazil, France, Federal Republic of Germany, Japan, Switzerland and U.S.A.), four representatives of the GATT Staff Council and three representatives of the secretariat.

3. The Chairman recalled that the erosion of salaries and allowances for staff in the professional category and above was a result of the decline in value of the US dollar, expressed in Swiss Franc terms, in a period of sharply and continuously increasing cost-of-living. This had the effect of reducing the staff's take-home-pay and overall remuneration which inevitably had a detrimental effect on staff morale. This was a situation which did not embody sound administrative and personnel practices. A situation whereby staff were financially disadvantaged by factors beyond their control should not be perpetuated. He pointed out that the rôle of the Committee on Budget, Finance and Administration was not limited to an auditing function but also entailed responsibilities in connexion with administrative matters. The question of erosion of salaries and allowances had first come before the Committee on Budget, Finance and Administration in October 1973 when representatives of the staff had expressed the staff's concern with regard to the continuous erosion of remuneration. The Committee re-examined this question again in July and in October 1974 on the basis of a comprehensive and detailed statement by representatives of the staff, setting forth the staff's claims and on proposals by the Director-General intended to remedy the situation. The Group was reminded that the Committee had been unanimous in recognizing the existence of a real and serious problem and had extended its sympathy to the staff with regard to the situation created by the continuing exchange rate fluctuations (document L/4057, paragraph 4). The Chairman said that the Contact Group had been established to examine thoroughly the staff's concerns on a fact-finding basis and its major task was to consider possible solutions by which the situation could be alleviated.

4. The Group then heard a statement by the staff representatives, the full text of which is reproduced in Annex I, describing and analysing the mechanism of the present system of remuneration. They stated that the principal problems causing deep concern to the GATT staff were the erosion of pensions and of remuneration for staff in the professional category and above, the growing gap between take-home-pay for staff with
dependents and those without and the increasing discrepancies of remuneration and pension benefits between the general service and professional categories.

5. As regards pensions, the problems were different for pensioners and active staff. It was proposed to revert to the problems of pensioners after the practical effects of the recent United Nations General Assembly decision concerning pensions could be assessed. The pension problems of active professional staff derived from the fact that roughly 40 per cent of their remuneration (consisting of post adjustments due mainly to dollar depreciation) was non-pensionable. Thus the Swiss franc value of contributions to the Fund was greatly diminished, which implied future shortfalls in pension benefits.

6. The Group recognized that the erosion of remuneration was due mainly to the fact that the post adjustment system was developed in an era when inflation rates were low and when exchange rates were fixed and stable. The system could not cope with compensation for depreciation of the dollar on which the remuneration was based, and the bulk of the reduction in remuneration in Swiss francs to the staff was directly related to this inadequacy. The distortion created was very obvious in the differential treatment applied to staff without dependents and, in this connexion, the Group took note of a letter which had been addressed to the Chairman of the Staff Council by 25 GATT professional staff members without dependents, requesting equality of treatment (Annex III).

7. With regard to the discrepancies of salary and pension benefits between the general service category and the professional category, the staff representatives said they were the consequence of applying two different systems to these categories. The salaries for the general service category were based on Swiss francs and the system coped reasonably well with inflation; salaries for the professional category were linked to the dollar, suffered the effects of depreciation, and lagged as far as compensation for inflation was concerned, as compared with the system applied to the general service category.

8. The staff representatives underlined the relevance of the purchasing power of the Swiss franc in considering these problems, as this was the currency in which both the secretariat and its staff made the major part of their expenditures. The staff representatives restated the claims first put forward in July 1974, as follows:

- for 1974, that staff losses due to undercompensation built into each class of post adjustment, and for those classes attributable to exchange rate variations, be compensated, staff without dependents being treated on the same basis as staff with dependents. (See Solution 2, page 18, Annex I).
- for 1975, that staff losses due to undercompensation built into each class of post adjustment, and for all classes of post adjustment be compensated and made pensionable, staff without dependents being treated on the same basis as staff with dependents. (See Solution 1, page 17, Annex I).

9. The staff representatives claimed that the solutions proposed to meet their claims were compatible with the common system. It was not the staff's intention to suggest departures from that system. Their intention was rather to urge the CONTRACTING PARTIES, as their ultimate employer, to agree to an interim solution until the slow-moving mechanism for amending the common system provided just and equitable treatment for international civil servants.

10. The historical background of the establishment of the common system was outlined by the staff representatives and its practical application by the specialized agencies of the United Nations to meet specific requirements was demonstrated (Annex II). The flexibility within the system was illustrated by the example of the ILO which in 1962 had considered a general service category salary scale, adopted by the Geneva-based organizations, to be unsatisfactory for its staff and had granted an additional within-grade step as a special, internal arrangement. The Group noted that the decision taken by the CONTRACTING PARTIES in 1957 and confirmed in 1970 was to apply provisionally the United Nations Staff Regulations and Rules (Annex IV). It followed that it was within the competence of the CONTRACTING PARTIES to adapt the common system to GATT's needs if it was considered desirable to do so.

11. The representatives of the staff noted that GATT has a relationship with the United Nations on a de facto basis and, as an organization based entirely in Geneva, had been able to adopt the Swiss franc rather than the dollar as its budgetary currency. The staff considered that GATT had sufficient latitude within the common system to permit technical adjustments to remedy the unjust treatment suffered by the staff due to the system. It was pointed out that the results sought in the staff's proposals could also be obtained by accounting techniques through the use of a reconstructed Swiss franc value which would necessitate the use of the post adjustment system only to compensate the effects of the cost-of-living adjustments in Geneva. An accounting rate, made necessary in the United Nations in order to make salary payments throughout the world in local currencies from funds in dollars, was not required for GATT. The representatives of the Committee on Budget, Finance and Administration noted that the main reasons for changing the GATT budget to Swiss francs were because the bulk of GATT expenditures were incurred in that currency.
12. Addressing the Group, the Director-General, speaking in his role of manager of the secretariat, leaving aside the question of pensions for the time being, reiterated his deep concern with regard to the erosion of salaries and allowances for the professional staff. The situation had been deteriorating steadily over the months and years and it was now imperative that a solution be sought without further delay. Over the last few years the two major aspects of the problem, the continuous erosion of professional salaries and the growing discrimination between staff members with dependents and those without, had now reached the stage where the efficient functioning of the secretariat could be impaired. This would be particularly detrimental at a time when a maximum lasting effort was called for from the secretariat to service the multilateral trade negotiations. Whilst having every confidence that the staff are prepared to make this additional effort, the fact nevertheless remains that personnel burdened with preoccupations over monthly remuneration might not be in a position to give of their best. In these circumstances a remedy must be found to this illogical and grave situation.

13. The Director-General pointed out that the United Nations' common system had been based on a stable currency in a stable monetary situation. The monetary disturbances of the past few years had therefore created distortions in salaries. However, the system, when established, had been intended to cover many varying situations throughout the world and was sufficiently flexible to permit the CONTRACTING PARTIES to make the necessary technical adjustments. The Director-General hoped that the delegates would give their full attention to the staff's claims and proposals and that they would recognize that technical adjustments were possible and could be introduced.

14. The representatives of the Committee on Budget, Finance and Administration stressed that their authorities could not accept or endorse proposals which were inconsistent with the common system. It was not possible to reach agreement on the conformity with the common system of the proposals put forward by the representatives of the staff and the Director-General. Indeed, these representatives considered that neither the Committee nor the Contact Group were the proper fora to interpret the legal boundaries of the common system.

15. However, the representatives of the Committee on Budget, Finance and Administration recalled that the task of the Contact Group was one of fact-finding rather than negotiating or recommending solutions. Further, in their view, the common system was complex and should be kept under constant review to ensure just and equitable treatment for all staff concerned. It was, in their view, essential for all international civil servants in Geneva to adopt a united approach in pursuing their claims. They also considered that the recently established International Civil Service Commission (ICSC) should be requested to undertake a comprehensive review of salary and allowance structures as a matter of
priority and considered that the Director-General, the contracting parties individually and as a whole and the administrations of the United Nations and its specialized agencies should make immediate further contact with ICSC to emphasize the urgency of this issue.

16. The staff representatives pointed out that the proper course was for them to address their claims and concerns to their employers, the CONTRACTING PARTIES, rather than through a system in which the CONTRACTING PARTIES could not have direct influence and, therefore, could not discharge effectively their responsibilities towards the staff. Co-ordination with other Staff Associations in Geneva was irrelevant in this connexion. The staff representatives recalled that it had taken some 25 years to materialize the establishment of the ICSC and that the record of interim common system bodies established in the meantime had very rarely been able to deal with problems either in time or adequately. In the view of the staff representatives, this course of action should in no way exclude or prejudice interim solutions being taken by the CONTRACTING PARTIES for the staff they employed.

17. The Group considered that these were pressing problems calling for solutions as soon as possible and urged that this report be forwarded to the Council, through the Committee on Budget, Finance and Administration, for immediate examination.
ANNEX I

Note by the Staff Council

Introduction

There are three problems which deeply concern the GATT staff.

1. Pensions
2. Erosion of professional remuneration.
3. The increasing discrepancies between remuneration and pension benefits between the G and P grades.

1. As regards the first - Pensions - the problems are different for pensioners and for active staff. Pensioners are suffering dramatic losses right now; active staff are building up losses and shortfalls which will be felt in the future, (when it is too late).

A decision concerning adjustment of pensions to meet cost-of-living increases in different countries was taken by the General Assembly in December 1974. No one as yet seems to be able to spell out the practical results of this decision, so esoteric are its clauses. However, as a decision has been taken, we propose to await the practical results before deciding whether it reasonably solves pensioners problems. In the meantime, although we lay the subject aside for the moment, we wish the Contact Group to note it and revert to it at a later stage, as necessary.

The pension problems of active staff who are building up future losses may be less dramatic in appearance, but are just as serious as those of pensioners. "Active staff", it must be remembered, covers people who are about to retire as it does people who have just entered service. The former are at the best full of misgivings, and at worst anguish, whereas the latter still have the hope that solutions will be found and applied before their retirement is close, short of which the younger and more mobile of them will quit for better conditions. The actual problems derive from the fact that an increasing part of take-home pay is non-pensionable, on average 40 per cent in December 1974 and 44 per cent in January 1975. As the solutions to this problem are directly linked to the system, we propose to discuss them under the second broad problem, erosion of salaries.

2. Erosion of professional remuneration is due mainly to the malfunctions of the post adjustment system, which is no longer adequate in its present rigid form to deal with losses due to the dollar depreciation vis-à-vis the Swiss franc and with a situation of rapid inflation. The bulk of the losses are directly related to the anomalies of this system. We propose to discuss this in detail further on.
3. The discrepancies of salary and pension benefits between G grades and P grades is the consequence of applying two different systems to these grades - the one for G grades being unlinked to the dollar and coping reasonably with inflation - the one for P grades being shackled to the dollar and lagging as regards inflation. A structural reform would probably be the best way of solving this long-term problem. But for the time-being we will limit ourselves to suggesting a few adjustments to the P grade system which will reduce some of the unbalance. We suggest as in the case of pensions that the Contact Group should take note of the problem and revert to it at a later stage.

Before going into details we would like to stress one point which is common to all our problems, and that is the relevance of the purchasing power of the Swiss franc. It is in terms of Swiss francs that our take-home pay, our pensions benefits, and what we will call our total benefits (i.e. take-home pay plus pension benefits) are meaningful. The Contracting Parties' budget is in Swiss francs, GATT expenditure is mainly in Swiss francs, most of GATT staff reside in Switzerland, many of them retire in Switzerland. Our current expenditure is in Swiss francs. Therefore the prime concern is to achieve the stability of purchasing power of our Swiss franc remuneration.

This being said, we would like to stress that the aim we propose to achieve is not incompatible with the common system. It is not our intention to suggest departures from the common system, but minor adjustments are called for in order to preserve the value of the staff's contractual benefits on the one hand, and the value of the GATT secretariat's work to the Contracting Parties on the other hand. If no attempt is made to preserve these values the staff will continue to be the prime loser, but the Contracting Parties will also pay a price in the gradual disintegration of the composition, spirit and functioning of the secretariat.

Erosion of P grade remuneration

The key to this problem, and in part to the problems of pensions and discrepancies between G and P grades lies mainly in the malfunctioning of the post adjustment system.

We will attempt to measure the extent of our losses due to the present system.

To be quite clear we must first define a few terms.

"Take-home pay" -- for the purposes of this discussion comprises net salary plus any post adjustment accruing.

"Pension benefits" -- comprise staff contributions and the organization's contributions; i.e. 7 per cent of gross salary and 14 per cent of gross salary respectively.

"Total benefits" - is the sum total of take-home pay and pension benefits
For the purpose of this discussion we are leaving aside, for the time being, other benefits, such as children and spouse allowances, education grants, etc., on which however losses incurred by the staff as a result of exchange rate fluctuations are far from negligible.

Table I below shows a basic situation, with no cost-of-living increase (i.e. class 0 of the post adjustment) and a stable exchange rate (at $1 = Sw F 4 - for convenience sake).

<table>
<thead>
<tr>
<th>A.</th>
<th>Take-home pay</th>
<th>Pension benefits</th>
<th>Total benefits</th>
<th>B.</th>
<th>Take-home pay</th>
<th>Pension benefits</th>
<th>Total benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net salary</td>
<td>$1,000</td>
<td>$100</td>
<td>$1,100</td>
<td></td>
<td>Net salary</td>
<td>Sw F 4,000</td>
<td>400</td>
</tr>
<tr>
<td>10% pension</td>
<td>100</td>
<td>200</td>
<td>300</td>
<td>20% GATT pen.</td>
<td>800</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sw F 3,600</td>
<td>Sw F 1,200</td>
<td>Sw F 4,800</td>
<td>$300</td>
<td>$1,200</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

It will be seen that under those conditions equivalence is achieved for all items: take-home pay, pension benefits and total benefits. The staff pension contribution is shown at 10 per cent (of net salary) and that of the organizations at 20 per cent for convenience sake.

In Table II we assume a 50 per cent depreciation of the dollar vis-à-vis the Swiss franc (which amounts to a 100 per cent increase in the cost-of-living index). This brings into play the post adjustment system as at present applicable and class 20 is reached. Each class is under-compensated by an average 0.7 per cent (of net salary) for staff with dependents and 2.1 per cent for staff without dependents.
TABLE II A

P Staff Remuneration  Staff with Dependents

at $ = Sw F 2 - PA Class 20

<table>
<thead>
<tr>
<th></th>
<th>Take-home pay</th>
<th>Pension benefits</th>
<th>Total benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net salary</td>
<td>Sw F 2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% Pension</td>
<td>- 200</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>20% GATT pen.</td>
<td></td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>PA 20 x 4.3%</td>
<td>+ 1,720</td>
<td></td>
<td></td>
</tr>
<tr>
<td>of net salary</td>
<td>Sw F 3,520</td>
<td>Sw F 600</td>
<td>Sw F 4,120</td>
</tr>
<tr>
<td></td>
<td>$1,760</td>
<td>$300</td>
<td>$2,060</td>
</tr>
</tbody>
</table>

In comparison with Table I we see that equivalence is not achieved for any item:

- take-home pay is reduced in Swiss franc by 2.2%
- pension benefits are reduced in Swiss franc by 50%
- total benefits are reduced in Swiss franc by 14%

The only item which remains stable is the dollar value of the pension benefits. But this is irrelevant in terms of preserving real pension values.

We can see quite clearly that the post adjustment system because of the in-built under-compensation (i.e. basing the value of a class on less than 5 per cent of net salary, for a parallel increase of cost-of-living of 5 per cent of net salary) and also because its sole aim is to preserve the purchasing power of net salary, leads to three distortions, all of them at the expense of the staff: a minor one in take-home pay, a very large one in pension benefits and a substantial one in total benefits. This is how the present system is building up future losses for pensioners. Because post adjustment is not pensionable, no contributions can be made on some 40% of take-home pay, neither the staff's contribution nor that of the organization.

The situation is worse for staff without dependents. Because they receive only two thirds of the P.A.
TABLE II B

<table>
<thead>
<tr>
<th>Staff Remuneration</th>
<th>Staff without dependents at S = Fr. 2.00 --, P.A. class 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take-home pay</td>
<td>Pension benefits</td>
</tr>
<tr>
<td>net salary</td>
<td>Fr. 2,000.--</td>
</tr>
<tr>
<td>10% pension</td>
<td>-200.--</td>
</tr>
<tr>
<td>20% pension</td>
<td></td>
</tr>
<tr>
<td>P.A. (2/3 of Table IIIA)</td>
<td>1,166.--</td>
</tr>
<tr>
<td>Fr. 2,966.--</td>
<td></td>
</tr>
<tr>
<td>$1,483</td>
<td></td>
</tr>
</tbody>
</table>

Take-home pay is reduced in Sw.Fr. by 18%
pension benefits are reduced in Sw.Fr. by 50%
total benefits are reduced in Sw.Fr. by 26%

Such is the present system. The losses grow as the number of classes of P.A. increase, whether due to real cost-of-living increases in Swiss Francs or to depreciation of the $ vis-à-vis the Sw.Fr. The undercompensations were originally included to meet two points: in terms of preserving the purchasing power of take-home pay only (under a guaranteed Bretton Woods $ the pension benefits were assumed to remain stable) it was argued that the staff's pension fund contribution in $ was not affected by local cost-of-living increases; secondly cost-of-living increases being usually (outside the system) on a gross basis and therefore taxable, some fiscal element had to be introduced in the systems net post adjustment payments.

These two points are only valid when the $ has a guaranteed par value which preserves pension benefits' value and when inflation is moderate. They are no longer valid when the system of P.A. is applied to compensate $ depreciation. For one thing pension benefits are severely affected, and the losses built up on this account alone outweigh by far the argument that pension contributions are not affected by cost-of-living. As for the fiscal element of the "undercompensation", it amounts to applying a surcharge or taxing an exchange rate, (here again the rate of taxation being exorbitant for staff without dependents).

As the number of classes of P.A. prevailing in Geneva are mainly attributable to $ depreciation, the matter of full compensation becomes crucial. It must also be borne in mind that under the present system, incorporation of classes of P.A. paid for exchange rate depreciation is not possible. In other words, Geneva is saddled with over 10 classes for exchange rate for as long as the present system lasts. Table III below identifies the classes of P.A. for 1974 due to exchange rate.
### TABLE III

Post Adjustment in Geneva

<table>
<thead>
<tr>
<th>Year</th>
<th>Net salary (in Sw.Fr. per $100.-)</th>
<th>Loss in net salary due to exchange rate fluctuations (in Sw.Fr. per $100.-)</th>
<th>Corresponding Classes of P.A. due to exchange rates</th>
<th>Classes of P.A. actually paid in Geneva</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>SF</td>
<td>SF</td>
<td>$</td>
<td>SF converted into $ at prevailing accounting rates of exchange</td>
</tr>
<tr>
<td>Base period</td>
<td>N.Y. Dec. 1969 = 100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1974</td>
<td>J 320</td>
<td>112</td>
<td>35</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td>F 330</td>
<td>102</td>
<td>31</td>
<td>6 1/5</td>
</tr>
<tr>
<td></td>
<td>M 312</td>
<td>120</td>
<td>33</td>
<td>7 3/5</td>
</tr>
<tr>
<td></td>
<td>A 300</td>
<td>132</td>
<td>44</td>
<td>8 4/5</td>
</tr>
<tr>
<td></td>
<td>M 293</td>
<td>139</td>
<td>47</td>
<td>9 2/5</td>
</tr>
<tr>
<td></td>
<td>J 298</td>
<td>134</td>
<td>45</td>
<td>11 1/5</td>
</tr>
<tr>
<td></td>
<td>J 298</td>
<td>134</td>
<td>45</td>
<td>11 1/5</td>
</tr>
<tr>
<td></td>
<td>A 298</td>
<td>134</td>
<td>45</td>
<td>11 1/5</td>
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<tr>
<td>1975</td>
<td>J 255</td>
<td>177</td>
<td>69</td>
<td>13 4/5</td>
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</tbody>
</table>
The extent of GATT staff losses for 1974 on this count only, i.e. on under-compensation of classes of post adjustment attributable to exchange rate compensation alone is estimated at Sw.Fr.500,000 (although the figure is rounded, it is based on calculations for each staff member.1) The figure would be slightly higher if all classes of post adjustment were included. These losses are incurred by a professional and higher category staff of about one hundred. They are losses incurred over a period of one year. If the anomalies of the system remain unadjusted, these losses will not only grow with inflation and any further depreciation of the dollar, but they will be cumulated over many years, as they have been since 1971, and will result in the institutionalized impoverishment of professional GATT staff.

The gravest problems will be encountered at the time of retirement when it is too late to remedy the situation.

Solutions

We have two solutions to propose. Solution No.1 is illustrated in Table IV below, which must be read in conjunction with Table IA and B, and can usefully be compared with the malfunction of the post adjustment system as illustrated in Table II.

1Details of calculations are available.
TABLE IV

P. Staff remuneration, with and without dependents at $ Frs. 2.- Post Adjustment, Class 20

<table>
<thead>
<tr>
<th>Net salary</th>
<th>Pension benefits</th>
<th>Total benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frs. 2,000.-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% pension</td>
<td>- 200.-</td>
<td>200.-</td>
</tr>
<tr>
<td>20% pension</td>
<td></td>
<td>400.-</td>
</tr>
<tr>
<td>Post adjustment 20 x</td>
<td>2,000.-</td>
<td></td>
</tr>
<tr>
<td>5% net salary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10% pension</td>
<td>- 200.-</td>
<td>200.-</td>
</tr>
<tr>
<td>20% pension</td>
<td></td>
<td>400.-</td>
</tr>
<tr>
<td>Frs. 3,600.-</td>
<td>Frs. 1,200.-</td>
<td>Frs. 4,800.-</td>
</tr>
<tr>
<td>$ 1,800.-</td>
<td>$ 600.-</td>
<td>$ 2,400.-</td>
</tr>
</tbody>
</table>

Compared to Table I, we see that equivalence is obtained in all items in Swiss francs:

take-home pay
pension benefits
total benefits

In dollars, there is an increase, especially in pension benefits, which is offset by the depreciation of the dollar in terms of Swiss francs.

Solution No. 1 comprises only three adjustments of the present system:

1. Class of post adjustment calculated at 5 per cent of net salary (no under-compensation);

2. Post adjustment is pensionable, i.e. the staff is required to pay its contribution and so is the organization. Whether this contribution can go to the U.N. Pension Fund or whether it is to go into a separate account is a matter for debate;

3. Staff without dependents are treated like staff with dependents.
The second solution is illustrated on Table V, which also has to be read in conjunction with Tables I A and B and compared with Table II.

TABLE V

<table>
<thead>
<tr>
<th>P staff remuneration</th>
<th>Staff with and without dependants</th>
<th>Post adjustment class 20</th>
<th>Full compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Take-home</td>
<td>Pensions</td>
<td>Total benefits</td>
<td></td>
</tr>
<tr>
<td>net salary</td>
<td>Fr. 2,000</td>
<td>Fr. 600</td>
<td>Fr. 4,400</td>
</tr>
<tr>
<td>10% pension</td>
<td>- 200</td>
<td>200</td>
<td></td>
</tr>
<tr>
<td>20% pension</td>
<td>400</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PA 20 x 5%</td>
<td>2,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>net salary</td>
<td>Fr. 3,800</td>
<td>Fr. 600</td>
<td>Fr. 4,400</td>
</tr>
</tbody>
</table>

Compared to Table I we see that equivalence is not obtained in all items:

- take-home pay is increased in Sw. F. by 5.5%
- pension benefits are reduced in Sw. F. by 50%
- total benefits are reduced in Sw. F. by 8.3%

The slight increase in take-home pay is more than off-set by the losses incurred on pension benefits and reflected in total benefits. This 5.5 per cent increase could serve to build up alternative retirement benefits to remedy part of the short-fall of the existing system.

Solution No. 2 comprises two adjustments of the present system:

1. Classes of post adjustment are calculated at 5 per cent of net salary (no under-compensation).

2. Staff without dependants are treated like staff with dependants.
STAFF CLAIMS

We wish to recall that the Staff Council put forward detailed proposals in July 1974. They can be found in L/4057, on page 13.

We once more put on record the Staff's claim

-for 1974, that staff losses due to under-compensation built into each class of post adjustment, and for those classes attributable to exchange rate variations, be compensated, staff without dependents being treated on the same basis as staff with dependents.

i.e. Solution No. 2, as described above.

-for 1975, that staff losses due to under-compensation built into each class of post adjustment, and for all classes of post adjustment be compensated and made pensionable, staff without dependents being treated on the same basis as staff with dependents.

i.e. Solution No. 1, as described above.

We realize that this Solution has many aspects that need further elaboration, both by Administration and by the Staff Council, and therefore suggest that the Group concentrate its attention on the details of Solution No. 2, i.e. the staff claim for 1974, and that we leave until a later meeting the discussion of Solution No. 1, the claim for 1975.
ANNEX II

Note by the Staff Council

1. In this second Note we propose to examine what the bases of the United Nations common system are, in what conditions GATT can be considered to come within that common system, what are the factual circumstances in which the system is applied and what types of technical solution could be envisaged in order to meet the staff's requests.

I. Bases of the common system

2. The bases of the common system are to be found in Articles 57 and 63 of the United Nations Charter. Article 57 provides for the existence of what are termed "specialized agencies" to the extent that they meet certain criteria and which the Charter expressly states are brought into relationship with the United Nations. This relationship is established in the conditions stipulated in Article 63; the Economic and Social Council is the body responsible for entering into agreements with the agencies, defining the terms on which they are brought into relationship with the United Nations. The purpose of this relationship is to establish overall co-ordination of the activities of the United Nations and the specialized agencies.

Article 57 - 1. The various specialized agencies, established by intergovernmental agreement and having wide international responsibilities, as defined in their basic instruments, in economic, social, cultural, educational, health, and related fields, shall be brought into relationship with the United Nations in accordance with the provisions of Article 63. 2. Such agencies thus brought into relationship with the United Nations are hereinafter referred to as specialized agencies.

Article 63 - 1. The Economic and Social Council may enter into agreements with any of the agencies referred to in Article 57, defining the terms on which the agency concerned shall be brought into relationship with the United Nations. Such agreements shall be subject to approval by the General Assembly. 2. It may co-ordinate the activities of the specialized agencies through consultation with and recommendations to such agencies and through recommendations to the General Assembly and to the members of the United Nations.
3. Specific provisions concerning this co-ordination are written into the agreements under Article 63 which have been concluded in particular between the United Nations and the major specialized agencies – the International Labour Organization (ILO), the World Health Organization (WHO), the Food and Agriculture Organization (FAO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO). These are very detailed agreements, but in addition the United Nations has concluded with organizations of no less importance, such as the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD), agreements that are extremely summary, particularly where administrative co-ordination on staff matters is concerned. If we examine, nevertheless, the more detailed agreements, the provisions of particular interest for us are those concerning administrative co-ordination on matters of staff management. The basic idea underlying the agreements at the time of their conclusion, i.e. between 1947 and 1949, was the need to establish a unified international civil service. That idea was consistent with the broad views and concerns of the United Nations.
4. This general concern is nevertheless expressed in extremely guarded terms in the relevant articles of the agreements. This is in fact a matter of establishing administrative co-ordination so as to avoid serious discrepancies in

1 Article XI of the Agreement with ILO (1946); Article XI of the Agreement with FAO (1947); Article XIII of the Agreement with UNESCO (1947); Article XII of the Agreement with WHO; etc. By way of example, the text of Article XI of the UN-ILO Agreement of 1946 reads as follows:

Article XI

PERSONNEL ARRANGEMENTS

1. The United Nations and the International Labour Organization recognize that the eventual development of a single unified international civil service is desirable from the standpoint of effective administrative co-ordination, and, with this end in view, agree to develop common personnel standards, methods and arrangements designed to avoid serious discrepancies in terms and conditions of employment, to avoid competition in recruitment of personnel, and to facilitate interchange of personnel in order to obtain the maximum benefit from their services.

2. The United Nations and the International Labour Organization agree to co-operate to the fullest extent possible in achieving these ends and in particular they agree to:

(a) Consult together concerning the establishment of an International Civil Service Commission to advise on the means by which common standards of recruitment in the secretariats of the United Nations and of the specialized agencies may be ensured;

(b) Consult together concerning other matters relating to the employment of their officers and staff, including conditions of service, duration of appointments, classification, salary scales and allowances, retirement and pension rights and staff regulations and rules, with a view to securing as much uniformity in those matters as shall be found practicable;

(c) Co-operate in the interchange of personnel when desirable, on a temporary or permanent basis, making due provision for the retention of seniority and pension rights;

(d) Co-operate in the establishment and operation of suitable machinery for the settlement of disputes arising in connexion with the employment of personnel and related matters.
the terms of employment of staff members within the unified international civil service that was being set up. That is the general purport of the agreements, as expressed in paragraph 1 of the relevant Article. The second paragraph of that Article, which is included in more or less identical terms in all the agreements, simply stipulates that in order to attain that objective the organizations and agencies will "consult together" with a view "to securing as much uniformity ... as shall be found practicable".

5. Where administrative matters are concerned the agreements between the United Nations and IBRD and IMF contain only a simpler and more general article reading as follows: "The United Nations and the Bank will consult from time to time concerning personnel and other administrative matters of mutual interest, with a view to securing as much uniformity in these matters as they shall find practicable ....".

6. It may further be noted, on one particular point of indisputable importance in the present situation, since it reflects the unwieldiness of the system, that the most detailed agreements (ILO, FAO, WHO, etc.) already mention the parties' intention to establish an International Civil Service Commission. Nevertheless, a quarter of a century elapsed before that objective was attained, since only in 1974 did the United Nations General Assembly decide to establish that Commission, which will only commence its activities in the course of 1975, and one cannot hope to have any initial results before 1976 at the very earliest.

II. GATT and the common system

7. From this review of the legal and administrative basis of the common system, one can see that the texts on which the system is based in no way try to impose any rigid constraint on the organizations and agencies that form part of it.

8. If we look now at the actual position of GATT within the system, we can see that the provisions of the system are certainly still less binding on GATT than on the other organizations. Indeed, the handbook published by the Consultative Committee for Administrative Questions of the United Nations (CCAQ), which is the body responsible for implementing the common system, clearly states: "No formal agreements (as provided under Articles 57 and 63 of the United Nations Charter) have been made between the UN and ICITO/GATT ... which is not therefore a specialized agency within the meaning of the Charter". The position and nature of GATT can be analyzed on two different levels:

9. At the political level, the General Agreement was designed at the time of the negotiation of the Havana Charter in order to provide rules for the world trading system pending the establishment of an international trade organization. At their second session, the CONTRACTING PARTIES decided that the Secretariat of ICITO, to
which had been entrusted the preparatory work for establishment of the International Trade Organization, would be employed on a reimbursable basis to serve as secretariat to GATT. That arrangement was formally confirmed on various subsequent occasions and has not been modified. The situation of GATT in relation to the United Nations and the UN system is therefore simply a de facto one. This has been confirmed more recently, in 1965 for example, when the Director-General offered to report to the Economic and Social Council, like all the organizations in the United Nations system, and the offer was not taken up. More recently in the context of a revision of the action structures of the United Nations, the special position of GATT was once more reaffirmed. Our organization is neither a specialized agency like WHO, FAO, etc., nor a United Nations body, like UNCTAD for example, but it maintains de facto relations with the United Nations family which allow it to act in concert with the United Nations concerning international action at the political level.

10. The spirit in which GATT co-operates with the United Nations can no doubt be highlighted by certain positions adopted at the time when the contracting parties were still endeavouring to establish the Organization for Trade Cooperation which the nations hoped would take over from the International Trade Organization. At the GATT review session when the draft agreement on such an organization was drawn up, the contracting parties found themselves faced with the following alternative as regards the relations to be established with the United Nations, under the permissive language of Article 11: whether, in accordance with a suggestion by the Secretary-General of the United Nations, the proposed organization was to be closely integrated with the central organs of the United Nations (hence, with a status comparable to that of ECOSOC or UNCTAD), or whether it was to be brought into a specialized agency relationship with the United Nations. Concerning the first possibility, the report of the Working Party on Organizational and Functional Questions, which was adopted by the CONTRACTING PARTIES, states that despite "the desirability of coordination and the avoidance of overlapping ... having regard to the nature of the General Agreement and the functions which the Organization would have to carry out with respect to it, that the Articles proposed in the organizational Agreement represent a more appropriate basis for working out a suitable relationship with the United Nations". Preferring the second possibility, therefore, as allowed by Article 11, under which the proposed Organization would have been a specialized agency like WHO or ILO, the Working Party mentions the relationship thus to be established with the United Nations in terms that well reflect the reservation of the CONTRACTING PARTIES since it states that "the establishment of this relationship by such a formal agreement, under Article 63 of the Charter, would serve to safeguard the autonomy and independence of the Organization within the co-ordinated pattern of the United Nations and the specialized agencies already in existence".

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1 Basic Instruments and Selected Documents, Third Supplement, page 237, reproducing document I/327, paragraph 14(b).

2 Idem, paragraph 14(a).
11. It is hardly surprising, therefore, that at the administrative level which we shall now examine, the relationship between GATT and the United Nations is no closer than at the political level. The CONTRACTING PARTIES have never adopted any formal decision tying the staff management of GATT to the common system. At most, they decided that the United Nations staff rules and regulations would be applied, though with some leeway, to the staff of GATT, not in order to integrate GATT within the administrative system of the United Nations but in order to meet the concern felt both by the secretariat itself and by the contracting parties because of the fact that GATT staff members enjoyed no formal status, no security of tenure, and no assurance for retirement. Those problems had already been considered at length by the contracting parties since 1956, when the Chairman of the Budget Working Party, reporting to the eleventh session of the CONTRACTING PARTIES said that in that regard "the CONTRACTING PARTIES had a moral obligation to the members of the staff" (SR.11/12, item 1, Affiliation of ICITO to United Nations Pension Fund).

III. The common system in practice

12. We have seen in Section I of this note that the legal bases of the system do not give it an essentially compelling character. This is borne out by more detailed examination of its modalities.

13. The body whose task it is to translate into practice the idea inherent in the common system is the Administrative Committee on Co-ordination (ACC) whose members are the executive heads of the various organizations and whose Chairman is the Secretary-General of the United Nations. The Committee is assisted by several subsidiary bodies, in particular the Consultative Committee on Administrative Questions (CCAQ), comprising the chiefs of the administrative departments of the organizations concerned.

14. The CCAQ makes recommendations that normally require the approval of ACC if they concern important matters; on practical matters that would normally fall within the authority of the chief of an administrative department, ACC approval is not required.

15. On the most important matters, ACC decisions are not immediately enforceable throughout the system on the whole; on the contrary, such decisions must be approved by the legislative or governing body of each organization and there is no machinery obliging the organizations to take the same attitude toward matters agreed in ACC.

16. It follows that in theory each organization retains a considerable degree of liberty within the system. As a result, far from being perfectly uniform the common system still presents a number of anomalies and divergencies.
17. A major area to be mentioned in this connexion is that of common grading standards. The International Civil Service Advisory Board (ICSAB) expressed the view that divergencies in grading "tend to arrest if not nullify the otherwise excellent record of unification achieved in respect of salary scales and allowances". In other words, uniformity of salary scales is to some extent illusory.

18. The grouping of staff into two broad categories, the Professional and higher-level category and the General Service category, is not observed in all the organizations. In the UN, ILO and IAEA there is a separate category of Manual Workers or maintenance personnel. In addition, at New York the UN maintains a special additional category for Security Staff. UNICEF has a separate category of local professional staff. The United Nations Relief and Works Agency for Palestine refugees in the near East (UNRWA) employs eight different categories of locally recruited staff in a variety of functions ranging from manual to professional.

19. The Professional category generally comprises five grades (P1-P5). Nevertheless, ILO has only four inasmuch as grades P2 and P3 are administered as a single P2/P3 grade. The World Health Organization uses a grade P6, with a salary range identical to that of D1, for senior medical officers having no management functions. The grading structure of the General Service category varies from one duty station to another; for example, it comprises five grades at UN-New York and seven at UN-Geneva.

20. The post adjustment system is not applied in full by WHO, which refuses to make any salary deductions in duty stations where there is a negative adjustment.

21. Salary scales for General Service Staff are established on the basis of a single principle, applied by all organizations but sometimes with very marked differences in application. The Special Committee for the Review of the UN Salary System stated in its 1972 report that, 'since 1966, difficulties and disagreements over the interpretation and application of the guidelines themselves have increased.

22. Salary increments in each category are awarded every year for Professional staff and every two years for directors. In principle, the number of such increments is determined uniformly for all the organizations. Nevertheless, the UN has reduced the qualifying period to ten months for Professional and twenty months for higher-level staff members who have demonstrated knowledge of a

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second official language. ILO grants two increments every five years to deserving staff. ICAO and WHO apply special increments, over and above the normal number, to staff members who have completed a long period of service.

23. The rates for allowances (dependency allowance, language allowance and non-resident's allowance) within the general service category vary considerably. In 1972 the non-resident's allowance, a pensionable supplement to salary, ranged from $200 a year in New York to $1,079 in Vienna. Recently FAO decided to eliminate the non-local recruitment system so that this allowance has now disappeared. In Geneva the night differential varies from 10 per cent to 25 per cent of basic remuneration. The variations are also to be found in the terms of entitlement to some allowances.

24. Annual leave accrues for all staff in principle at the rate of thirty working days a year. In ICAO the general service staff have a lower entitlement. In principle, home leave is granted to internationally recruited staff every two years. As far as FAO is concerned, this period is reduced to eighteen months in the case of staff serving in difficult duty stations. There are also certain differences in regard to standards of travel and removal expenses and travel time: in the case of travel on home leave, the ILO allows travel time up to thirty days when a staff member goes by sea, whereas the general practice is to approve travel time on the basis of transportation by air. GATT grants two weeks of special leave a year to enable officials to meet their military obligations.

25. The statutory age of retirement is sixty years, subject to extension in exceptional cases. In FAO it is sixty-two years. UPU is not a member of the United Nations Joint Staff Pension Fund and has its own pension fund denominated in Swiss Francs. ITU is a member of the Joint Staff Pension Fund and has its own supplementary fund. WIPO has introduced a protecting provision into the post-adjustment mechanism and applies a similar provision as regards pensionable remuneration.

26. This overview of the discrepancies regarding the implementation of the common system shows that the system does not prevent a major organization, like WHO for instance, from introducing many exceptions when it is of the opinion that good staff management so requires, notwithstanding the fact that such exceptions may impair equality of treatment not only as between international staff belonging to the various bodies within the common system, but also, in the case of the non-implementation of negative post adjustments, as between the officials of a given organization.

27. Within this system, to which it is related, not by a relationship agreement as is the case with specialized agencies, but a de facto, GATT cannot enjoy less freedom, in particular considering that one of the main constraints of the system results from the fact that major specialized agencies, which are the main props of
the common system, and the United Nations itself, run a truly worldwide system of action involving the presence of officers throughout the world. At the other extreme, GATT runs an organization located exclusively in Geneva, without any outlying offices or any experts sent on distant missions. In it, in fact, this concentration in one location of its activities, officers and expenditure, which enabled GATT to forgo the use of the dollar and express its budget in Swiss Francs.

IV. Conclusion

28. We are of the opinion that GATT within the common system enjoys a leeway which enables it, without bringing the system itself into question, to correct the serious injustices which affect the staff as a result of the system.

29. In view of the many divergencies and variations which characterize the implementation of the common system and constitute so many precedents, it is not impossible to contrive technical solutions that could meet staff claims. Naturally, in this respect, one could come up against an extreme logical position tending to consider that any action taken within or outside the system, or side by side with the system, would be contrary to the system since it would involve tampering with the system by means of additions, deletions or other modifications. But a logical stand of this type would hardly be plausible as it would amount to holding the view that everything that stems from the common system is consciously desired and that, in particular, the losses thus suffered by the staff were intended by the authors of the system. In a recent document (C/M/205) which is before the Group, the CCAQ Secretariat has expressed an unambiguous view in this respect that runs counter to such a pessimistic and disillusioned conclusion.

30. As an example of the leeway which exists within the common system, in 1962 the Director-General of the ILO, who held the view that the new salary scales for the general services adopted for Geneva staff by all the United Nations organizations was not satisfactory, ruled that, upon the entry into force of the new salary scales in Geneva, the ILO general service categories would receive one additional step with retroactive effect as from the beginning of the year. The ILO considered that this proposal "would not affect the common salary scales as such" and that it constituted an internal special and non-recurring arrangement... without which the adoption of the salary scales might well fail to achieve its purpose.

31. We wish to recall the terms of our No. 2 solution (Annex I, page 18) which is intended to meet staff claims for 1974. A method to reach such a solution is outlined on page 9 of the document. Another method to secure the same results within the framework of financial and accounting procedures could be based on

the following considerations. The purpose of the United Nations accounting rate is, in particular, to govern the conversion operations necessary for payment of salaries in local currencies (Swiss Francs, French Francs and Danish Kroner, etc.) on the basis of appropriations in dollars. The application of the post-adjustment system for the correction of exchange rate fluctuations was made necessary on account of the wide variations in net salaries expressed in local currencies which are the outcome of this budgetary and accounting system. As far as GATT is concerned, the budget is established in Swiss Francs and the salaries are expressed in the same currency. The post-adjustment factor does not, therefore, come into the picture in view of the fact that the organization income is received and the books kept in the same currency as that in which salaries are paid. The relationship between the salary scales expressed in dollars and the actual salaries paid in Swiss Francs can therefore be established directly and without any further implication on the basis of a reconstructed accounting rate which would be at such a level that it would be no longer necessary to resort to the post-adjustment system except to correct the consequences of variations in the cost of living in Geneva. This method would leave the post-adjustment system unaffected for the purpose for which it has been contrived.

32. This method could also be resorted to in order to remedy other drawbacks inherent in the system and, in particular, the in-built under-compensation of post-adjustment classes linked to variations in the cost of living, in conformity with the objectives of our solution No. 1 (Annex I, page 17), the question of the computation and allocation of the pension contributions to be discussed at a later stage.

33. No doubt, other modalities could also be contrived for the purpose of reconciling the concerns of the CONTRACTING PARTIES and the aspirations of their staff.
ANNEX III

Professional staff without dependents

Attached is a letter dated 12 December 1974 addressed to the Chairman of the ICITC/GATT Staff Council by professional staff members without dependents.

With the agreement of the Chairman of the Informal Contact Group, this letter is herewith passed to the members of the Group for their information and discussion at the meeting on 16-17 January 1975.
Madam,

Out of a professional and higher category staff of one hundred and five in GATT, thirty two are without dependants for post-adjustment purposes. They make up one third of the actual professional GATT staff.

Staff with dependants are paid the full amount of post adjustment, which in itself is 14 per cent less than full compensation for the cost-of-living increase, whereas staff without dependants are paid two thirds only, which is 42 per cent less than full compensation. The practical result is that for equal work there is unequal pay. Not only is the disparity out of all proportion, but it waxes and wanes with monetary fluctuations.

<table>
<thead>
<tr>
<th>Less per month than staff with dependants ¹</th>
<th>October 1974</th>
<th>December 1974</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1 step IV</td>
<td>Fr. 406.-</td>
<td>Fr. 460.-</td>
</tr>
<tr>
<td>P2</td>
<td>Fr. 509.-</td>
<td>Fr. 577.-</td>
</tr>
<tr>
<td>P3</td>
<td>Fr. 609.-</td>
<td>Fr. 690.-</td>
</tr>
<tr>
<td>P4</td>
<td>Fr. 751.-</td>
<td>Fr. 813.-</td>
</tr>
<tr>
<td>P5</td>
<td>Fr. 846.-</td>
<td>Fr. 958.-</td>
</tr>
<tr>
<td>D1</td>
<td>Fr. 918.-</td>
<td>Fr. 1,040.-</td>
</tr>
<tr>
<td>D2</td>
<td>Fr. 1,029.-</td>
<td>Fr. 1,166.-</td>
</tr>
</tbody>
</table>

For 1974 as a whole, the losses range from Fr. 5,000.- to over Fr. 12,000 per year per staff member concerned, according to grade and step. In 1970, when exchange rates were stable, these differentials ranged from Fr. 850.- to Fr. 2,300 per year.

The rationale behind this differentiated treatment was based originally on a concern to reinforce dependency benefits. The Salary Review Committee in 1956 "felt that these post adjustments should be higher for staff with dependants than for those without. It felt that a higher cost of living has a more severe impact on the staff member with dependants, since more of his income is spent on necessities, and he too therefore has less possibility of arranging his expenditure pattern than the staff member without dependants. The question is linked with that of dependency allowances ..." into which entered

¹ who, in addition, receive dependency allowances i.e. children, wife, education grant etc.
considerations of tax relief practices and income tax laws in the United States. The system is thus said to contain "a social element". It should be recalled that the system was conceived at a time when relatively stable prices prevailed, with fixed exchange rates based on a fixed dollar value.

Until May 1971, the post adjustment system was used in Geneva to compensate practically only cost-of-living increases, the dollar rate of exchange having been stable between Fr. 4.28 and Fr. 4.34 for more than a decade. Cost-of-living increases were small, the number of classes of post adjustments correspondingly few; and the effect of the two-thirds rule was hardly felt by staff without dependants because the under-compensation of 42 per cent was multiplied by a low number of classes only.

As from June 1971, the post-adjustment system was used in Geneva to compensate both cost-of-living increases and exchange rate fluctuations, mainly the latter. Cost-of-living increases soared to unprecedented highs as the dollar depreciated vis-à-vis the Swiss franc, and the corresponding number of classes of post adjustment reached the two-digit level; the two-thirds rule was increasingly felt by staff without dependants because their "under-compensation" of 42 per cent was now multiplied by an increasing number of classes.

In 1974 Geneva has moved from class 8 to 13.4/5. In that range the number of classes attributable to exchange rate compensation were 4.3/5 at the lowest point (February) and 7.2/5 at the highest (December). Any "under compensation" applied to the exchange rate component of post adjustment, whether 14 per cent or 42 per cent, according to dependency status, becomes unjustifiable in terms of fiscal or dependency considerations. The continued application of "under-compensation" can thus be compared to a three-tier exchange system, or a variable taxable income base, the practical result of which is a surtax, over and above the staff assessment schedule, of Fr. 5,000 to Fr. 12,000 per year and per staff member concerned, as shown on page 31.

No matter how these amounts are looked at - as extra tax burdens for people without dependants, or as tax relief for people with dependants - they bear no recognizable similarity with any income tax practices. The position of the single official has become totally illogical.

It is realized that reform of the post adjustment system for application to the whole "common system" would be an arduous and time-consuming task. But it must be realized that there is no common measure in time between the ill
and the remedy; the former is a persistent haemorrhage, the latter a distant hope. In the meantime, the staff concerned are penalized beyond justifiable limits.

We therefore request you to bring full light on this particular problem, especially in the informal tripartite contact group, and to seek as a first step, equality of treatment for all staff, regardless of their dependency status, with respect to post adjustment attributable to exchange fluctuations.

Yours faithfully,

(Signed by 25 professional staff members without dependants)

To: The Chairman,
ICITO/GATT STAFF COUNCIL.
ANNEX IV

Extract of Report of the Budget Working Party
Document L/756 of 27 November 1957

Staff Rules and Regulations

30. The CONTRACTING PARTIES should instruct the Executive Secretary to submit to the CONTRACTING PARTIES at their next Session draft staff rules and regulations which should be based on the United Nations Staff Rules and Regulations with such modifications which, in his opinion, would be needed in view of the small size of the GATT secretariat. When the staff rules and regulations are approved by the CONTRACTING PARTIES, the discretion to be exercised by the Executive Secretary in the application of rules and regulations would be limited by the terms of these documents.

31. The Executive Secretary should be authorized to apply provisionally any modifications which would be introduced in the future in the United Nations Staff Rules and Regulations, subject to confirmation by the CONTRACTING PARTIES at their following Session.

32. The Executive Secretary should, however, suspend until the next Session of the CONTRACTING PARTIES the application of any modification which, in his opinion, would adversely affect the interests of the staff or involve substantial additional expense for the CONTRACTING PARTIES. When considering these modifications, the CONTRACTING PARTIES would also decide to what extent the changes approved by them would be applied retroactively.

Extract of Report of the Committee on Budget, Finance and Administration
Document L/3454 of 27 October 1970

Application of United Nations Staff Rules and Regulations and United Nations Financial Regulations to the GATT

30. The attention of the Committee was drawn, by a note of the Director-General, to the consideration given by the CONTRACTING PARTIES in 1958 to the application to the GATT of the United Nations Staff Rules and Regulations and United Nations Financial Regulations and Rules in the light of a suggestion that special rules might be drawn up and applied. This suggestion was not pursued and the Director-General had continued to apply the United Nations Staff Rules and Regulations and United Nations Financial Regulations and had sought the approval of the CONTRACTING PARTIES to any deviation from the application of these rules and regulations. The Director-General stated that no difficulties had arisen from the present situation and recommended that the position continue unchanged.

31. The Committee recommends that the CONTRACTING PARTIES approve the continued application to the GATT of the United Nations Staff Rules and Regulations and United Nations Financial Regulations and Rules.