

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

Spec (74)26
24 June 1974

COMMITTEE ON BUDGET, FINANCE AND ADMINISTRATION

Note by the Director-General

The Staff Council have submitted a note to me relating to the matter which will be taken up at the meeting of the Committee on Budget, Finance and Administration which is to be held on 5 July 1974.

The Staff Council's note is attached for the information of members of the Committee.

NOTE BY THE STAFF COUNCIL FOR THE BUDGET COMMITTEE

1. The salaries and allowances of staff members in the Professional and higher categories have been suffering constant erosion (document Spec(74)17). The mechanics of this erosion were explained by representatives of the staff to the Budget Committee at its meeting on 15 to 19 October 1973 (document L/3944, paragraphs 12 to 19) and to the Council of Representatives on 7 November 1973 (document C/M/91, page 10).
2. Recognizing that there was a real problem, the Budget Committee "invited the Director-General to use his influence within the competent bodies to ensure that all necessary steps were taken to resolve the situation with the utmost dispatch so as to avoid further detrimental effects" (document L/3944, paragraphs 42 and 43).
3. At the end of the discussion on the report of the Budget Committee, the Council of Representatives "endorsed the invitation addressed to the Director-General in carrying out the mandate given to him by the Committee on Budget, Finance and Administration to use his influence within the competent bodies to ensure that all necessary steps were taken with the utmost dispatch to resolve the problems which had arisen in respect of the erosion of staff salaries, allowances and pensions. The Council noted that in pursuance of this mandate, the Director-General would transmit to the Secretary-General of the United Nations, in the latter's capacity as Chairman of the Administrative Committee on Co-ordination, the text of the Council's conclusions on this matter" (document C/M/91, page 11).
4. The only decision by the United Nations General Assembly at the end of 1973 in respect of remuneration of serving staff - the consolidation of five classes of post adjustment in the salary scale - was a measure that the staff considered inadequate even last autumn (document L/3944, paragraph 18).
5. The situation has thus developed in a manner contrary to the spirit of the recommendation by the Budget Committee (document L/3944, paragraph 43), "to resolve the situation with the utmost dispatch so as to avoid further detrimental effects", a recommendation which was endorsed by the Council of Representatives on 7 November 1973 (C/M/91, page 11).
6. The main problem is that post adjustments do not fully compensate for decreases in the purchasing power of salaries. Document Spec(74)17, pages 2 and 3, under "Salaries" shows that in percentage terms the under-compensation inherent in the post adjustment system is on average for each class of post adjustment: 2.1 per cent of the value of real salaries for staff members in the professional and

higher categories without dependents and 0.7 per cent of the value of real salaries for those with dependents when the exchange rate remains unchanged, and respectively an average of 2.3 per cent and 1 per cent when exchange rates fluctuate. The effect of this is that the take-home pay of staff members in the professional and higher categories with dependents has decreased in real terms by approximately 8 per cent and that of those without dependents by approximately 19 per cent over the past few years. This is clearly shown in Graph I of document Spec(74)17. Changes in exchange rates and increases in the cost-of-living have also adversely affected other benefits, e.g., family allowances and per diem payments.

7. Since the CONTRACTING PARTIES have adopted their budget in Swiss francs for reasons of financial stability, the staff is entitled to the same stability in terms of their remuneration.

8. The proposal presented by the Staff Council is designed primarily to remedy the inequitable effects of the present application of the post adjustment system in cases where post adjustments are paid because of monetary fluctuations, and secondly to protect against the growing losses due to inflation.

9. In these circumstances, the Staff Council requests the Budget Committee to recommend that the Council of Representatives adopt the following Decision:

"The Council of Representatives authorizes the Director-General to apply to the GATT staff, on an ad hoc interim basis and without prejudice to the Decision of the CONTRACTING PARTIES to apply the United Nations Common System, the following measures:

(1) As from 1 January 1974, for each class of post adjustment attributable to exchange rate compensation, an 'equity payment' be made corresponding to the equivalent of the built-in under-compensation in each class of post adjustment (which can vary with the number of classes, but is on average 2.3 per cent for staff members in the professional and higher categories without dependents and 1 per cent for those with dependents).

(2) As from 1 January 1975, for each class of post adjustment, attributable to cost-of-living and exchange rate compensation, an 'equity payment' be made corresponding to the equivalent of the built-in under-compensation in each class of post adjustment."