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2016 COST-OF-LIVING SURVEYS AND POST ADJUSTMENT

Submitted by the Federation of International Civil Servants' Associations (FICSA) and the Coordinating Committee of International Staff Unions and Associations (CCISUA)

Executive Summary

1. The purpose of this document is to request the International Civil Service Commission (ICSC) to review and reconsider its recent proposals for post adjustment indices for the headquarters duty stations. Although the primary focus of this note is on the one for Geneva, several elements also apply to surveys conducted in other headquarters duty stations with particular concern for the European Union duty stations where the ECP data was used.

2. As explained below, the staff federations' requests are based on: (i) serious concerns expressed by the staff of the UN common system, as well as management, about the baseline cost-of-living surveys conducted in 2016 which has led to significant staff unrest; (ii) conclusions of a team of senior statisticians which found numerous errors or statistically invalid application of the methodology requiring immediate correction; (iii) the need to mitigate an elevated margin of error through the re-introduction of a gap closure measure; and (iv) the need for a formal peer review of the methodology and mechanisms used for place-to-place surveys.

3. Against this background, the staff federations respectfully request the Commission to:

- a) Freeze the April 2017 post adjustment multiplier for headquarter duty stations and continue to apply interim adjustments following the method applied for those since the previous place-to-place surveys in 2010/2011;
- b) Conduct a review, by external independent experts, of the methodology for purposes of either correcting or replacing the current methodology, followed by the conduct of new headquarters surveys;

- c) Reintroduce the operational rule relative to the 5 per cent gap closure measure to address margins of error when the survey results produce PAIs more than 5 per cent lower than existing pay indices;
- d) Institute a formal review mechanism for all place-to-place surveys allowing interested stakeholders access to the raw data and calculations; and
- e) Initiate a reform process to increase transparency, accountability and two-way dialogue between the ICSC, the organizations and staff.

Cost-of-living surveys – Deferring implementation pending review of the methodology and the conduct of new surveys

4. The staff federations recognize the mandate of the ICSC and fully support its important work. The federations are aware of the theoretical objective of the post adjustment system to establish purchasing power parity of UN staff in the Professional and higher categories irrespective of the country and city of their duty station. The federations are also aware of the changes to the methodology and operational rules implemented by the ICSC prior to the conduct of the 2016 round of surveys.

5. This being said, a sound and robust methodology for conducting place-to-place surveys for purposes of establishing post adjustment indices should lead to a new baseline PAI relatively close to the Pay Index in place at the time of the survey and the implementation of its results, especially in a duty station such as Geneva where the cost of living has been relatively stable since the last survey in 2010. Unfortunately, as independent reviews of the 2016 survey for Geneva demonstrate, this is not the case.

6. The staff federations note that the executive heads of Geneva-based organizations, questioning the results of the survey, wrote to the Chair of the ICSC requesting more explanations, and the Human Resources Network (HRN) sent **a team of three senior statisticians** to the offices of the ICSC secretariat in New York to review the application of the methodology and the data processing work.

7. The federations are aware of the findings and conclusions of the HRN statisticians, which were presented at the 39th session of the Advisory Committee on Post Adjustment Questions (ACPAQ) and submitted for the 85th session of the ICSC as a conference room paper entitled “Considerations regarding cost-of-living surveys and post adjustment matters, Note by Geneva-based organizations”.

8. In particular, the federations note that **HRN statisticians found issues requiring immediate attention**, including the following:

- a) Incorrect data used to determine costs of rentals, domestic, education and medical services;

- b) Lack of documentation and insufficient review mechanisms to detect and correct errors. Indeed, the HRN team stated that more time and better accessibility to the data would be needed to fully identify and evaluate all issues;
 - c) Methodological issues impacting on other duty stations in an unpredictable manner. The proposed post adjustments to the European headquarter duty stations, including potential cuts in remuneration of 6.6 percent in Rome and 7.3 percent in Madrid, reinforce this;
 - d) In light of these findings, the federations believe that as with all changes to a methodology, post adjustment results should be evaluated to understand whether the new methodology has met its purpose and whether there are lessons to be learned which require refinement of the changes in order to reduce the margin of error. The fact that the ICSC is responsible for salaries and conditions of all categories of staff highlights the importance of ensuring that staff and organizations have confidence in the technical integrity of the methodologies.
9. In light of the serious concerns about the methodology and results of the 2016 surveys of headquarter duty stations as well as the difficulty of making comprehensive retrospective corrections, the staff federations have come to the conclusion that the only due-diligent course of action is to continue using the April 2017 post-adjustment multipliers with normal monthly adjustments until a methodological review is conducted followed by new cost-of-living surveys.
10. As noted in the HRN report, there is urgent **need for a review of the cost-of-living surveys methodology and thorough reconsideration of the results of the 2016 surveys of headquarters duty stations**. In light of this need, the staff federations request that implementation of the proposed pay cut is deferred pending the outcome of such review and reconsideration.

Observations from the Independent Observers who accompanied the price collection teams in Geneva, Paris and New York

11. The independent observers from Geneva and New York both expressed their concerns that optimum use of their time spent on reviewing the data and its treatment at the ICSC secretariat in New York was not possible. The New York independent observer noted in his report that “There was not much time to look into housing data” while the Geneva observer noted that while she was at the ICSC secretariat in New York “the first iteration of price data cleaning was not complete, and the second iteration would take place after the departure of the Experts; the household and housing questionnaires was not in a readily-accessible format for analysis purposes”.
12. With regard to the household questionnaire the Geneva independent observer wrote that “Apart from looking at percentages generated from the data which showed an overall pattern of expenditure in each duty station, it was not possible to examine this portion of the data in depth, partly because the data were not ready to be analyzed and

partly because of the time available to the Experts”. She also wrote that “It is not possible to avoid subjective decisions on the question of matching/balancing...”.

13. The independent observer from Geneva also wrote in her report that “The items falling within the clothing category were almost all problematic, regardless of duty station” and that “more guidance needs to be developed in this regard”.

14. The above observations noted in the reports of the independent observers confirm the need for the senior statisticians of the HRN to look into these other aspects and components of the surveys.

Use of European Comparison Programme (ECP) data

15. Another major issue in this round of surveys has been the use of European Comparison Programme (ECP) data for the EU countries. ICSC usually has data collection teams for the collection of prices at the duty stations. During this round, the ICSC secretariat made the decision that they would not collect price data but use the data provided by the ECP for the determination of relative costs of living. The ICSC made assurances that the items and the collection methods were similar between ICSC methods and ECP methods, and it would therefore be cheaper and more consistent to buy the data rather than collect it themselves.

16. This turned out to be incorrect. The ECP and ICSC collect prices in significantly different ways, and there was a noticeable and drastic decline in post adjustment for all the European duty stations (Geneva was not included in the use of ECP data as outside the EU). This inconsistency relative to prices collected by the ICSC in New York and other non-European HQ duty stations would have severely hurt all European Union duty stations.

17. The ICSC recognized the problems and the evidence that the methodologies were “not properly aligned”. The post adjustment changes were therefore suspended pending further study. The further study involves comparison of the two methodologies at the base of the European system (Brussels) with the idea of coming up with an adjustment factor, that could then be applied to correct the discrepancies between the two methodologies.

18. The manner in which the ECP data was used and the broad application of a correction factor based on the survey in Brussels are statistically questionable. The ICSC secretariat itself has admitted that the application of ECP data in the methodology was a work in progress and that refinements were needed. There is a lack of credibility in the exercise which does not allow for implementation of those results, and which would severely hurt the salaries of staff in Madrid and Rome. The manner in which this exercise has been conducted has now introduced a lack of confidence in the results for all of the EU duty stations. Implementation of these results under these conditions would be unfair to staff and lead to a lack of confidence in the ICSC by both staff and management.

Mitigation measures: Reintroducing the 5 percent gap closure measure

19. The concerns raised by the HRN statisticians and the independent observers, together with additional questions arising from annex methodologies, such as the use of ECP data in European Union duty stations, as well as the untested nature of the new methodology and operational rules also indicate an elevated margin of error for which appropriate mitigating measures are required. As established under good statistical practice, this is particularly important when such sensitive issues as negative pay adjustments are being considered and where it is clear that a margin of error could exist.

20. When the methodology was reviewed by the ICSC after the previous round of surveys (2010), the operational rules were not part of that review. It wasn't until 2015 that the Commission decided to review them and, in so doing, abolished the “**5 per cent gap closure measure**” even though ACPAQ (the relevant technical body) had not taken a position on the matter. In other words, the rules were changed part way through the exercise. Prior to that time, there was an operational rule to address margins of error, known as the “5 per cent gap closure measure”. Under this rule, which was applied when the new PAI resulting from a place-to-place survey turned out to be lower than the prevailing pay index by more than 5 per cent, the updated PAI was increased by 5 per cent. The ICSC secretariat explained this in document ICSC/81/R.9: “It should be noted that augmenting the updated post adjustment index by 5 per cent provides a margin for the error that may result from determining salaries exclusively on the basis of a single cost-of-living survey producing negative results”.

21. In abolishing the 5 per cent gap closure measure the Commission reasoned that they saw no justification, at that time, “for offsetting the resulting lower post adjustment levels by a 5 per cent augmentation of the post adjustment index derived from the survey in determining the post adjustment multiplier for the duty station...” The staff federations participating in the ICSC meeting strongly voiced their disagreement with the elimination of this operational rule. The staff federations are now of the view that had the methodology been sound, predictable, transparent and foreseeable, the ICSC would have already known at that time that the abolition of the 5 per cent gap closure measure would have led to negative survey results. In this case, the issue of good faith can be drawn into question.

22. As the introduction of the new methodology has visibly introduced less predictability and stability, and there are indications that the margin of error has increased, it is now more important than ever to reintroduce this 5 per cent gap closure.

Staff unrest and collective action, starting in Geneva and now spreading to Madrid and Rome: The need to address concerns

23. The ICSC's proposed post adjustment index (PAI) for Geneva and consequential 7.7 per cent reduction in remuneration for staff based in Geneva, starting May 2017 for newly arriving staff and August for existing staff, has created significant unrest, including demonstrations, work stoppages, mass petitions and legal action.

24. When representatives of the ICSC secretariat met with staff representatives in January/February of this year, immediately prior to the ACPAQ meeting where the results of the 2016 cost-of-living surveys were to be discussed, the staff representatives were led to believe that the results of the Geneva cost-of-living survey might lead to a slight decrease. Although the ICSC secretariat representatives would already have known the results of their surveys at that time, there was no indication that the reduction would amount to over 7 percent.

25. Staff frustration has been compounded by the ICSC's unwillingness to meet with staff in Geneva to explain the results, despite repeated requests and being present in Geneva during the week of 24 April. A note entitled "Explanation of Results of the 2016 Baseline Cost-Of-Living Surveys in Headquarters Duty Stations" was only circulated by email two weeks later on 8 May.

26. On 6 April a meeting was held for all staff in Geneva, at the premises of the United Nations Office in Geneva (UNOG). **Attendance reached over one thousand.** The meeting was raucous with chants of "no pay cut". During the meeting, staff gave testimonies of how earning almost one month less of salary a year would impact their finances, especially given the high costs of housing, education and childcare in the city, and coming on top of earlier cuts from the compensation review. Concerns were also raised that the cut of 7.7 percent did not align with underlying macroeconomic indicators.

27. On 25 April, an outdoor **demonstration** was held in the grounds of UNOG. The event took place during a high-level visit by the Swiss foreign minister and United Nations Secretary-General to the compound and attracted significant media attention.

28. On 24 May, an Extraordinary General Meeting of staff from across Geneva was held, which **unanimously adopted a resolution** giving a mandate to the staff associations/unions in Geneva to work together with the staff federations of FICSA and CCISUA to "...use all legitimate means to defend staff interests" and "to convene regular, protracted and escalating collective actions including demonstrations, work stoppages and strikes, if necessary" (Annex 2). The meeting was followed by a demonstration within the UN grounds.

29. On 16 June staff across Geneva participated in a **work stoppage**. The Human Rights Council was suspended during the stoppage as conference staff and interpreters walked out. A rally during the work stoppage was attended by a delegation from the International Labour Conference, led by Mr. David Boys from Public Services International and French trade union leader Mr. Bernard Thibault. Messages of support were read out from staff unions around the world.

30. The events received extensive media coverage, through television, print and online, in US, Swiss and French media outlets. A selection of photos from the events is contained in Annex 1.

31. A petition against the pay cuts has since been circulated and had, at the time of writing, collected over 7,000 signatures.

32. The recent ACPAQ recommendation for post adjustment levels for Madrid and Rome resulting from the questionable methodology of using the ECP data is now beginning to generate unrest in those duty stations. Staff unions in Geneva have also been contacted by counterparts in the field, concerned about how the change in operational rules and the methodology might affect their remuneration as the survey round reaches their duty station.

33. Meanwhile in Geneva, and given the legal deadlines, staff have already begun to file claims through the **internal justice system** using legal arguments related to acquired rights, requirement of duty of care by the employer, and requirement to implement a methodology respecting the principles of stability, foreseeability and transparency.

34. The nature, extent and level of participation in the above events demonstrates the level of anger and unrest at the decision. Significant time has been spent by staff at various events related to the issue, particularly in the light of earlier cuts from the compensation review and possible budget cuts down the line. It is expected that should the cut be implemented, staff will not accept this decision and there will be class actions, work stoppages and demands to reduce work hours in Geneva to the level of New York (one hour less per day). The staff federations do not believe that the current environment lends itself to a productive workplace. Importantly, in financial terms alone, continuation and escalation of protests will negate the savings generated by the cut.

35. As the HRN report outlines, UN organizations recognize the ICSC's mandate but have legal and managerial obligations that would require not implementing ICSC recommendations, either in whole or in part. Referring to established case law of the International Labor Organization Administrative Tribunal (ILOAT), the staff federations highlight that the UN organizations have a duty of care to staff and a responsibility to implement decisions based on robust evidence.

36. The staff federations are calling on the ICSC to address the staff concerns and mitigate the impact that implementation of the pay cut will have for the organizations.

Introducing formal review mechanisms

37. At the resumed 39th session of ACPAQ, the members recommended that staff federations and organizations be free to contact the ICSC secretariat in order to bring potential errors to their attention.

38. Following the ICSC's offer to the HRN statisticians to review the raw data and calculations for the place to place survey in Geneva, and the resultant findings, it would be important to consider the implementation of a **more formal review mechanism** in which all data and calculations would be made available for review, under appropriate conditions and with a sufficient timeframe. This would enable the ICSC to align itself with good practice from other statistical agencies.

Changing how the ICSC engages with staff federations and organizations

39. In light of the issues identified during the course of reviewing the cost-of-living survey methodology and 2016 results for headquarter duty stations, as well as concerns from staff regarding the need to have better and more consistent access to the data and calculations, staff federations believe that there are improvements to be made in how the ICSC engages with its key stakeholders: staff federations and organizations. Staff in particular must have confidence that the process leading to the calculation of their remuneration is undertaken in a technical manner free of any political context and pays attention to good practices in staff-management relations.

40. Recalling articles 16, 25 and 28 of the ICSC's Statutes and Rules of Procedures, which underwrite the importance of consultation and the justification of ICSC decisions, the staff federations call for measures to increase transparency, accountability and two-way dialogue between the ICSC, organizations and staff. Parallel to these efforts, it is recommended that organizations and staff identify and investigate the feasibility and appropriateness of using third parties to perform certain review functions for the ICSC.

The staff federations' request for consideration by the Commission

41. The federations hold that the new methodology and its implementation have not only had a negative effect on the survey results but also introduced a higher margin of error. UN organizations have a duty of care to staff as well as legal and managerial responsibilities that require diligent and deliberate implementation of the ICSC's recommendations and decisions.

42. For all the reasons cited in this document, the staff federations request the Commission to:

- a) Freeze the April 2017 post adjustment multiplier for headquarter duty stations and continue to apply interim adjustments following the method applied for those since the previous place-to-place survey in 2010/2011;
- b) Conduct a review, by external independent experts, of the methodology for purposes of either correcting or replacing the current methodology, followed by the conduct of new headquarters surveys;
- c) Re-introduce the operational rule relative to the 5 per cent gap closure measure to address margins of error when the survey results produce PAIs more than 5 per cent lower than existing pay indices;
- d) Institute a formal review mechanism for all place-to-place surveys allowing interested stakeholders access to the raw data and calculations; and
- e) Initiate a reform process to increase transparency, accountability and two-way dialogue between the ICSC, the organizations and staff.

Conclusion

43. In view of the above, staff of the international organizations in Geneva are not convinced of the baseline cost-of-living survey results for Geneva or the other headquarter duty stations. The staff in international organizations in the EU duty stations are not convinced of the soundness and validity of the methodologies based on the use of ECP data. The staff federations support the findings and evidence presented in the HRH paper as submitted to the 85th session of the ICSC, and call for changes to the ICSC's methods as well as new cost-of-living surveys following an independent review of the methodology.

Annex 1: Photos of staff events

6 April staff meeting



25 April outdoor demonstration



24 May staff meeting



16 June work stoppage



Annex 2**RESOLUTION AGAINST PAY CUTS FOR STAFF IN GENEVA**

**ADOPTED AT AN EXTRAORDINARY GENERAL MEETING OF STAFF FROM ALL UN-SYSTEM INTERNATIONAL ORGANIZATIONS IN GENEVA,
(PALAIS DES NATIONS, Wednesday, 24 May 2017)**

The staff of the UN-system international organizations in Geneva, united in solidarity and expressing continuing pride in their work as international civil servants,

Noting that the International Civil Service Commission (ICSC) has failed to address the deep concerns and questions raised by staff, the CCISUA and FICSA staff federations and the heads of the ten Geneva-based agencies over the proposed cut to post adjustment that would result in a reduction in take-home pay of 7.5 per cent (or more),

Further noting that the ICSC has refused three times to meet with staff and explain the proposed cuts despite ongoing and serious questions about its data handling and statistical analysis,

Deploring the implementation of this decision, as of 1st of May by UNOG and UNHCR, without having received clear explanations from the ICSC on the calculations,

Believing that in fighting this decision it is imperative to unite all categories of staff irrespective of grade and duty station, as these reductions come on top of other cuts and erosion in our conditions of service, including through the compensation review, the ongoing review of locally-recruited staff and upcoming cost-of-living surveys in 85 duty stations,

Emphasizing that by showing the strength of staff resolve, it is possible to convince the ICSC to review its decision at its 85th session this July in Vienna,

1. Denounce the decision of the ICSC to cut take-home pay in Geneva, which was not made with the transparent implementation of agreed methodologies,
2. Call on all UN agencies with staff in Geneva to stand firm on their decision not to implement the decision of the ICSC to reduce the Geneva post adjustment,
3. Give mandate to the UN staff unions and associations in Geneva to work in coordination among themselves under the aegis of CCISUA and FICSA to mobilize vigorously against the cut and use all legitimate means to defend staff interests,
4. Call on CCISUA and FICSA to:
 - a. Notify the ICSC of staff resolve to mobilize through all legitimate means,

- b. Pressure the administrations of UN agencies to continue to identify shortcomings in the ICSC's methodology and its application, and present these at the ICSC's 85th session,
- c. Establish an independent review of the methodology used and its implementation, including data and calculations, and whether correct procedures were properly followed,
- d. Continue to inform staff of the rationale behind opposing the ICSC decision and the need for solidarity across all staff categories and duty stations in order to ensure that such decisions are not repeated in the future with detrimental effect on staff in any categories and duty stations,
- e. Work with staff unions and associations in other duty stations,
- f. Convene regular, protracted and escalating collective actions including demonstrations, work stoppages and strikes, if necessary,
- g. Pursue possible legal options to continue promoting and protecting conditions of service for staff, and
- h. Continue the campaign for a full and effective recognition of the right to collective bargaining as enshrined in ILO Convention 98.