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GOVERNING COUNCIL
97th session
Rome, 2-4 May 2018

UNIDROIT 2018
C.D. (97) 15(b))
Original: English
April 2018

Item No. 15 on the agenda: Report of the Secretary-General *a.i.* on the implementation of the new compensation and social security scheme applicable to UNIDROIT staff

(prepared by the Secretariat)

<i>Summary</i>	<i>Update regarding the implementation of the new compensation and social security scheme applicable to UNIDROIT staff</i>
<i>Action to be taken</i>	<i>To take note of the update</i>
<i>Related documents</i>	<i>UNIDROIT 2018 – C.D. (97) 15(a); UNIDROIT 2018 – F.C. (84) 4; UNIDROIT 2018 – F.C. (84) 5; UNIDROIT 2017 – A.G. (76) 7 rev.; UNIDROIT 2017 – A.G. (76) 10; UNIDROIT 2017 – F.C. (83) 9; UNIDROIT 2017 – F.C. (81) 5; UNIDROIT 2017 – F.C. (81) 6</i>

1. Following an extensive review, at its 83rd session (Rome, 21 September 2017), the Finance Committee recommended the adoption of important compensation and social security reforms, which would improve UNIDROIT's sustainability by enhancing staff mobility and ensuring that UNIDROIT was an attractive workplace.¹ At its 76th session (Rome, 7 December 2017), the General Assembly adopted those reforms, together with minimalist revisions to the UNIDROIT Regulations to allow for implementation of those reforms. The General Assembly further provided the Secretariat with flexibility in the timing of their implementation, which would be reviewed by the Finance Committee.

¹ UNIDROIT 2017 – F.C. (83) 9, Item No. 9. For further background on the compensation and social security review, including the work of the Finance Committee and informal working group, see UNIDROIT 2017 – A.G. (76) 7 rev. The report of the expert consultant on compensation aspects, entitled "Staffing: Ten-year cost projections for all UNIDROIT staff placed on the United Nations salary scales localized for Rome duty station", is available at Appendix 1 of UNIDROIT 2017 – F.C. (81) 5. The report of the expert consultant on social security aspects, entitled "Design of a pension plan for UNIDROIT: Final recommendations" and including the pension plan's rules and implementing instructions, is available at Appendix 1 of UNIDROIT 2017 – F.C. (81) 6 rev.

2. Further to the update provided in connection with the Report of the Permanent Committee at the Governing Council's 96th session (Rome, 10-12 May 2017),² the Secretariat provides the following information regarding the implementation of the compensation and social security reforms and possible next steps. To this end, it includes in the Appendix an excerpt of the relevant portion of the Report of the Finance Committee's 84th session (Rome, 15 March 2018).

I. COMPENSATION

3. At its 76th session (Rome, 21 December 2017), the General Assembly adopted the recommended transition of UNIDROIT staff to the UN salary scales and, pursuant to the Secretary-General *a.i.*'s request, provided flexibility in the timing of their implementation.³

4. Following the session, the Secretariat requested and obtained a concise expert report from the compensation consultant, which provided (a) updated staff placements on the UN salary scales, based on the former Secretary-General's guidance and the latest salary information for staff; and (b) a series of bullet points on how those placements were made, the particular salary charts that were used and the applicable time periods for step increases. After the consultant's report was reviewed, the Secretariat submitted a few clarification requests, to which the consultant promptly responded.

5. With the consultant's report, the Secretariat was in a position to implement the transition to the UN salary scales localised for Rome and, as of February 2018, all staff were transitioned to those salary scales.

6. At the Finance Committee's 84th session (Rome, 15 March 2018), the Secretariat provided an update on the implementation of the compensation reforms and described how the estimated budgetary impacts of those reforms were taken into consideration in preparing the draft Budget for 2019.⁴ The Secretariat intends to provide a further update, together with replies to questions raised, at the Finance Committee's 85th session, to be held in Rome in late September or the first half of October 2018.

II. SOCIAL SECURITY

7. At its 76th session (Rome, 21 December 2017), the General Assembly adopted the recommended pension scheme as well as the plan for health and related insurances and, pursuant to the Secretary-General *a.i.*'s request, provided flexibility in the timing of their implementation.⁵

8. Following the session, the Secretariat was in contact with the International Service for Remunerations and Pensions (ISRP) regarding next steps for the establishment and implementation of the new pension scheme. The Secretariat has also been seeking updated rates

² UNIDROIT 2017 – C.D. (96) 15, para. 179; UNIDROIT 2017 – C.D. (96) 13(b), para. 3.

³ UNIDROIT 2017 – A.G. (76) 10, paras. 62-64. In addition, Annex 2 of UNIDROIT 2017 – A.G. (76) 7 rev. reflects, in redline, the minimalist revisions to the UNIDROIT Regulations adopted by the General Assembly to allow for implementation of the compensation reforms (i.e. Articles 39, 40, 41, 42, 44, 45, 63, 71, Annex II and Annex III).

⁴ See UNIDROIT 2018 – C.D. (97) 15(a), pp. 5-6, explanatory notes 2, 5; UNIDROIT 2018 – F.C. (84) 5, paras. 11-12.

⁵ UNIDROIT 2017 – A.G. (76) 10, paras. 69-70. In addition, Annex 2 of UNIDROIT 2017 – A.G. (76) 7 rev. reflects, in redline, the minimalist revisions to the UNIDROIT Regulations adopted by the General Assembly to allow for implementation of the social security reforms (i.e. Articles 49 and 52).

for health and related insurances, as well as working to identify those staff members who might wish to join the new plan and to forecast the hiring of new staff to estimate the plan's growth.

9. At the Finance Committee's 84th session (Rome, 15 March 2018), the Secretariat provided an update on the ongoing implementation of the social security reforms, noting that it continues to work towards implementation within the timeframe discussed during the General Assembly's 76th session (Rome, 7 December 2017).⁶ In addition, following the Finance Committee's session, the ISRP committed to provide in mid-April 2018 various documentation to support the implementation of the new pension plan, including a "Practical Notebook" which would present that plan in an accessible way.

III. POSSIBLE NEXT STEPS

10. For the Finance Committee's 84th session (Rome, 15 March 2018), the Secretariat flagged – as had been requested by members of the Finance Committee during the review on the compensation and social security package offered to UNIDROIT staff – two issues for possible future consideration: (a) a review and update of the UNIDROIT Regulations and (b) the further development of job descriptions for UNIDROIT staff.⁷ Regarding the former issue, it was recalled that the revisions made to the UNIDROIT Regulations at the General Assembly's 76th session (Rome, 7 December 2017) were "minimalist adaptations of the Regulations to allow for implementation of the reforms" and that further changes might be needed in order to ensure that the Regulations are both consistent and up to date.⁸ Regarding the latter issue, it was recalled that job descriptions could be further developed, building upon the basic approach and qualifications established by the UN salary scales and UNIDROIT's existing performance management system.⁹

11. In presenting those issues during the session, the Secretary-General *a.i.* explained that they:

had been flagged not because the Secretariat was expecting a decision at the session. Indeed, they might need input from the Governing Council and the new Secretary-General. Instead, the Secretariat had been asked to flag them in the context of the compensation and social security review. . . . Regarding a possible review and update of the UNIDROIT Regulations, there was a formal process provided in Article 17(1) of the UNIDROIT Statute, which stated in part that the "[r]ules governing the administration of the Institute, its internal operations and the conditions of service of the staff shall be adopted by the Governing Council and must be approved by the General Assembly". At the same time, when financial amendments had been considered, those amendments were always raised in the Finance Committee. Regarding job descriptions, there was not a specific procedure, unless it was felt that Article 17(1) applied to this issue as well. For both issues, the Secretary-General *a.i.* concluded by inquiring whether the Finance Committee would wish to discuss both of these issues and, if so, no final decision would be implied and any initial views could be shared with the Governing Council at its 97th session (Rome, 2-4 May 2018).¹⁰

⁶ See Appendix, para. 39.

⁷ UNIDROIT 2018 – F.C. (84) 4, part III.

⁸ *Id.* para. 10.

⁹ *Id.* para. 11.

¹⁰ See Appendix, para. 40.

12. The Finance Committee proceeded to have an initial exchange of views on these issues.¹¹ Following its deliberations, the Chair of the Finance Committee:

noted that there appeared to be support for adding the development of job descriptions to the future Agenda, though there were differing initial views on the level of detail to be provided in such descriptions. He also noted that there could be further consideration regarding whether to polish the Regulations.¹²

IV. ACTION TO BE TAKEN

13. *The Secretariat requests that the Governing Council take note of this update regarding the implementation of the new compensation and social security scheme applicable to UNIDROIT staff and possible next steps.*

¹¹ *Id.* paras. 41 et seq.

¹² *Id.* para. 48.

APPENDIX

**Excerpt of the Report of the Finance Committee's 84th session (15 March 2018)
UNIDROIT 2018 – F.C. (84) 5**

[...]

Item No. 4 on the Agenda: Implementation of the new compensation and social security package offered to UNIDROIT staff (F.C. (84) 4, A.G. (76) 7 rev. and A.G. (76) 10)

37. The *Chair* moved the committee to the next item on the Agenda and gave the floor to the Secretary-General *a.i.* to present document F.C. (84) 4 regarding the implementation of the new compensation and social security package offered to UNIDROIT staff. In doing so, he pointed out that the implementation was ongoing and that the Secretariat might have further updates in this regard.

38. The *Secretary-General a.i.* began by emphasising that the implementation was an ongoing process and by thanking again the members of the Finance Committee for their lengthy review and consideration of these important reforms. In adopting the reforms, the General Assembly had provided the Secretariat with flexibility in the timing of their implementation, which would be reviewed by the Finance Committee. Accordingly, the Secretariat prepared the document, which offered an update on implementation of both the compensation and the social security reforms. Regarding compensation aspects, the transition to the UN salary scales localised for Rome was implemented in February 2018, with all staff now placed on – and paid in accordance with – those scales. To do so, the Secretariat worked with the expert consultant on compensation aspects, who provided updated staff placements on the UN salary scales – based on the former Secretary-General's guidance and the latest salary information for staff – as well as a series of bullet points on how those placements were made, the particular salary scales that were used and the applicable time periods for step increases. The budgetary impact of the transition to those scales was not expected to exceed what had been forecast by the expert consultant. In accordance with UNIDROIT's budgetary process, an update on the budgetary impact would be provided in the context of the Finance Committee's review of the adjustments to the Budget for 2018 at its fall session.

39. Regarding social security aspects, the Secretary-General *a.i.* noted that such aspects entailed a lengthier process, which involved implementation of new pension and health insurance plans. Since the General Assembly's session, the Secretariat had been in contact with the International Service for Remunerations and Pensions (ISRP) regarding next steps for the establishment and implementation of the new pension scheme. The Secretariat was working as well to identify those staff members who might wish to join the new plan and to forecast the hiring of new staff to estimate the plan's growth. The Secretariat had also been following up on the rates for health and related insurances. While the Allianz quotation which had been recommended by the Finance Committee remained the starting point, all of the quotations were contingent upon further defining the particular pool of members in the insurance plan, so the Secretariat had been in contact with various providers in order to ensure that the most affordable rate for the requisite coverage was obtained. The Secretariat was working towards implementation within the timeframe discussed during the General Assembly's 76th session (Rome, 7 December 2017), in particular by mid-May 2018, though the Secretariat had to be cautious in implementing these reforms.

40. The Secretary-General *a.i.* then flagged two issues that were noted in the same document, but were not directly related to the implementation of the compensation and social security reforms. Those issues had been flagged not because the Secretariat was expecting a decision at the session. Indeed, they might need input from the Governing Council and the new Secretary-General. Instead, the Secretariat had been asked to flag them in the context of the compensation

and social security review. The two issues, in particular, were: (a) a review and update of the UNIDROIT Regulations and (b) the further development of job descriptions for UNIDROIT staff. Regarding a possible review and update of the UNIDROIT Regulations, there was a formal process provided in Article 17(1) of the UNIDROIT Statute, which stated in part that the “[r]ules governing the administration of the Institute, its internal operations and the conditions of service of the staff shall be adopted by the Governing Council and must be approved by the General Assembly”. At the same time, when financial amendments had been considered, those amendments were always raised in the Finance Committee. Regarding job descriptions, there was not a specific procedure, unless it was felt that Article 17(1) applied to this issue as well. For both issues, the Secretary-General *a.i.* concluded by inquiring whether the Finance Committee would wish to discuss both of these issues and, if so, no final decision would be implied and any initial views could be shared with the Governing Council at its 97th session (Rome, 2-4 May 2018).

41. The *representative of the United States of America* supported having these issues on the Agenda for the Finance Committee’s next session or the following one once there was more information available about the process envisioned for developing job descriptions.

42. The *representative of Germany* expressed reservations with respect to the implementation of the compensation reforms. The relevant authorities in Germany had examined the new salary scale and found that – while admitting that UNIDROIT should work to remain an attractive workplace – the new salary scheme was costlier than that in place at the UN. As an example, an expatriate UNIDROIT official placed at grade D2, step 10, would receive a net salary of 12,588€ at the UN and 13,898€ at UNIDROIT. This was a considerable difference, which was seen throughout the various grades. The new system thus privileged UNIDROIT employees compared to UN employees, because it was a hybrid of the UN system’s salary scales and the Co-Ordinated Organisations’ benefits. UNIDROIT should have instead adopted the UN’s salary and benefits system in full and, for this reason, Germany had expressed reservations about these reforms from the beginning. UNIDROIT should consider the unjustified privilege which resulted from its hybrid system and stick to the UN system rigidly. He then requested a copy of all salary charts. Turning to the issues that had been flagged, he supported further development of job descriptions, noting that they should embody the UN’s principle that one could not have a promotion just for experience in the same post because only additional responsibilities could be the basis for a promotion. Promotions, moreover, were distinct from step increases. Lastly, he stated that the new Secretary-General was to be placed at grade D2 and that such a placement would be generous because that grade in the UN was generally reserved for heads of institutions or organisations made up of about 100 employees, whereas UNIDROIT had only about 20 employees. Germany expressed concern in this regard and, if grade D2 was used, then everything after step 1 should be excluded and step increases should be effected only every two years.

43. The *representative of France* made three observations. First, France supported the development of job descriptions for UNIDROIT’s staff. Second, more information was requested regarding the possible review of the UNIDROIT Regulations, in particular what type of changes might be necessary and what aspects of the Regulations would be affected, so that this possible work could be better defined and understood. Third, he recalled that, during the General Assembly’s 76th session (Rome, 7 December 2017), it was said that the Secretariat would report, after a short period, on the budgetary impacts of the compensation and social security reforms. He then asked whether a plan was in place for making that report and, if so, when that report would be made.

44. The *representative of Canada* expressed support for a review of the UNIDROIT Regulations, in particular to review Part III, to eliminate Articles that were no longer useful and to update and modernise the Regulations’ language. With respect to job descriptions, she stated that such descriptions would have to be fairly general due to the Organisation’s small size in order to allow

for flexibility regarding work assignments, but that they could be a very useful tool in connection with the compensation classification scheme. She then stated that job descriptions could be an internal matter for the Secretary-General to address – perhaps with the assistance of a consultant – and, if necessary, reviewed by the Finance Committee.

45. The *Chair*, before giving the floor to the Secretary-General *a.i.*, replied to the representative of Germany's comments, noting that the UN salary scales had been adopted but not the entire package of UN benefits. Those benefits, such as education grants and housing subsidies, significantly increased UN employee compensation and were not offered to UNIDROIT staff. Regarding the compensation package for the new Secretary-General, he pointed out that the transition to the UN salary scales had actually resulted in a reduction as the former Secretary-General's salary was actually equivalent to the grade ASG in the UN system, which was a bit excessive and higher than the grade D2.

46. The *Secretary-General a.i.* thanked the members for their comments, noting that the Secretariat would reflect them in the report for the session, consider them and take action as necessary. In concurring with the Chair's comments, she pointed out that the grade D2 was a reasonably significant reduction in salary compared to the previous system and that the placements onto the UN salary scales were based on the recommendations of the expert consultant. As recommended by the Finance Committee, the Secretariat had retained its existing system of allowances, which was from the Co-Ordinated Organisations and far less expensive than the complete set of allowances offered by the UN system. Regarding the possible review of the UNIDROIT Regulations, she recalled that the General Assembly had adopted the minimalist adaptations necessary to allow for implementation of the compensation and social security reforms at its 76th session (Rome, 7 December 2017). In adapting the Regulations, it was suggested by some representatives that those Regulations might need to be polished, that there were parts that were no longer necessary and could be eliminated and that some of the language warranted revisions. It would not be a matter of changing the substance of the Regulations, unless of course there was a proposal to do that. Because the polishing of the Regulations did not relate to approved reforms and might go beyond financial matters, the procedure in Article 17(1) of the UNIDROIT Statute was to be followed.

47. The *representative of Germany* stated that, if one compared the UNIDROIT package and the UN package, UNIDROIT's expatriation and child allowances were actually higher than those offered by the UN. He reiterated that the final net salary was higher and that this difference should be taken into consideration.

48. The *Chair* thanked the members for their comments and noted that there appeared to be support for adding the development of job descriptions to the future Agenda, though there were differing initial views on the level of detail to be provided in such descriptions. He also noted that there could be further consideration regarding whether to polish the Regulations. He then asked the Secretariat to provide additional information for greater clarity with respect to UNIDROIT's compensation package and the allowances for review at the Finance Committee's next session. With respect to that additional information, he reiterated his view that the overall UN benefits package was more generous than UNIDROIT's package.

49. *Absent further requests for the floor, the Finance Committee took note of the Secretariat's update regarding the implementation of the compensation and social security reforms.*

[...]