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Item No. 9 on the Agenda: Review of the compensation and social security package offered to UNIDROIT staff

(prepared by the UNIDROIT Secretariat)

Summary	*Review of the initial proposals of a consultant concerning the compensation package offered by UNIDROIT, including salaries and health insurance*
Action to be taken	*Opinion of the members of the Finance Committee*
Related document	*None*

1. At its 74th session (Rome, 26 September 2013), the Finance Committee supported the request of the Secretariat to authorise the Secretary-General, in accordance with Article 38(4)(a) of the Regulations to use part of the surplus carried over from the financial year 2012 for the purpose of covering the cost of an expert review of the compensation package offered by UNIDROIT, including salaries, health and pension insurance, with a view to assessing the financial implications of a possible move to another pay scheme and also examine possible alternatives to the Italian social security scheme for purposes of health and insurance for UNIDROIT staff. The General Assembly, at its 72nd session (Rome, 5 December 2013), took note of that information with regard to the use of the surplus (cf. UNIDROIT 2013, AG(72) 9, para. 32).

2. As authorised, as to the possible alternatives to the Italian social security scheme for purposes of health and pension insurance for UNIDROIT staff, the Secretariat entrusted the International Service for Remunerations and Pensions of the Co-ordinated Organisations (ISRP), [1] with the preparation of a report containing recommendations with a view to the adoption of a Pension Scheme which, while remaining specific to UNIDROIT, is in line with the pension schemes in force in the Co-ordinated Organisations. Such Study was submitted to the Finance Committee at its 75th session held in Rome on 3 April 2014 (UNIDROIT 2014 - F.C (75) 4 and the report UNIDROIT 2014 - F.C. (75) 5, paragraphs 20 to 30).

[1] The ISRP is a common service platform for the 6 Co-ordinated Organisations and other international organisations, providing services for their pension schemes and remuneration policies.

3. The Secretariat also hired a consultant to undertake a "Total Compensation Comparison" between UNIDROIT and the Coordinated Organisations and other Rome-based international organisations, including those of the UN system, with a view to assessing the financial implications of a possible move to another pay scheme. Such study was not available at the 75th session of the Finance Committee but was submitted to it at its informal meeting held on 19 June 2014.

4. This document containing the proposals is the one submitted to the informal meeting (UNIDROIT 2014 – May 2014).

APPENDIX

Review of Salaries, Allowances and Benefits
(DRAFT May 2014)

Introduction

1. This document presents the results of a review of salaries, allowances and benefits relevant to the International Institute for the Unification of Private Law (UNIDROIT) undertaken at the request of the UNIDROIT Permanent Committee.

2. The document contains five main sections, each dealing with specific information needed by the Permanent Committee to reach conclusions concerning future action. The sections in order of presentation are:

I. Definitions
II. Pay and pay-related issues
III. Allowances
IV. Social Benefits
V. Conclusions (including cost estimates)

Broadly each substantive section of the analysis follows a common pattern. First, current UNIDROIT practices are analysed and commented upon. Second, the practices and policies of two comparators - the Coordinated Organizations (CO) and the United Nations (UN) – as applied in Rome, are examined and then compared to UNIDROIT. Third, proposals and options, where appropriate, are presented and explained. More detailed information is contained in a set of annexes.

3. In undertaking this study the consultant has followed some broad principles which have guided the development of proposals for further action. These principles are that:

a. Given the size of the organization, proposals should be cost-effective while at the same time staying competitive;

b. The acquired rights of staff should be respected;

c. Proposals should as far as is possible be designed to bring UNIDROIT practices into line with those of more progressive organizations;

d. There should be an emphasis on simplicity and a reduction in the administrative resources required to manage compensation;

e. There should be transparency and internal equity and

f. Decision–making should be rationalized to reflect current management needs.

4. It is difficult to define simply the situation that UNIDROIT finds itself in at the present time. The most generous assessment is that the pay and benefits polices have suffered from sustained neglect and to some extent, stagnation. In fairness to the current Permanent Committee and present UNIDROIT management, this neglect has arisen over many years but has now become a

complicating factor in developing solutions, requiring several transitional measures if improved policies are to be adopted. The neglect has resulted in: problems for salary comparison, staff regulations that do not support good management practice and divergence between the stated measures in the regulations and actual pay practice.

I. Definitions

5. These definitions are provided to assist in the further consideration of both UNIDROIT's own situation, the analysis of the chosen comparators and the recommendations contained in each section of the study.

Base Salary – is the salary of an unmarried staff member without dependents defined by the salary level for a given grade and step.

Net salary – is the total of base salary and all relevant cash allowances due to a staff member before deductions for social security including, if applicable, expatriation allowances.

Gross salary – is the adjusted net salary developed, if applicable, to reflect external market conditions in a system of taxable salaries, an amount that is sometimes used to calculate pensions contributions.

Increase in the salary structure – is that increase applied to the salary structure that reflects the salary structure movement in the chosen comparator (or in the external market) often adjusted in some way to reflect relative cost-of-living changes as compared to a baseline city.

Annual increase in staff salaries – The increase in staff salaries commonly reflects two separate changes, the increase in the salary structure and an increase for longevity of service defined by an increased step within a grade or by movement to another grade.

Grades – are a hierarchical structure of jobs based on job content or some other form of classification of work or job relationships. Jobs are grouped into grades for compensation purposes.

Grade range – the maximum pay in a grade expressed as a percentage of the minimum pay in the same grade according to the formula:

(Maximum pay–Minimum pay) ÷Minimum pay x 100

Inter-grade differential – the percent increase of the base salary in the first step of one grade to the base salary of the first step of the grade one lower expressed as a percentage of the higher grade over the lower grade according to the formula:

(Base salary in step 1 of higher grade ÷ that of Step 1 of lower grade) x 100 – 100

Salary structure change – an increase in the salary structure normally expressed as a percent by which the sum of all the midpoints of the new structure exceed the corresponding sum of the midpoints of the old structure.

Defined benefits pensions – a pensions system in which the retirement benefit is defined by a function of a retiree's final salary history, age and length of service.

Defined contributions pensions – a pensions system defined by the total contribution made by a retiree and his/her employer(s) over a working lifetime plus the investment returns on those payments.

II. Pay and pay-related issues

A. <u>UNIDROIT present situation and analysis</u>

6. UNIDROIT Regulations (Part Three) defines the pay system adopted for the organization. Article 39 specifies that there shall be three categories of staff (A, B and C) and provides a very general definition of the qualifications relevant to each category. Categories B and C are then divided into 6 grades (or sub-categories in UNIDROIT parlance). Progression between grades for Categories B and C is further defined but not related to job content. Article 40 defines Category A as having 7 grades.

7. Article 41 defines the pay of Category A staff "with reference to" the salary scales of CO and to Annex III of the Regulations which is a staffing table showing grade ranges applicable to each Category A position. It also defines the base salaries of Categories B and C grades, each comprising five steps, which are updated annually and shown in Annex I to the Regulations. The article goes on to specify that the updating of salaries will be based on increases in the CO salary scales (for Rome). However the Permanent Committee gave itself some flexibility in applying the annual increase by allowing a reduction of up to 20% "if budgetary circumstances so permit". Finally the same article specifies that the periodic increment of Category B and C staff shall be 3% per annum.

8. Article 42 deals with promotion subject to meritorious performance. In this respect it is to be noted that only very recently has a performance appraisal system been introduced into the organization.

9. Article 43 allows for UNIDROIT to appoint under Italian law those staff who do not fit the criteria for categories B and C. At present this is only applicable to concierge staff.

10. UNIDROIT has 20 staff (including four vacant positions), 23 if concierge staff are included. For administering the pay of those staff it effectively has four categories of employment and 19 grades. Ten of the grades are not used. There are no definitions as to the work that should typically be performed at each grade and at present this is immaterial, as promotion is automatic from grade-to-grade in Categories B and C, while there appears to be little opportunity for job progression at all in Category A.

11. The intent of UNIDROIT pay policy was to follow CO salaries but to give the Permanent Committee some flexibility from year-to-year when budgets were constrained (allowing some make-up of salaries in later years). In fact the UNIDROIT General Assembly has automatically included the deduction in salary calculations for over 20 years, thus making it a permanent rather than an exceptional procedure. A further feature is that UNIDROIT annual increases are at variance with policy, for Categories B and C staff.

12. Table 1 presents an analysis of the 2013 UNIDROIT salary scales for Categories B and C. No such analysis is possible for Category A as the current CO scales are used for the recruitment of any new staff and there are no scales applicable to serving staff once they have passed the one-year service point.

13. In an ideal system of salaries the inter-grade differential (see definitions) measures the added value to an organization of the jobs in a higher grade over the grade below. As such it is normally a regular percentage, either increasing or decreasing, depending on the required emphasis in a specific organization. The grade range (see definitions) represents a measure of the "career growth" available in a given grade and it is common to see grade ranges decrease at higher grades. In Categories B and C the inter-grade differential is irregular which is not

Table 1 – UNIDROIT salary scales Categories B and C (annual salaries)

Category/ Grade	Minimum €	Maximum €	Grade range (%)	Inter-grade differential (%)	Value of step increase at step 1 (%)	Value of step increase at step 4 (%)	Number of staff in grade
B6	43,843	47,481	8.3	11.6	2.06	1.94	3
B5	39,300	42,939	9.3	12.9	2.30	2.15	None
B4	34,758	38,397	10.5	15.0	2.60	2.41	None
B3	30,216	33,843	12.0	13.0	2.99	2.74	None
B2	26,734	29,518	10.4	15.0	2.61	2.43	None
B1	23,253	26,036	12.0		3.01	2.76	1
C6	32,048	34,746	8.4	11.7	2.11	1.98	2
C5	28,686	31,373	9.4	13.3	2.35	2.20	1
C4	25,325	28,024	10.7	15.3	2.67	2.47	None
C3	21,963	24,650	12.2	13.1	3.07	2.81	None
C2	19,421	21,457	10.5	15.0	2.61	2.42	None
C1	16,891	18,915	12.0	n/a	3.00	2.75	None

surprising, as UNIDROIT does not recognize job content or staff skills as a criterion for movement from grade-to-grade.

14. In many organizations there is an overlap in salaries between one grade and the next, recognizing that staff in a lower grade with long experience may have as much to offer the organization as those staff in a higher grade with more skills but with less experience in the organization. In UNIDROIT the grade range values are consistently below the inter-grade differential which means that there is no overlap in salaries. Again, this is not surprising as the grades have been limited to five steps each while the CO salary structure from which the salaries were originally derived has 11 steps in each grade, thus allowing for an overlap and good career growth.

15. The average step value in Categories B and C is 2.63% of base salary. This is below the stated policy position of 3% (Article 41). The actual step value granted to staff is even less, as only four grades are occupied and for those four grades the average step value is only 2.30%. Finally in these two categories it should be noted that the only populated grades in Category C (grades C5 and C6) have salaries that are broadly equivalent to grades B4 and B5 both grades in Category B with no incumbents.

16. As for Category A, it is very difficult to reach any conclusions on UNIDROIT's salary policy objectives. A staff member joining today at the same step as an existing staff member would have a completely different salary despite nominally both being given the same within-grade "seniority". For the longest serving Category A staff it is now impossible to calculate their true historic basic salary situation. This is illogical, inequitable and confusing both for managing salaries and for the staff themselves.

17. It would have been expected that there would have been rather frequent staff turnover but surprisingly, this is not the case, as on average staff have worked for UNIDROIT for 17 years in Category A and 20.5 years in Categories B and C. Overall, seven staff have worked for more than 25 years. This leads to questions as to the reason for such longevity. These issues will not be dealt with as there have been no discussions with staff and because the reasons most probably lie with management and performance issues which are outside the parameters of this report.

B The Coordinated Organizations and the UN system

18. It is common for an organization to set salaries by comparing its pay in a specific location(s) with a comparator organization(s). In the case of UNIDROIT the comparator is currently the CO salary scales for Rome. The Permanent Committee has however requested that this study examine UN system salaries in Rome as well. That having been said, the comparators themselves base their salaries on other comparators and it is helpful to specify what they are.

(a) Category A

19. For Category A staff, the Co-ordinated Organizations use government salaries in a group of seven European countries as the basis for their pay system (Belgium, France, Germany, Italy, Luxembourg, the Netherlands and the UK). Their methodology involves a periodic comparison of base pay using established grade equivalencies. A pay scale is created from a weighted average of the net-of-tax comparator civil service salaries, adjusted for differences in purchasing power parity (PPP), with Belgium acting as the base of the system. In intervening years an adjustment is made, based on general increases awarded to the same comparator civil services, again accounting for differences in international purchasing power. A secondary control measure is also applied in non-baseline years, which keeps salary increases to within 1.5% of the average trend for the

comparator group as a whole. The actual baseline pay scale that results is then recalculated, using PPP data, to provide salary scales in local currency for each location in which the organizations have staff. Recently national Consumer Price Index statistics have been used instead of PPP.

20. In the case of the UN system, the United States Federal Civil Service (USFCS) is the chosen comparator, again basing comparison on net of tax salaries and well-established grade equivalencies for a broad range of jobs in certain Washington D.C–based Departments of the US Government. This baseline is then augmented by a factor known as the margin, which represents the amount by which US salaries should be increased to be attractive for international service and recruitment. The margin is targeted to average around fifteen percent over time but is allowed to move within a range of five percent either side. This basic salary scale is then supplemented at each duty station by a cost-of-living addition (Post Adjustment), depending on the relative cost of that location over a (hypothetical) base. The base is hypothetical in that it represents a salary level in New York at a moment in time determined by the date of the most recent salary revision. Such updates do not always bring UN salaries into complete line with the market and, therefore, even New York, the UN's base city, may have additional cost-of-living adjustments.

21. There are well established grade equivalencies between the CO and the UN systems which allows for reliable comparison of pay at specific grades[2]. These are shown in Table 2 below.

Table 2 – CO and UN grade equivalencies

CO Grade	UN Grade
A6	D1/P5 (steps 11-13)
A5	P5/P4 (steps 11-15)
A4	P4 (steps 1-10)/P3 steps 11-15)
A3	P3 (steps 1-10)
A2	P2
A1	P1
B6	GS7

22. Table 3 shows the structure of both CO and UN pay scales equivalent to UNIDROIT Category A staff. Both scales have rather similar structures with inter-grade differentials between 28 and 16%, generally decreasing with increasing grade. In the CO, with the exception of grade A1, grade ranges are on average 32% while in the UN organizations they average 26%. The average step value of CO salaries is 2.8% of the step 1 base salary but it should be noted that after step 8 (Grades A2-A5) and step 6 (Grade A6) the CO step increase is only awarded biennially. In the UN system the step value is 2.1% of the step 1 base salary and steps are awarded annually.

23. While, in the study year of 2013, CO salary scales are generally higher grade-for-grade than the UN scales the relationship between the two has varied over time. Historic comparison has normally been made between the step 6 of both CO grade A4 and UN grade P4. Using that relationship the difference has generally favoured CO scales but at times only

2 Davies M.D.V, *The Administration of International Organizations*, Ashgate, 2002, p 256.

Table 3 - The structure of CO and UN pay scales for single staff in Rome in the equivalent of UNIDROIT Category A (2013 annual values)

Organization/Grade	Minimum €	Maximum €	Grade range (%)	Inter-grade differential (%)	Value of step increase at step 1 (%)	Value of step increase at step 4 (%)	Value of step increase at step 10 (%)	Number of steps
CO								
A6	122,059	152,450	24.9	18.2	2.77	2.55	n/a	8
A5	103,280	139,413	35.0	15.8	2.80	2.58	3.21	11
A4	89,186	118,208	32.5	16.2	2.60	2.42	3.04	11
A3	76,740	103,751	35.2	23.4	2.82	2.60	3.22	11
A2	62,199	83,065	33.5	27.8	2.68	2.48	3.11	11
A1	48,672	50,137	3.0	n/a	3.01	n/a	n/a	2
UN								
D1	114,685	130,607	13.9	18.2	1.75	1.65	n/a	9
P5	97,060	117,795	21.4	19.6	1.80	1.70	1.52	13
P4	81,130	105,131	29.6	20.3	2.13	1.99	1.77	15
P3	67,434	89,997	33.5	20.0	2.39	2.24	1.96	15
P2	56,180	71,958	28.1	25.6	2.54	2.35	2.09	12
P1	44,725	57,169	27.8	n/a	3.11	2.84	n/a	10

slightly as shown in Table 4[3]. It should be noted that the differences shown for all years except 2013 are for Washington D.C., not Rome, so some caution should be exercised in drawing conclusions for the present relativity in Rome

Table 4 -CO Category A pay compared to UN pay (CO = 100)

Year	UN relative to CO (%)
1970	99
1975	87
1980	97
1985	93
1990	88
1995	96
2013	89 (Rome)

(b) Categories B and C

24. As regards salaries for the equivalent of Categories B and C both CO and the UN system have very similar methodologies for setting salaries for locally recruited staff. The only difference is that in the UN organizations there is only one salary scale while in the CO there are two. This will be commented upon in the analysis but essentially the C scales in the Coordinated Organizations are designed for non-clerical jobs, mainly those dealing with buildings maintenance and printing operations.

25. Both methodologies are based on surveys of the “best prevailing” employers from private and public employers in the Rome area with the majority being in the private sector. Each survey covers between 15 and 20 employers. Benchmark jobs are used to obtain salary data in the form of average pay per job and the 75th percentile of that data is used to establish pay levels. Minimum salaries at each grade, as determined by the survey, are used to establish the first step of the scales and the reference point for salary scale construction is the weighted average of comparator data per job. In both cases externally awarded non-cash benefits are carefully quantified and included. Between surveys both salary scales are moved forwards by an adjustment reflecting but not equal to, the local cost-of-living movement.

26. Given that both the CO and UN surveys are very similar it is not surprising that the results are almost identical. A study of the two salary scales in different locations as given in Table 5 showed that the differences are negligible to all intents and purposes[4]; the differences at the maximum being due mostly to different numbers of steps within the top grades and different step values.

Table 5 – Comparison of CO and UN system clerical support staff salaries

Location/date	Percentage difference at minimum	Percentage difference at maximum
Paris 1994/5	0.2	3.0
Washington D.C. 1994/5	3.0	12.5
Rome 2012	2.9	7.0

3 Davies, M.D.V, ibid p 265
4 Davies, M.D.V, ibid p 272

27. Table 6 provides a comparison of the two salary structures currently in force in Rome, using parameters identical to those used in Table 3. A new salary survey has recently been completed by the UN system which has reduced its salaries for staff recruited as of January 2014 thus, over time, widening the gap between it and the present CO scales. However, CO has not undertaken a survey in the same time frame and, therefore it is not known if its salary levels will eventually fall or not. Given that the recent UN survey reflects the impact of the 2008 financial crisis on Italian pay packets it is likely that in the long term the UN/CO relationship will stay fairly constant.

28. The CO scales for both Categories B and C exhibit considerable regularity. Step increments at steps 6 to 11 take place every other year while the average value of a step increase is 2.83% of the base salary at step 1. The UN General Service (G) scales are slightly less regular but extend mostly to 15 annual steps in each grade. The average value of a step increase is somewhat higher than in the CO scales at 3.37% of base salary at step 1.

29. It should also be noted that there is an overlap between the salaries of the CO Category B staff and the CO Category A staff which starts around grade B4 and a similar trend can be seen in the UN scales starting at G5 which overlaps with the P grades. This is a common situation reflecting the fact that for many organizations in both public and private sectors the worth of a senior support staff member with considerable experience is more than a starting professional.

(c) Comparison of all three organizations

30. At a general level both the CO and the UN base their salary systems on a clear definition of job content in each grade and there is no automatic promotion as a result. Promotions (which have a value of around 5% of salary) are based strictly on merit or the requirements of the organization in terms of job content or increased skills acquired by the staff member. Furthermore each of the organizations offers considerably more growth potential within a grade before a staff member’s salary maximizes out - around 15 years in both cases.

31. Table 7 shows that the present UNIDROIT scales for B and C Category staff are, on average, 35% below those of its chosen comparator. Given that UNIDROIT staff progress up the salary scales with no interruption it is probably more accurate to base the measure of shortfall on only those grades that are occupied. This then results in a 30% difference.

32. As regards Category A staff, as stated, the position is almost impossible to calculate. This is because more recent staff have been recruited on CO salary levels and have lost only a small percentage against CO pay levels in the intervening period, while longer serving staff have never been placed in formal salary scales and so the original level of their base salary is no longer known. The three staff on Grade A3 step 11 should all have the same base salary but the amounts differ by up to Euro 10,700 per annum. Taking their average base salary as a

Table 6 - The structure of CO and UN pay scales for clerical support staff in Rome i.e. the equivalent of UNIDROIT Categories A and B (2013 annual values)

Organization /Grade	Minimum €	Maximum €	Grade range (%)	Inter-grade differential (%)	Value of step increase at step 1 (%)	Value of step increase at step 4 (%)	Value of step increase at step 10 (%)	Number of steps
CO								
B6	55,923	74,369	33.0	15.6	3.30	3.00	2.54	11
B5	48,388	64,358	33.0	14.0	3.30	3.00	2.54	11
B4	42,429	56,425	33.0	12.1	3.30	3.00	2.54	11
B3	37,866	50,360	33.0	11.4	3.30	3.00	2.54	11
B2	33,994	45,213	33.0	9.7	3.30	3.00	2.54	11
B1	30,990	41,219	33.0	n/a	3.30	3.00	2.54	11
C6	39,864	51,823	30.0	8.7	3.00	2.75	2.36	11
C5	36,657	47,661	30.0	7.8	3.00	2.75	2.36	11
C4	34,002	44,208	30.0	7.8	3.00	2.75	2.36	11
C3	31,550	41,018	30.0	7.3	3.00	2.75	2.36	11
C2	29,398	38,223	30.0	7.7	3.00	2.75	2.36	11
C1	27,288	35,472	30.0	n/a	3.00	2.75	2.36	11
UN								
G7	54,598	79,942	46.4	15.0	4.22	3.75	3.06	12
G6	47,482	75,384	58.8	15.0	4.20	3.73	3.05	15
G5	41,277	65,805	59.6	11.0	4.24	3.64	3.07	15
G4	37,200	58,494	57.2	9.0	4.09	3.64	2.99	15
G3	34,123	52,337	53.4	7.0	3.81	3.42	2.84	15
G2	31,893	47,069	47.6	6.0	3.40	3.08	2.60	15
G1	30,087	42,561	41.5	n/a	2.96	2.72	2.34	15

measure of the difference and comparing it to step 11 of CO grade A3 gives a difference of 13%, however the lowest of those salaries is 18% below the CO equivalent grade and step. Since there are no formal scales it is difficult to be certain of the true relativity but it does appear that A Category staff may have fallen behind less than Categories B and C staff. This is probably because without formal scales to position staff salaries, the recruitment of new staff has maintained a closer relativity. For the purposes of this study therefore, the difference will be considered to be 20%.

Table 7 - Comparison of UNIDROIT salary scales in Categories B and C with the current comparator (2013 salaries)

Grade	CO scales minimum	UNIDROIT scales Minimum	Difference (%)	CO scales step 5	UNIDROIT scales step 5	Difference (%)
B6	55,923	43,843	27	63,302	47,481	33
B5	48,388	39,300	23	54,776	42,939	28
B4	42,429	34,758	22	48,027	38,397	25
B3	37,866	30,218	25	42,864	33,843	27
B2	33,994	26,734	27	38,481	29,518	30
B1	30,990	23,253	33	35,082	26,036	35
C6	39,864	32,048	24	44,647	34,746	28
C5	36,657	28,686	28	41,058	31,369	31
C4	34,002	25,325	34	38,084	28,024	36
C3	31,550	21,963	44	35,337	24,650	43
C2	29,398	19,421	51	32,928	21,457	53
C1	27,288	16,891	62	30,561	18,915	62

C. Proposals/options

33. As has been explained above, the need for three categories of staff in the Coordinated Organizations is because they employ many staff in non-clerical functions. The Rome-based UN organizations, however, manage to fit all their support staff needs into one salary structure which is very similar to that of the CO Category B scales. Thus, it is considered that UNIDROIT can do away with Category C. As specified in paragraph 15 above, it will be easy to slot the current Category C staff into the Category B scales. All jobs that have a need for a degree would thus remain in a single category as is now the case (renamed Category I in this report to avoid confusion) and all clerical and other support staff (including concierges) can be accommodated within a single grade (Category II in this report).

34. Within these two categories, grades should be defined by the job content and/or skills required by UNIDROIT. Proposed grade level descriptions are given in Annex A to this report. This means that, in future, promotion from grade-to-grade should be based on job requirements and performance in the job and not by longevity. The corollary to this is that there should be sufficiently broad grade ranges that staff members can expect reasonable salary growth over time, reflecting continued good performance. It is suggested that the CO concept of annual step increments for six years followed by biennial increments thereafter should be followed and that there should be 12 steps in each grade, except at Category I grade 1 which is an entry grade with only 6 steps.

35. There is also a need to redefine the value of a step increase within the staff regulations. On average current UNIDROIT staff members receive annual increments of 2.3% of base salary at step 1 of grade although the average value over all UNIDROIT grades is 2.6%. The CO salary scales on average award 2.8%, virtually the same as the UN system average. Thus it is proposed that the value of a step increase for all UNIDROIT grades should in future be 2.5% of base salary at step 1 of each grade.

36. These initial parameters having been specified it is now possible to consider appropriate salary scales for the two future UNIDROIT categories. Four proposals will be considered and the details salary scales for each proposal will be found in Annex B to this report. The four options proposed are:

- Salaries based on 80% of the CO scales (present policy);
- Salaries based on an average of the CO and the UN scales;
- Salaries based on 90% of the average of the CO and UN scales and
- Salaries based on 85% of the CO/UN averages

The explanations for the above choices and the results are summarized in the following paragraphs. One option has not been pursued, that of moving completely to the UN system. As can be seen throughout this study, the UN system is more administratively complex than that of the CO and if the "anchor" of the CO system were to be dropped then for the sake of consistency UNIDROIT should follow all relevant elements of the UN system, thus necessitating a complex set of transition measures, more costly salary-related allowances particularly for expatriates and more administrative time to be devoted to managing salaries.

37. At this point it is important to stress that the proposed salary scale options will be based on but not be exactly the same as, the chosen comparison groups. This will allow salary scales to be developed that best reflect UNIDROIT needs in terms of steps and step increases and which avoid slavishly following either comparator in part or in whole. It is proposed to build the UNIDROIT scales based on the following salary points:

- Category I grade 1 step 1 to be compared to CO A1 step 1 and/or UN P1 step 1
- Category I grade 4 step 1 to be compared to CO A4 step1 and/or UN P4 step 1
- Category II grade 1 step 1 to be compared to CO B1 step 1 and/or UN G1 step 1
- Category II grade 6 step 1 to be compared to CO B6 step 1 and/or UN G7 step 1

The upper benchmarks in each category will not be used to fix the exact salaries at those levels but to ensure the calculated UNIDROIT salaries over the complete salary scale are in a reasonable relationship to the comparator(s). The grade ranges for the two top jobs in UNIDROIT have been developed from the top benchmark by selecting appropriate inter-grade differentials that will give pay levels that approximately match equivalent jobs in the comparator systems (see Annex A definitions). It is estimated that the salary scales as shown would only require slight adjustments to the inter-grade differentials every seven years, or so, to keep the upper benchmark in line with actual UNIDROIT pay scales.

38. In all four options there is a good overlap between the salaries at each grade in Category II thus reinforcing the proposal that, in future, promotion from grade-to-grade should not be automatic but based on an actual change in job content or skills required for the job. In making comparisons of the various options two features of current staff salaries have had to be taken into account. First, that the Cashier/Treasurer has an honorarium (calculated to be €20,071) paid over and above his base pay. This has been discounted from comparisons which are based on base pay only, as the methodology for setting this amount lies outside the scope of this study. Second, the

staff member on grade B1-2 is paid at only 65% of the stated rate reflecting decisions relating to staff qualifications. While the salary scale comparisons and tables are based on 100% salaries at this grade, in the actual costing of the impact of changes the 65% figure has been taken.

39. Option 1 - Salaries based on 80% of the CO scales. The historic policy of UNIDROIT has been to follow the CO salary scales. In addition, the practice adopted over the years has awarded UNIDROIT staff only 80% of the actual CO annual salary structure increase. If the base scales and all subsequent adjustments are uniformly set as a level of 80% of CO scales there will complete uniformity across UNIDROIT practice and the problems experienced in managing staff at the same grade with different base salaries will disappear. The choice of 80% also reflects the best estimate of current long-serving Category A staff salaries when compared to CO and restores, to some extent, the relativity higher erosion of pay for the lower categories.

40. Annex B Table 1 shows the proposed scales under this option. Table 8 below summarizes the basic features of the proposed scale, the impact of the scales on serving staff and provides a comparison to the unadjusted UN and CO salary scales using the equivalencies shown in Table 2. The UNIDROIT pay scales are built up from the reference salary points by having a constant inter-grade differential of 12.5% for Category II and for Category I inter-grade differentials that increase gradually from 15% at grade 2 to 31% at grade 3 before decreasing again in a symmetrical manner to 15% at grade 6.

41. There is also some overlap between the salaries of Category II at the top of grade 4 plus grades 5 and 6 with those of Category I, grades 1 and 2. The overlaps are similar to those found in the CO salary scales but less than those experienced in the UN salary scales for Rome. It should be noted that the grade descriptions for Category I grade 1 (Annex A) are designed for less than fully-qualified legal staff or para-professionals and so this overlap is both justified and consistent with market practice.

42. The proposed structure results in a salary scale that in Category I, grade 4 step 1, has a base pay of €70,978 at as compared with €71,349 which is the benchmark matching base salary referred to in paragraph 37 above. In Category II, the G6 step 1 salary is €44,676 compared to the benchmark CO matching salary of €44,738.

43. Option 2 - Salaries based on an average of the CO and the UN scales. The Permanent Committee has requested that the UN pay system be considered as a comparator. Accordingly in this option the unadjusted average of both the CO and the UN systems has been used. The effect using both salary scales means that UNIDROIT salaries would follow an average of US and European pay levels, that its scales are less liable to have to be impacted by decisions made in respect of one only comparator and that in a general sense all the organization's member states have been in a position to influence one or other of the comparators' systems, albeit in different governance forums.

44. Since the UN P category salaries are some 10% below those of CO this option has the broad effect of creating scales that are lower than CO in Category I while maintaining one-for-one relativity for Category II grades, where both organizations have almost identical salary scales. Annex B Table 2 shows the proposed scales under this option. Table 9 below summarizes the basic features of the proposed scale, the impact of the scales on serving staff and provides a comparison to the unadjusted UN and CO salary scales, again using the equivalencies shown in Table 2. The UNIDROIT pay scales are built up from the reference salary points by having, as for option 1, a constant inter-grade differential of 12.5% for Category II and for Category I inter-grade differentials that increase gradually from 15% at grade 2 to 31% at grade 3 before decreasing to 15% at grades 5 and 6.

Table 8 – The impact of option 1

New category and grade	UNIDROIT proposed Minimum €	CO Minimum €	UN Minimum €	UNIDROIT proposed Maximum €	CO Maximum €	UN Maximum €	Step increase €	Step of present staff in new scales by matching salary
I								
6	98,776	122,059	114,685	125,926	152,450	130,607	2469	Grade A6-12
5	85,883	103,280	97,060	109,501	139,413	117,795	2147	Grade A5-9
4	70,978	89,186	81,130	90,497	118,208	96,598	1774	Grades A4-12 x2 (one frozen), A4-11
3	54,182	76,740	67,434	69,082	103,751	81,955	1355	
2	44,778	62,199	56,180	57,092	83,065	71,958	1119	
1	38,938	48,672	44,725	43,805	50,137	57,169	973	
II								
6	44,676	55,923	54,598	56,962	74,369	79,942	1117	B6-12 x1 (frozen), Grade B 6-4 x3
5	39,712	48,388	47,482	50,633	64,358	75,384	993	Grades B5-4, B5-3
4	35,300	42,429	41,277	45,007	56,425	65,805	882	Grade B4-5
3	31,377	37,866	37,200	40,006	50,360	58,494	784	Grades B3-6, B3-4
2	27,891	33,994	34,123	35,561	45,213	52,337	697	Grade B2-7
1	24,792	30,990	30,087	31,610	41,219	47,069	620	Grade B1-1 (65%)

Table 9 – The impact of option 2

New category and grade	UNIDROIT proposed Minimum €	CO Minimum €	UN Minimum €	UNIDROIT proposed Maximum €	CO Maximum €	UN Maximum €	Step increase €	Step of present staff in new scales by matching salary
I								
6	112,578	122,059	114,685	143,537	152,450	130,607	2814	Grade A6-6
5	97,894	103,280	97,060	124,815	139,413	117,795	2447	Grade A5-3
4	85,125	89,186	81,130	108,534	118,208	96,598	2128	Grades A4-7, A4-3 x 2
3	64,981	76,740	67,434	66,605	103,751	81,955	1625	
2	53,703	62,199	56,180	68,472	83,065	71,958	1343	
1	46,699	48,672	44,725	52,536	50,137	57,169	1167	
II								
6	55,031	55,923	54,598	70,165	74,369	79,942	1376	Grade B6-11
5	48,917	48,388	47,482	62,369	64,358	75,384	1223	
4	43,482	42,429	41,277	55,439	56,425	65,805	1087	Grades B4-6, B4-5 x 2
3	38,650	37,866	37,200	49,279	50,360	58,494	966	Grades B3-5, B3-4
2	34,356	33,994	34,123	43,804	45,213	52,337	859	Grade B2-6
1	30,539	30,990	30,087	38,937	41,219	47,069	763	Grades B1-1, B1-3, B1-5, B1-7

45. There is a similar overlap between the salaries of Category II at the top of grade 4 plus grades 5 and 6 with those of Category I, grades 1 and 2 although in this option the overlap extends somewhat further down the grade 4 salary scale. The proposed structure results in a salary scale that in Category I, grade 4 step 1, has a base pay of €85,125 at as compared with €85,158 which is the benchmark matching base salary referred to in paragraph 37 above. In Category II, the G6 step 1 salary is €55,031 compared to the benchmark matching salary of €55,261.

46. Option 3 -Salaries based on 90% of the average of the CO and UN scales. While option 1 respects the current pay philosophy of UNIDROIT and option 2 shows the impact of including the UN system in the comparison the second option does not bring pay levels of Category II staff into line with option 1. Accordingly this third option uses the average salaries of option 2 and further reduces them by 10%. The impact is to reduce Category I staff salaries to a level similar to that of option I while lowering Category II salaries by 10%. A number of organizations use UN locally recruited staff salaries with a reduction of 10% and have found such a positioning to be competitive in their relevant pay markets.

47. Annex B Table 3 shows the proposed scales under this option. Table 10 below summarizes the basic features of the proposed scale, the impact of the scales on serving staff and provides a comparison to the UN and CO salary scales again using the equivalencies shown in Table 2. The UNIDROIT pay scales are built up from the reference salary points by having, as for options 1 and 2, a constant inter-grade differential of 12.5% for Category II and for Category I inter-grade differentials that are identical to option 2.

48. Overlap between the salaries of Category II and Category I are similar to those found in option 2. The proposed structure results in a salary scale that in Category I, grade 4 step 1, has a base pay of €76,613 at as compared with €76,642 which is the benchmark matching base salary referred to in paragraph 37 above. In Category II, the G6 step 1 salary is €49,528 compared to the benchmark matching salary of €49,734.

Option 4 – Salaries based on 85% of the average of the CO and UN scales

49. This option takes the benchmarks in option 3 and lowers them by a further 5% to an 85% relationship to the comparator benchmark averages. Annex B Table 4 shows the proposed scales under this option. Table 11 below summarizes the basic features of the scale, the impact of the scales on serving staff and provides a comparison to the UN and CO salary scales again using the equivalencies shown in Table 2. The UNIDROIT pay scales are built up from the reference salary points by again having, inter-grade differential of 12.5% for Category II and for Category I inter-grade differentials that start at 19% for grade 2 and increase gradually to 27% for grade 6.

50. The overlap between the salaries of Category II and Category I is somewhat less than in the previous options. The proposed structure results in a salary scale that in Category I, grade 4 step 1, has a base pay of €72,034 at as compared with €72,384 which is the benchmark matching base salary referred to in paragraph 37 above. In Category II, the G6 step 1 salary is €46,777 compared to the benchmark matching salary of €46,971.

51. Tables 12a and 12b provide comparisons between all four proposed options.

Table 10 – The impact of option 3

New category and grade	UNIDROIT proposed Minimum €	CO Minimum €	UN Minimum €	UNIDROIT proposed Maximum €	CO Maximum €	UN Maximum €	Step increase €	Step of present staff in new scales by matching salary
I								
6	101,320	122,059	114,685	129,183	152,450	130,607	2533	Grade A6-11
5	88,104	103,280	97,060	112,333	139,413	117,795	2203	Grade A5-8
4	76,613	89,186	81,130	97,681	118,208	96,598	1915	Grades A4-12, A4-8 x2
3	58,483	76,740	67,434	74,566	103,751	81,955	1462	
2	48,333	62,199	56,180	61,625	83,065	71,958	1208	
1	42,049	48,672	44,725	47,282	50,137	57,169	1051	
II								
6	49,528	55,923	54,598	63,148	74,369	79,942	1238	Grade B6-12 (frozen)
5	44,025	48,388	47,482	56,132	64,358	75,384	1101	Grade B5-5 x 3
4	39,133	42,429	41,277	49,895	56,425	65,805	978	Grades B4-5, B4-4 B4-1
3	34,785	37,866	37,200	44,351	50,360	58,494	870	
2	30,920	33,994	34,123	39,423	45,213	52,337	773	Grades B2-7, B2-4, B2-2
1	27,485	30,990	30,087	35,043	41,219	47,069	687	Grade B1-1

Table 11 – The impact of option 4

New category and grade	UNIDROIT proposed Minimum €	CO Minimum €	UN Minimum €	UNIDROIT proposed Maximum €	CO Maximum €	UN Maximum €	Full step increase €	Step of present staff in new scales by matching salary
I								
6	114,354	122,059	114,685	145,802	152,450	130,607	2859	Grade A6-5
5	90,043	103,280	97,060	114,804	139,413	117,795	2251	Grade A5-7
4	72,034	89,186	81,130	91,844	118,208	96,598	1801	Grades A4-12 (frozen) A4-11 x 2
3	57,627	76,740	67,434	73,475	103,751	81,955	1441	
2	47,236	62,199	56,180	60,225	83,065	71,958	1181	
1	39,694	48,672	44,725	44,655	50,137	57,169	992	
II								
6	46,777	55,923	54,598	59,640	74,369	79,942	1169	Grade B6-12 (frozen over max) Grades B6-3, B6-2 x 2
5	41,579	48,388	47,482	53,014	64,358	75,384	1039	
4	36,959	42,429	41,277	47,123	56,425	65,805	924	Grades B4-7, B4-6, B4-3
3	32,853	37,866	37,200	41,887	50,360	58,494	821	Grades B3-4, B3-2
2	29,202	33,994	34,123	37,233	45,213	52,337	730	Grade B2-5
1	25,958	30,990	30,087	33,096	41,219	47,069	649	Grade B1-1

Table 12a – Options 1, 2, 3 and 4 compared

New category and grade	Minimum €				Maximum €			
	Option 1	Option 2	Option 3	Option 4	Option 1	Option 2	Option 3	Option 4
I								
6	98,776	112,059	101,320	114,354	125,926	143,537	129,183	145,802
5	85,883	97,894	88,104	90,043	109,501	124,815	112,333	114,804
4	70,978	85,125	76,613	72,034	90,497	108,534	97,681	91,844
3	54,182	64,981	58,483	57,627	69,082	66,605	74,566	73,475
2	44,778	53,703	48,333	47,236	57,092	68,472	61,625	60,225
1	38,938	46,699	42,049	39,694	43,805	52,536	47,282	44,655
II								
6	44,676	55,031	49,528	46,777	56,962	70,165	63,148	59,640
5	39,712	48,917	44,025	41,579	50,633	62,369	56,132	53,014
4	35,300	43,482	39,133	36,959	45,007	55,439	49,895	47,123
3	31,377	38,650	34,785	32,853	40,006	49,279	44,351	41,887
2	27,891	34,356	30,920	29,202	35,561	43,804	39,423	37,233
1	24,792	30,539	27,485	25,958	31,610	38,937	35,043	33,096

Table 12b – Options 1, 2, 3 and 4 compared

	Step of present staff in new scales calculated from closest matching salary			
	Option 1	**Option 2**	**Option 3**	**Option 4**
New grade A6	Step 12	Step 6	Step 11	Step 5
New grade A5	Step 9	Step 3	Step 8	Step 7
New grade A4	Steps 12 x2 (one frozen) and 11	Steps 7 and 3 x 2	Steps 12 and 8 x2	Steps 12 (frozen) and 11 x 2
New grade A3				
New grade A2				
New grade A1				
New grade B6	Steps 12 (frozen) and 4 x3	Step 11	Step 12 (frozen)	Step 12 (frozen)
New grade B5	Steps 4 and 3		Steps 5 x 3	Steps 8 x 2 and 7
New grade B4	Step 5	Steps 6 x 2 and 5	Steps 5, 4 and 1	Steps 7, 6 and 3
New grade B3	Steps 6 and 4	Steps 5, 4 and 1		Steps 4 and 2
New grade B2	Step 7	Steps 2 and 1	Steps 7, 4 and 2	Step 5
New grade B1	Step 1	Steps 1 and 3	Step 1	Step 1

52. A final element in assessing the impact of change for the UNIDROIT salary system is to examine the historical movement of pay over the past few years as an input into developing a costing of the various proposals. The historical analysis of pay from 2002 onwards should be divided into two periods, increases up to 2008 (representing "normal" movement of pay pre-financial crisis) and increases post-2008.

55. In the CO these two periods have significantly different rates of increase in pay which are the same for both categories of staff. In the period 2002-2007 pay rose at an annual rate of 3.9%. After 2008 (i.e. following the financial crisis) the pay rises dropped to an annual rate of 1.2%.

56. In the UN system pay in the General Service category moved somewhat faster in both periods. In the period prior to 2008 it was 4.5% per annum on average and in the period after 2008 it was 2.0% per annum. However in April 2013 a new baseline salary survey took place resulting in revised salary scales for newly recruited staff which were 7.6% lower than the existing scales. In the UN system already serving staff will have their pay protected and frozen until the new scales catch up with the old ones. On that basis it can be expected that UN General Service salaries equivalent to UNIDROIT Category II will not increase for approximately 4 years. This would seem to indicate that CO local staff pay determination is somewhat more accurate than that of the UN system due to different methods of interim adjustment of salaries.

57. As for UN Professional category pay, before the financial crisis UN professional staff pay mirrored that of CO moving at an average rate of 4.0 percent per annum compared to 3.9 percent in CO. The increases over the period following the financial crisis averaged 2.4 percent per annum, somewhat faster than CO.

III. Allowances

A. Family allowances

58. In net-of-tax salary systems the purpose of family allowances is to replicate the impact of "family friendly" tax regimes as well as those payments that may be made "universally" by the state for dependent children.

(a) UNIDROIT present situation and analysis

59. UNIDROIT follows the CO system of paying family allowances. There is a payment of 6% of base salary made to those staff with a non-working spouse and/or other dependents and a further annual payment (currently €3,468 per child) for each dependent child up to the age of 18 or under the age of 26 if in continuing full-time education (Regulations Article 44)

60. There is little wrong with this system which has been a long-standing UNIDROIT policy. The definitions of dependency are similar to those in other international organizations and the amounts are equitable across staff categories.

(b) The Coordinated Organizations and the UN system

61. The family allowances paid by CO are identical to those used by UNIDROIT and, therefore, require no further comment. However, the Coordinated Organizations also allow for continuing dependency payments for disabled children and the amount is double that of the standard child's allowance. This recognizes, to a small extent, the considerably increased costs faced by parents of disabled children.

62. In the UN system the issue of family allowances is more complex and is treated differently in different categories of staff. In the D and P grades the family allowance is subsumed into the base salary scales with the base salaries for single staff being lower than those of staff with dependents. The difference varies by grade and step reflecting the progressive impact of national tax systems. At grade P2 step 1 the amount is 6.6% of base pay (i.e. close to that of CO) and it rises gradually to 9.1% at grade D1 step 9. On top of this a uniform child's allowance is paid as an annual amount per child (currently €2,230). Staff members in the G grades qualify for a family allowance and a child's allowance each expressed as an annual amount. Because these allowances have been grandfathered for serving staff there are two rates in effect and the current averages are: spouse allowance € 660 and child's allowance € 1,324 per annum.

63. Like the CO, the UN system also pays double the amount of the child's allowance to those parents having dependent children with a medically certified disability. The payment is made without age limit providing the child is not gainfully employed.

(b) <u>Comparison of all three organizations</u>

64. The equivalent of the household allowance in the UN system is on average higher than that in the CO/UNIDROIT system while the child's allowance is generally a bit lower. If the Permanent Committee decides to stay with the CO as its single comparator then it would not seem necessary to change UNIDROIT policies in respect of family allowances.

65. However, should the Permanent Committee decide to include the UN system in its comparator base then it would seem appropriate to account for UN family allowances in the new salary system. This would best be done by increasing the amount of the current household allowance by fifteen percent to reflect part of but not the full value of, the higher amounts paid by the UN system. This would give a new level of the UNIDROIT household allowance of 7%.

66. As regards the child's allowance the average of P level and G level children's allowances in the UN system is lower than the CO amount (€1,777). Thus if both organizations were to be used as comparators it would be appropriate to lower the amount payable to new staff to €2,628 per annum while freezing the amount paid to current staff.

67. It is also suggested that UNIDROIT instigate a new policy of paying double the amount of the child's allowance for a disabled child. This then begs the question as to whether there should be an age limit to this payment. It is suggested that it should be paid up to age 26 regardless of whether the child is in full-time education or not.

B. <u>Expatriation</u>

68. Expatriation allowances and benefits, which are paid by international organizations to staff recruited into higher categories from locations overseas, have many forms and in some organizations (such as the UN system) are a complex mix of cash and in-kind benefits. More recently there has been a trend to simplify and rationalise such allowances taking into account the fact that the longer a staff member remains at the same duty station the more he/she becomes integrated into the local environment and therefore the less an expatriate allowance is needed. This movement started in the late 1990s at the Inter-American Development Bank and the World Bank in Washington D.C. (see paragraphs 76 to 81 below).

69. A declining payment structure recognizes the fact that the longer an expatriate remains in one location, the more he or she adopts the life style and general expenditure patterns of the locality. Long-term expatriate costs do decline. Recent developments to create efficient expatriate

cost-of-living indices attest to this fact; large capital expenses, such as cars, are amortized over a longer period and movements in rent are generally more favourable to an existing tenant than to a new one. Some expatriate staff will marry a national of the duty station and start to put down roots in the adopted country. In the extreme case, long-term expatriates have children who may start to work in the host country. At that time the expatriate may consider applying for residency status in order to stay in the same location as his or her children.

(a) UNIDROIT present situation and analysis

70. In line with changes in CO, there has been a gradual diminution of the expatriation allowance at UNIDROIT. Originally it was set at levels of 20% of base salary for staff with dependents and 16% for single staff. Then after 1996 it was reduced to levels of 18 and 14% respectively. More recently, in 2011, the amount was further reduced to 10% and after three years a decreasing amount is paid, reducing by 20% per annum of the initial payment such that, by year eight, no allowance is payable (Regulations, Article 45).

71. Under Article 62, UNIDROIT also reimburses the cost of home country travel once in a two year period and, for staff taking up or concluding employment, initial transport costs including the transport of household effects up to a limit not defined in the Regulations but to be determined by the Permanent Committee.

(b) The Coordinated Organizations and the UN system

72. The CO pays an expatriate allowance that is somewhat more generous than that of UNIDROIT in that the base level of 10% continues for five years and only then decreases by 20% per annum to a level of zero at year ten. This deduction over ten years is identical to the system originally adopted by the World Bank in 1996, the first such declining expatriate allowance. However, in addition CO also pays either a supplementary child's allowance (of approximately € 900 per annum) or an education grant to those children who attend school and or university on a full-time basis up to the age of 26 or the granting of a first degree whichever is earlier. The level of the education grant is 75% of schooling costs up to a maximum of either 2.5 or 3 times the child's allowance, depending on whether the school is in the duty station or not. For expatriate staff on lower levels of salary there is also a small flat-rate rent subsidy to cover those situations where rent exceeds 33% of the official's salary.

73. As is common in most international organizations CO also pays for biennial home leave travel and the transport of the staff member and dependents as well as household effects on first appointment. In addition an installation allowance is paid to cover the costs of a new staff member on first arrival at the duty station, such as hotel accommodation, meals in restaurants, etc. This allowance depends on family status and varies between one and two months of base salary.

74. In the UN system the situation is even more complex. As stated in paragraph 20 above, a "margin" over USFCS salaries of approximately 15% is included in base salaries but is paid to all P and D grade staff whether expatriated or not. While rental costs are principally included in the Post Adjustment (the UN cost-of-living system) expatriate staff with rents which, in Rome, are on average more than 21% above base salary, qualify for a rent subsidy which covers some 80% of the difference up to a maximum. The impact of the UN policy is to provide a declining rent subsidy for the first few years at the duty station.

75. Education grants for dependent children of expatriated staff are also available and like the CO grant, cover 75% of education costs up to specific (but higher) limits for each location. Staff members also qualify for biennial home leave, an installation grant on first arrival and the transport

of household goods. The installation grant is an amount equivalent to 30 days of local per diem for the staff member plus 15 days for each recognized dependent child.

(c) Comparison of all three organizations

76. As regards expatriation allowances and related benefits UNIDROIT is considerably less generous in its policy provisions than either the CO or the UN systems. Although it covers removal of household goods, an expatriate payment and home country travel costs, UNIDROIT does not provide for any education support, rent subsidies for newly arrived staff or an installation grant to cover the exceptional costs experienced on first arrival.

77. Although the Permanent Committee has not requested any comparison with other organizations it is perhaps instructive to examine the World Bank (IBRD) concept of expatriation as a single declining payment covering all expatriate elements (including home country travel and education costs). IBRD pays an expatriate employee either seven percent of a specific reference salary if travel time to the home country is less than nine hours or eleven percent if travel time is nine hours or more. A spouse qualifies the staff member for an additional payment of five percent and each recognized dependent child under 25 years of age qualifies for a further four percent. Thus, in the first four years, the typical family of a staff member, spouse and two children would receive a payment of 20% if travel times were less than nine hours. The percentage is adjusted over the ten-year period to reflect changes in family size or marital status.

78. The small four percent difference for distance, based on travel time, recognizes that, although an expatriate family may have higher travel costs if coming from further away, these additional costs are not excessive. Air travel costs are determined more by the passenger miles flown and the overall profitability of a route than the absolute distance travelled. Given that the payment is in cash, rather than through the provision of tickets to the home country, the employee tends to use the most cost-effective travel possible, opting for highly discounted means of travel, even at the expense of some personal inconvenience.

79. IBRD's use of a single reference salary acknowledges the fact that, generally, expatriate costs are fixed costs and are not a function of the salary and status of the employee. The reference salary can then be pitched at whatever level the employer feels is reflective of the organization's expatriate employee profile. At the same time maintaining the level of the reference salary in line with general pay movements provides recognition of cost increases without having to monitor specific expenses.

80. The new IBRD benefit is not prescriptive, unlike traditional expatriate benefits, which are based on cost reimbursement and which are not paid unless the employee meets the conditions for payment. Employees can use the money in whatever way they wish - for paying for elderly parents to visit, for schooling costs, for travel of a partner or even as a deposit for purchasing a house as an alternative to renting. Being front-end loaded the payment also recognizes that the heaviest costs for an expatriate are at the beginning of an assignment. The amounts provided are adequate to provide some support for educational expenses.

81. The IBRD system requires employees to take "ownership" of the benefit and use it for the intended objectives on the premise that expatriates, like others, can plan their spending and save for family goals over the long-term. There will always be some staff members who see the payment as an opportunity to acquire personal luxuries. New employees, therefore, need to be clearly informed as to the purpose of the payment and how it can best be managed to meet the objectives of expatriate policies. Perhaps most importantly from the employer's perspective, a cash

payment reduces the administration of expatriate benefits since the amount can be paid monthly through the payroll.

82. A further policy development has taken place at the Inter-American Development Bank (IDB) which provides a lump-sum cash payment for the removal of household goods *in lieu* of a fully paid physical shipment which includes packing, transport and insurance costs. This gives a staff member the option of not shipping more than a minimum of household goods and purchasing at the duty station those bulky items needed for furnishing the home in the light of his/her actual requirements for the rented accommodation. The amounts provided are less than the actual shipment costs but are more attractive to staff because of the flexibility they provide. IDB, however, does make available the necessary administrative assistance for staff to import their household goods into the country under the terms of its headquarters agreement.

C. Proposals/options

83. Two options are proposed for the system of family allowances. The first is to stay with the present system which is exclusively based on CO levels of these allowances. The second, depends on whether the Permanent Committee decides to adopt the UN system as an additional comparator. In this option allowances are broadly based on the averages of the amounts paid in the two systems but in a simplified version so that administration is minimized. In this second option the household allowance would rise to seven percent per annum of base salary and the child's allowance would be set at € 2,628 per annum and should be reviewed at five-year intervals.

84. In addition it is proposed that UNIDROIT pays a higher child's allowance for any dependent child who is medically certified to be handicapped at a level twice that of the basic child's allowance up to and including the age of 25 years, providing the child is not gainfully employed.

85. As for expatriation allowances there would seem to be scope to both simplify and make UNIDROIT expatriation payments and benefits more competitive. Three options are proposed below.

- The current UNIDROIT allowance, somewhat improved, plus an improved administrative approach to the shipment of household goods on first arrival and upon departure from the duty station;
- A variant on the IBRD approach shifting all elements of expatriation into a single payment structure plus similar changes for the removal of household goods;
- A second option based on the IBRD approach but providing somewhat less generous payments.

86. Option 1 – improvements to the current UNIDROIT allowances. UNIDROIT has progressively reduced its expatriate allowance in line with CO levels but has as a result started putting itself in a less competitive position when compared to international practice. It has adopted best practice in providing a declining expatiate allowance over time but has reduced the amount faster than CO. Furthermore CO also provides an additional payment for expatriated dependent children (or an education grant). The additional CO child's allowance provides an additional payment of approximately one percent of basic salary at mid-level grades. It is also proposed that the shipment of household goods be converted into a cash grant giving the staff member more flexibility and allowing some of the cash to be used for temporary hotel accommodation on first arrival. Thus under this option it is proposed that UNIDROIT provide the following expatriate benefits:

- An expatriate allowance which is unchanged for four years but which then declines at a rate of approximately 20% for four years so that at year nine no amount is payable. The level of the allowance should be set at ten percent for single staff and 14% for staff with dependents.

- Home country travel on the present basis but as an equivalent cash payment rather than the provision of tickets. This gives staff the flexibility of being able to travel more frequently for the same cost.

- A shipment of household goods allowance of 30 days standard per diem for single staff and 45 days for staff with dependents (the current daily subsistence allowance is €246). This would apply both for initial and final shipments.

87. Option 2 - a variant on the approach taken by IBRD. The World Bank operates a system designed for US-based expatriates. Thus the percentage amounts in its expatriate grant are defined by flying time from Washington D.C. UNIDROIT operates in a country of the European Union (EU) and it is recommended that under this option differing expatriate payments be made depending on whether the home country of the staff member is either in the EU/ European Free Trade Agreement (EFTA) area or elsewhere. This option rolls all expatriate allowances, including home country travel into one package which declines over time. In addition the household goods entitlement has been turned into a cash payment as is the case in option 1.

88. The benefits under this option would be as follows. An expatriate allowance which is unchanged for five years but which then declines at a rate of approximately 20% for four years so that by year ten no amount is payable. The level of the allowance should be set according to Table13. This allowance allows UNIDROIT to advise the prospective staff member that all expatriation elements have been taken into account in establishing the amount including education costs for dependent children, rental subsidies and home country travel. Furthermore, given that the costs of expatriation vary very little with the grade of the staff member, the costs should be based on the defined percentages uniformly applied to the upper Category I benchmark base salary (grade 4, step 1). The allowances maximise out at a family size of spouse and three dependent children.

Table 13 - Proposed option 2 expatriate allowances as percentage of the grade 4 step 1 base salary

	Staff Member %	First dependent %	Each additional dependent child %	Maximum %
Staff whose home country is in the EU or the EFTA area	6	2.5	1.5	13
Staff with non-EU/EFTA home countries	9	4	2	19

89. Option 2 should also include an allowance for the shipment of household goods of 30 days standard per diem for single staff and 45 days for staff with dependents as in the case of option 1.

90. Option 3 – an option based on option 2 but providing somewhat less generous payments. The World Bank allowance was based on an actuarial calculation assuming that the staff member stayed in post for a 20-year period. This would fit the current long service profile of UNIDROIT Category A staff. However, if UNIDROIT wished to encourage a higher turnover of staff it might

consider reducing the staff member's percentage in Table 13 as well as reverting to the present policy of holding the amount constant for three years and then reducing the amount by 20% per annum so that by year eight it is zero. Apart from the maximum percentage, which would reduce by a corresponding amount, all other elements, including the lump-sum household goods shipment allowance would remain the same. The proposed levels of the staff member's allowance would be four percent for staff with home country in the EU/EFTA and seven percent for all other staff. This option would be particularly appropriate if a combination of CO and UN pay were to be used to set salaries as (as stated in paragraph 20 above) UN P and D level base pay already contains a margin for expatriate service.

IV. Social Benefits

91. Analysis and consideration of possible policies for the future as regards social benefits is the most complex of the problems facing UNIDROIT and there is no "quick-fix" short-term solution that will ensure equity across UNIDROIT's present staff. There are many different systems currently "in play" within UNIDROIT and because membership of each system is a long-term decision which cannot be broken lightly; changes cannot be envisaged for serving staff unless they were prepared to forgo future benefits. As staff turnover at UNIDROIT is low and as any changes could only be introduced for new staff, this reinforces the need to consider this problem in the long-term and not rush to immediate solutions.

92. The suggestion that UIDROIT should integrate itself into the UN pensions and health insurance systems is not practical. The UN Joint Staff Pension Fund would not accept inclusion of UNIDROIT unless it were to follow exactly the UN salary system as pension benefits, in particular, are based on complex calculations which require that the UN salary structure be used, since it runs a defined benefits scheme (see definitions).

A. UNIDROIT present situation and analysis

93. Article 52 of the UNIDROIT Regulations defines the social benefits available to staff as being life insurance (presumably meaning a full-life annuity insurance), accident insurance and sickness insurance up to but not exceeding the contribution paid to the Italian state insurance agency (INPS). The Article provides for UNIDROIT to pay 75% of the relevant costs and the staff member 25% however, this cost distribution is no longer applied. Article 69 states that, notwithstanding the cost breakdown required by Article [52], INPS insurance for Categories B and C staff will be paid for in full by UNIDROIT. Upon termination of service UNIDROIT regulations allow the staff member to retain his/her membership in any annuity plan providing he/she bears the full costs thereafter. Additionally, the UNIDROIT HQ agreement requires UNIDROIT to provide health insurance cover at a level "not lower than that accorded to persons insured by the United Nations agencies". Fifteen staff members are covered for health insurance through the Italian national health scheme and the other staff members have cover provided through different systems.

94. A full review of the current arrangements for providing social benefits was given to the Permanent Committee in a document entitled *Review of the structure and personnel policies of the Secretariat* (UNIDROIT PC (114) 1), paragraphs 22 to 29. 15 staff members belong to the Italian social security system (INPS), two to the German national system, one to the Swiss system and one to the UN system. A further two staff members belong to private sector provided schemes both for pensions and health insurance.

95. In brief, INPS provides a benefits package which includes pensions, maternity payments, disability benefits, survivor benefits and unemployment payments as well as health insurance and partial reimbursement to the employer for sick leave days taken. INPS pensions are based on a

defined contribution system (see definitions) although those who joined before 1996 have their benefits calculated pro-rata based on the prior plan which was a defined benefits plan. The current pensions benefits are payable after 20 years of contributions and at age 66 rising gradually to age 66¼ by 2021. Contributions in Italy are based on gross salary although UNIDROIT pays its contributions using net salary as its pensionable base. This means that the pension benefits received by retired staff (which are taxable) are at a lower level than for any equivalent external employee. To receive a pension an Italian national must retire from all employment (i.e. in theory that person cannot work elsewhere after drawing the pension). The pension benefit is based on paying 6.13% of one third of the sum of lifetime contributions (adjusted for changes in Gross Domestic Product).

96. At first glance, INPS is a costly scheme with UNIDROIT paying 27.81% of net salary and the staff member 9.19%, despite the fact that staff in Categories B and C should be paying no contribution. Based on the reimbursement received from INPS for sick leave pay in 2013, UNIDROIT's net contribution to INPS is 26.81%, i.e. one percent less. For external employers total contributions to INPS vary between 40 and 45% of pensionable salary with the employee again generally paying around 10%, however these costs include other mandatory payments that UNIDROIT does not need to pay. UNIDROIT does not behave like all other Italian employers that pay contributions based on a gross salary (i.e. a salary before deduction of taxes). Consequently the contributions percentage is applied to a much smaller level of pay. The average contribution by UNIDROIT to other social security systems to which staff members belong comes to 24.9% of net salary (a difference of less than two percent when compared to INPS).

97. The disparate system of social security benefits creates problems for staff and UNIDROIT. On at least one occasion it is reported that a staff member left because UNIDROIT could not offer a US 401K-style plan and because UNIDROIT health insurance arrangements would have left him short of necessary cover on his return to his home country. A second staff member also left because of the pensions issues. Different amounts paid for different pensions systems complicate administration and could be considered inequitable as the eventual pensions benefits will vary widely.

B. <u>The Coordinated Organizations and the UN system</u>

98. Both the CO and the UN pensions systems are based on defined benefits plans. In the UN system the defined salary is a grossed-up salary figure which for professional staff is some 22% higher (in Rome) than the basic salary plus post adjustment (for single staff). For G level staff the pensionable salary is some 27% higher than base salary. In the CO, calculated pensions are increased by an amount which is approximately equal to 50% of the tax due on the pension when tax is paid by the retiree. The two plans and INPS are compared in Table 14 below. Additionally each organization provides a health insurance scheme which extends to after-service coverage.

99. UNIDROIT has requested the CO office responsible for salary and pensions (ISRP) to provide it with an option for a pension scheme which could be administered by ISRP. An analysis of this proposal shows that the option offered by ISRP is, to all intents and purposes, that outlined for CO in Table 14 below. ISRP advised UNIDRIOT that the cost to the organization (subject to quadrennial adjustments) would be 13.9% of base salary a savings over the present net contribution rate to INPS of 13.91%. However this estimated savings does not account for the need to provide health insurance or for the fact that certain payments are made under INPS (such as maternity pay and reimbursement of staff absences for sickness) which, it is estimated, would reduce the gross cost savings offered by ISRP to UNIDROIT to around 7% (see paragraph 105 below). The cost for staff remains about the same at 9.3% as compared to 9.19%.

100. The ISRP proposal suggests that all staff should be transferred across to the CO plan as of the date of joining, on the basis of two assumptions. First, that there is no disadvantage in staff terminating their already long-term investment in INPS or the equivalent schemes. Second, that the INPS would pass over the actuarial equivalent of the contributions they hold for staff who would not on that date qualify for an INPS pension payment through length of contributions (less than five years). For most staff with long service (defined as those with 15 or more years in any given plan) to cease contributions and to shift over to another plan would represent a disadvantage as the eventual pension from that plan would be considerably diminished. While there are intergovernmental agreements providing for pension transfers from INPS to other national social security schemes there are none with other sectors and, therefore, the second condition is likely to be rejected, resulting in a loss to UNIDROIT and the staff member of the amount already invested. Pension schemes such as INPS depend in part for their funding on contributions that do not result in a qualifying periods of service.

101. Staff who would not complete 10 years of service under the proposed ISRP plan would receive a lump sum reimbursement equal to their own contribution plus part of the organization’s contribution adjusted for long-term average investment returns on the amount held in the UNIDROIT pension fund account. To give the Permanent Committee and idea of what this would mean, for simplicity’s sake it has been assumed that a staff member leaving after five years service has had a constant salary of salary of €24,000 per annum. In this case the lump sum amount would be: 2.25 x staff contribution percentage x last monthly salary x contribution period (2.25 x 2,000 x 60 x 9.3% = €25,110) (see also paragraph 104 below).

C. <u>Other</u>

102. As part of this study the social security programme of Bioversity International (based in Maccarese) was examined. Bioversity is part of the Consultative Group on International Agricultural Research (CGIAR). As such it pools its health insurance and pensions schemes with other members of CGIAR. Bioversity local staff are not enrolled in INPS and instead it offers a defined contributions pensions plan. The original Bioversity plan offered staff a choice from amongst three investment options, bonds (the most secure with lowest returns), equities and money market investments (with the highest risk and higher returns) although recently, more options have been added. For locally recruited staff Bioversity pays a contribution of 16% of the staff member’s notional gross salary which includes an amount to cover Italian tax. Bioversity estimates that this is equivalent to 20% of net salary, a level that is broadly consistent with calculations generated by a simple tax model. For international staff Bioversity contributes on a sliding scale which ranges from 6% of salary below age 32 rising gradually to 20% of salary at the top age group. Staff can top up the Bioversity payments by a further 4%. US staff can place these amounts in a 401(K) plan. The amounts saved can be transferred from plan-to-plan if an employee changes employer but cannot be accessed as an annuity until age 65.

Table 14 - Comparison of the UN, CO and INPS (UNIDROIT) pensions plans

Organization	CO	UN	INPS
Employer share % pensionable salary	Balance over employee contribution (13.9% est.).	15.8% pensionable salary	26.81%
Basis for employee contribution	9.3% salary	7.9% pensionable salary	9.19%
Basis for pensionable salary	Net plus 50% of tax if paid by retiree	Net plus percentage to reflect average tax rates	Net salary only
Normal retirement age	63	62	66
Maximum pensionable service (years)	35	40	n/a (annual salary cap of approximately €85,000)
Final Average Remuneration (FAR)	Final 12 month salary	Highest 36 month avg. in last 5 yrs	n/a
Benefit formula per year of service	2% FAR p.a.	1.5 x FAR for first 5 years, 1.75% for next 5 years, 2% FAR for 25 years and 1% thereafter	6.13% of lifetime contribution x ⅓ adjusted
Maximum benefit (% FAR)	70	70	n/a
Vesting period (years)	10	5	20
Treatment of tax	Tax allowance of approx. 50% of nominal tax payable added to pension	Pension base already grossed up to account for tax	Taxable but no adjustment made for this
Early retirement age	50	55	60
Lump sum commutation	No	Yes (33% maximum)	No

D. Proposals/options

(a) Pensions/disability

103. Historically international organizations have provided defined benefits pension schemes. However, most of the international organizations that have been created in the past 20 years decided to provide staff with a defined contributions pension plan rather than the more traditional defined benefits plan. In addition some organizations, such as the World Bank, have moved newly recruited staff into defined contribution regimes. In the private sector defined contribution plans are now the norm and many large employers are phasing out or have frozen defined benefits programmes. Defined contribution schemes are also being introduced by governments for their civil services, although exiting staff are usually grandfathered. It is also important to note that INPS has also provided a defined contributions benefit since 1996, its defined benefits plan now only applying to grandfathered participants.

104. If a defined contributions scheme similar to that offered by Bioversity were to have been provided for the same staff member given as an example in paragraph 101 above, the departing staff member would receive the total of the amount in his/her nominal account. Assuming that UNIDROIT pays 14% and the staff member 7% of the stated salary (€24,000) and that investment returns are a low 2% per annum (a very conservative estimate accounting for an investment manager's costs) the return to the staff member with a medium-term contact in UNIDROIT would be at least €26,710 i.e. better than the return under the ISRP proposal by €1,600. This is because, unless a staff member completes a full career in an organization, defined benefits schemes apply a considerable actuarial reduction to the benefits that the plan eventually pays out. Furthermore, if UNIDROIT were to take the approach adopted by Bioversity and pay higher contributions to account for Italian tax the cost to UNIDROIT would still be below that currently experienced for INPS while at the same time UNIDROIT would be giving due recognition to the fact that pensions are taxable. The additional four percent is sufficient to cover estimated Italian tax levels for salaries up to €60,000.

105. The ISRP proposal leverages on the technical expertise of the ISRP Secretariat to manage the pension fund for UNIDROIT in common with the way it manages and administers plans for several other non-CO institutions following the CO rules. The CO scheme is quite complex and would place new administrative burdens on UNIDROIT (the rules of the CO scheme extend to 56 pages compared to three pages of rules for the Bioversity scheme) not the least of which would be the necessity for and costs to cover a group of "trustees" who would have to meet periodically with the ISRP Secretariat to oversee the investments and actuarial projections based on the rate of draw-down of the funds allocated to the pension plan. While ISRP correctly considers that a national plan such as INPS is restrictive and of less advantage to those who are not Italian nationals and who may more duty stations, it does not acknowledge that INPS has inter-changeability with all EU national pension plans as well as some other bilateral exchange agreements. ISRP also believes that their proposal could be useful to UNIDROIT as it could then exchange staff with the Bureau of the Hague Conference on International Private Law whose pensions it also manages. This is a somewhat optimistic scenario. Each organization has less than 30 staff of which at least half are locally recruited. The opportunity or likelihood for staff interchange seems slight.

106. The ISRP proposal is not considered appropriate for UNIDROIT for several reasons. The contribution rate is based on current CO experience but the existing pool of funds available to CO and the large number of participants provide the current contributing organizations with a level of income flow which can smooth out short- to medium-term costs of the plan. This would not be the case for UNIDROIT which would be required to maintain its own separate funds and not comingle

resources with the CO. If any large payment were to be made from the UNIDROIT component of the scheme for a UNIDROIT participant (such as a disability payment) the balance in the UNIDROIT account would be severely depleted and the organization would have to make up the difference in some way. While it is true that returns under defined contribution schemes have been low in the recent past due to the financial crisis, this problem has not been avoided by defined benefits schemes either. Defined benefits schemes have run into trouble in recent years because the investment returns have not kept pace with the income needed to pay benefits and there is no guarantee that this will improve dramatically in future although they have a long time span over which to make adjustments and so immediate action can be deferred until the investment climate improves.

107. If the ISRP proposal were to be accepted, the UNIDROIT fund would have to be built up gradually and, as in all circumstances, other than a large increase in UNIDROIT staffing, it would remain small, it would be vulnerable to difficult market conditions or sudden withdrawals. The ISRP scheme (as has been shown in paragraphs 99 and 102) would provide less of a pension for staff employed for the medium-term than a defined contributions scheme and, unlike the proposal for a defined contributions scheme, does not provide for any adjustment to account for tax on pensions as, in the CO system, these costs are paid from individual coordinated organizations' budgets.

108. Too much has been invested by current staff enrolled in INPS for far too long to make any immediate changes despite the exorbitant cost of the system. Furthermore, it is highly unlikely that INPS would agree to transfer their individual actuarial balances to the Coordinated Organizations. UNIDROIT staff enrolled in INPS might move across to a new scheme on a voluntary basis if they were prepared to accept that their INPS pension would decrease as a result although this is unlikely unless they see a clear personal benefit, which might only be the case for younger staff.

109. Therefore a two-stage long-term programme is proposed to cover newly recruited staff. UNIDROIT should maintain its contributions to INPS for Italian nationals and those other staff who are already vested in INPS (i.e. have 19 years of contributions). For all other new staff UNIDROIT should provide a pension contribution of a maximum of pensionable net pay of <u>no more than</u> 20%, representing the employer's contribution which each person can ask UNIDROIT to place in any approved pension system of their choice, including a private sector managed investment scheme. This allows those on secondment to retain their seconding employer's scheme, if necessary making up the difference and adding their own regular contribution. Once this policy has been introduced, thereby setting limits to UNIDROIT payments, UNIDROIT should then approach an investment manager to provide new staff with a scheme similar to that of Bioversity, including the possibility of: transferring other prior contributions into the scheme, transfers out to new or seconding employers' schemes and maintaining payments as an individual. Once that scheme is negotiated and approved all UNIDROIT staff recruited thereafter, except those Italian national already vested in INPS, should be administered under such a scheme, including those on secondment.

(b) <u>Health insurance</u>

110. The Rome-based employers under study and Bioversity International benefit from being part of large organizations offering considerable economies of scale both in respect of administrative costs and pooling of risk. That notwithstanding, it is possible to purchase international health insurance from a number of sources. These cover benefits broadly similar to those offered by international organizations and if staff were to pay 25% of costs as required by the Regulations and assuming a standard family of four, health insurance would cost UNIDROIT some €5,400 per year

or 6.0% of payroll based on present staff numbers[5]. Generally the staff of international organizations has a good health experience (partly because heath checks are mandatory on appointment) and although the numbers joining a plan from UNIDROIT would be few, it would probably be possible to negotiate a slightly lower cost than that indicated.

111. The impacts of the different pensions and health insurance schemes considered above are summarized in Table 15.

Table 15 - A comparison of social security contributions

Scheme	UNDROIT pension contribution (% of net salary)	Other UNIDROIT contributions (% of net salary)	Total staff contribution (% of net salary)
INPS	26.81 (net)	-	9.19
Other present plans	24.9	-	Not known
ISRP proposal	13.9	6.0	11.3
DC type plan	14.0 or 18 to account for tax	6.0	9.0

V. Conclusions

112. The UNIDROIT Regulations concerning the pay of staff are in need of revision. Revision should have three main aims. First to reflect more correctly the compensation situation in UNIDROIT, with (or without) the changes proposed in this paper. Second to move UNIDROIT closer to modern concepts concerning the management of staff and pay generally, by giving greater delegation to the Secretary-General for day-to-day decisions within the overall understanding that member states need to approve certain salaries and allowances. Third to reflect recent moves towards more modern drafting of staff regulations by moving into annexes those elements which either do not require member states' approval or which may be subject to more frequent change.

113. A first draft of such a revised set of Articles is presented in Annex C. The revised articles define new categories and grade structures and will make provision for future staff salary growth to be based on meritorious performance and progression between grades to be based on a real change in functions. Annexes to the revised regulations should contain the grade definitions, currently shown as Annex A to this document, the actual salary scales (as is currently the case), new transition rules and those rules which are delegated to the management of UNIDROIT.

114. A number of suggestions are made to make the administration of salaries less labour intensive. The first of these is that the number of categories of staff should be reduced to two. The second is that the monthly salary scales and the monthly value of fixed allowances should be rounded upwards to the nearest full Euro. This will make calculation of staff salaries easier. The third is that, regardless as to whether the UN system is used as a comparator, the CO structure of family allowances should be maintained, albeit adjusted in value. Third, in some cases (for example home country travel and shipment of household goods, suggestions have been made for an all-

[5] This best estimate is, however, based on age-based rates and the actual cost would have to be investigated in the light of the staff's overall age profile

cash approach which will eliminate the need to treat each event as a separate administrative action.

115. Four options have been presented for a new salary structure, one based on retaining the present comparator (CO) and three others being based on using a mix of CO and UN as the comparators (paragraphs 39 to 52 above). In all four cases a salary scale has been developed for Category I staff which thereby avoids the completely inequitable situation that exists at present.

116. It is also proposed that, in line with introducing grade definitions and eliminating promotion based solely on time in grade, a specific pay increase be granted upon promotion, as is the case in most other employers in both public and private sectors. It is suggested that the amount of that increase should be such that on movement to a higher grade, the staff member should be moved to a step that is at least 4% higher than the level of the pre-promotion step.

117. Commensurate with the options for new salary scales two options have been proposed for the calculation of family allowances (paragraphs 64 to 66 above). The options that are presented reflect the possible decisions to be made on choice of comparator(s). In addition it is proposed that an allowance be introduced for disabled dependent children (paragraph 67). As can be seen from Table 2 in Annex D, there are insignificant costs associated with the proposed changes.

118. Three options are provided to deal with expatriation allowances with the intent of making UNIDROIT more competitive in the market for international staff and at the same time reducing administrative burdens (paragraphs 86 to 90 above).

119. In the *Review of the structure and personnel policies of the Secretariat* (UNIDROIT PC (114)1) paragraph 35 it was indicated that a prior study had estimated that a move to "a salary scale modelled after the UN scale might eventually lead to an annual savings of some €150,000 as compared to the current aggregate cost of UNIDROIT professional staff". This statement is presumably based solely on the calculation of differences existing between the UN P/D and the CO Category A salary scales. At best, the change to any new system will see a slower evolution of pay over the long term than at present but it will not result in measurable savings (see Annex D). This is for several reasons:

- Given the discordancies that exist between UNIDROIT recruitment salaries and actual pay progression as outlined in this study, in any circumstance it is difficult to understand the evolution of pay in UNIDROIT and make costing assumptions for the mass of staff without modelling actual salary movements.

- As has been shown above, over the long-tem there is very little difference between the salary scales for UN GS and CO Category B/C. Thus little or no savings can be expected in UNIDROIT Category II.

- Simply moving staff across from CO to UN pay scales opens up the annual within-grade increases for Category II staff to higher actual amounts per year, annual rather than biennial increments (see paragraphs 22 and 28 above), to a greater number of steps in each grade and to different levels of allowances, even for staff currently capped at the top of their grade, without modelling these changes no cost assumption can be made.

120. Cost estimates for all of the options presented in this study and relevant explanations concerning necessary transition arrangements will be found in Annex D. Option 1 which is a regularization of the present system has no year-by-year costs in excess of currently estimated

costs and also has the lowest fixed cost for transferring staff to a new system. Option 2 has a high cost increase but this option is based on the use of both CO and UN scales without reduction. Although it is unlikely that this scale will be adopted by UNIDROIT the calculations are provided to clearly show the maximum impact should one or more comparators be adopted without reduction of salary increases. Option 4 at first sight seems the option with the least additional cost over and above Option 1. However it differs only because of the current slowdown in UN GS salaries. When that has worked out of the system it is likely to be very similar in cost to Option 3. Including UN with the CO salary scales does not reduce costs although the differences are marginal compared to total payroll costs.

121. In understanding the cost implications of the four options attention should be drawn to Table 12b in particular, as this table shows the impact on each of the existing staff members when moved across to the new scales. Thus the cost implications from Options 1 and 3 are low because certain staff members will find themselves at or near the top step of a grade although under the present grade definitions they would have had the possibility of being granted several more steps before reaching their top step. In effect this results in a saving to UNIDROIT which is reflected in the low additional costs. Options 2 and 4 slot staff to lower steps in grade but as has been seen in Annex D Option 2, because it does not reduce the comparators' increases, does result in higher costs.

122. More intractable are the policy changes needed for social benefits. A long-term approach is proposed in paragraph 105 which, if combined with the proposal for health insurance presented in paragraph 106 would eventually result in lower costs for UNIDROIT. However no cost estimate has been made for this as more work will be required before UNIDROIT management is in a position to make concrete proposals to the Permanent Committee and during that time costing parameters could change substantially.

Annex A

UNIDROIT Grade Descriptors

Category I

A6 Secretary-General

A5 Senior Officer - (Deputy Secretary-General) with considerable working experience in international law and with some supervisory responsibilities

A4 Senior Counsel or equivalent - typically with at least 15 years experience working in an international environment and undertaking complex assignments with minimal supervision

A3 Counsel or equivalent - a mid-career professional or holder of a Masters degree with considerable experience of which some 7 years are expected to be at an international level who is capable of working independently

A2 Junior Counsel or equivalent – typically a fully qualified professional with some working experience but not necessarily having international legal or other professional expertise and typically working under a more senior colleague

A1 Para-professional - holding a basic degree but not necessarily fully qualified professionally but knowing the fundamental concepts and procedures of a typical field of specialization

Category II

B6 Specialists - holding formal qualifications appropriate to the function with 15 or more years of relevant experience and an ability to work independently and accurately on specialized tasks of a varied nature

B5 Senior clerical workers or equivalent - with at least ten years experience of which at least five should be with an international organization and having two or more languages possibly exercising some supervisory role over lower-graded colleagues and with advanced knowledge of standard computer software to provide solutions and trouble-shooting for less knowledgeable colleagues

B4 Clerical workers or equivalent - with at least seven years experience, language skills and possibly holding higher education diplomas and a good knowledge of standard computer software packages

B3 Clerical workers or equivalent - with some three to four years prior working experience in a related function and knowledge of basic computer processes and software

B2 Semi-skilled jobs – typically performing a variety of routine tasks requiring a high school education and knowledge/qualifications for specific skills

B1 Unskilled jobs – typically jobs performing repetitive tasks requiring no more than a high school education and no special skills.

Annex B

Salary Scale Options

Table 1

Option 1 Comparator baseline 80% of CO scales

Step value €	step 1	step 2	step 3	step 4	step 5	step 6	step 7	step 8	step 9	step 10	step 11	step 12
Category I												
Grade 6												
2469	98,766	101,235	103,704	106,173	108,642	111,112	113,581	116,050	118,519	120,988	123,457	125,926
Grade 5												
2147	85,883	88,030	90,178	92,325	94,472	96,619	98,766	100,913	103,060	105,207	107,354	109,501
Grade 4												
1774	70,978	72,752	74,527	76,301	78,076	79,850	81,625	83,399	85,174	86,948	88,722	90,497
Grade3												
1355	54,182	55,536	56,891	58,245	59,600	60,954	62,309	63,663	65,018	66,373	67,727	69,082
Grade 2												
1119	44,778	45,898	47,017	48,137	49,256	50,376	51,495	52,614	53,734	54,853	55,973	57,092
Grade 1												
973	38,938	39,911	40,884	41,858	42,831	43,805						
Category II												
Grade 6												
1117	44,676	45,793	46,910	48,027	49,144	50,260	51,377	52,494	53,611	54,728	55,845	56,962
Grade 5												
993	39,712	40,705	41,698	42,690	43,683	44,676	45,669	46,662	47,654	48,647	49,640	50,633
Grade 4												
882	35,300	36,182	37,065	37,947	38,830	39,712	40,594	41,477	42,359	43,242	44,124	45,007
Grade 3												
784	31,377	32,162	32,946	33,731	34,515	35,300	36,084	36,868	37,653	38,437	39,222	40,006

Grade 2												
697	27,891	28,588	29,286	29,983	30,680	31,377	32,075	32,772	33,469	34,166	34,864	35,561
Grade 1												
620	24,792	25,412	26,032	26,651	27,271	27,891	28,511	29,131	29,750	30,370	30,990	31,610

Table 2

Option 2 Comparator baseline average of CO and UN scales

Step value €		step 1	step 2	step 3	step 4	step 5	step 6	step 7	step 8	step 9	step 10	step 11	step 12
Category I													
Grade 6	2575	112,578	115,392	118,207	121,021	123,836	126,650	129,465	132,279	135,093	137,908	140,722	143,537
Grade 5	2341	97,894	100,341	102,789	105,236	107,683	110,131	112,578	115,025	117,473	119,920	122,367	124,815
Grade 4	2128	85,125	87,253	89,381	91,509	93,638	95,766	97,894	100,022	102,150	104,278	106,406	108,534
Grade 3	1625	64,981	64,981	64,981	64,981	64,981	64,981	64,981	64,981	64,981	64,981	64,981	66,605
Grade 2	1343	53,703	55,046	56,388	57,731	59,074	60,416	61,759	63,101	64,444	65,787	67,129	68,472
Grade 1	1167	46,699	47,866	49,033	50,201	51,368	52,536						
Category II													
Grade 6	1376	55,031	56,407	57,783	59,159	60,535	61,910	63,286	64,662	66,038	67,413	68,789	70,165
Grade 5	1223	48,917	50,140	51,363	52,586	53,808	55,031	56,254	57,477	58,700	59,923	61,146	62,369
Grade 4	1087	43,482	44,569	45,656	46,743	47,830	48,917	50,004	51,091	52,178	53,265	54,352	55,439
Grade 3	966	38,650	39,617	40,583	41,549	42,515	43,482	44,448	45,414	46,380	47,347	48,313	49,279
Grade 2	859	34,356	35,215	36,074	36,932	37,791	38,650	39,509	40,368	41,227	42,086	42,945	43,804
Grade 1	763	30,539	31,302	32,065	32,829	33,592	34,356	35,119	35,883	36,646	37,410	38,173	38,937

Table 3

Option 3 Comparator baseline average of CO and UN scales x 90%

Step value €		step 1	step 2	step 3	step 4	step 5	step 6	step 7	step 8	step 9	step 10	step 11	step 12
Category I													
Grade 6	2533	101,320	103,853	106,386	108,919	111,452	113,985	116,518	119,051	121,584	124,117	126,650	129,183
Grade 5	2203	88,104	90,307	92,510	94,712	96,915	99,117	101,320	103,523	105,725	107,928	110,131	112,333
Grade 4	1915	76,613	78,528	80,443	82,358	84,274	86,189	88,104	90,020	91,935	93,850	95,766	97,681
Grade 3	1462	58,483	59,945	61,407	62,869	64,331	65,793	67,255	68,717	70,179	71,642	73,104	74,566
Grade 2	1208	48,333	49,541	50,750	51,958	53,166	54,375	55,583	56,791	58,000	59,208	60,416	61,625
Grade 1	1051	42,029	43,079	44,130	45,181	46,232	47,282						
Category II													
Grade 6	1238	49,528	50,766	52,005	53,243	54,481	55,719	56,957	58,196	59,434	60,672	61,910	63,148
Grade 5	1101	44,025	45,126	46,226	47,327	48,428	49,528	50,629	51,729	52,830	53,931	55,031	56,132
Grade 4	978	39,133	40,112	41,090	42,068	43,047	44,025	45,003	45,982	46,960	47,938	48,917	49,895
Grade 3	870	34,785	35,655	36,525	37,394	38,264	39,133	40,003	40,873	41,742	42,612	43,482	44,351
Grade 2	773	30,920	31,693	32,466	33,239	34,012	34,785	35,558	36,331	37,104	37,877	38,650	39,423
Grade 1	687	27,485	28,172	28,859	29,546	30,233	30,920	31,607	32,294	32,982	33,669	34,356	35,043

Table 4

Option 4 Comparator baseline averages of CO and UN scales x 85%

step value €	step 1	step 2	step 3	step 4	step 5	step 6	step 7	step 8	step 9	step 10	step 11	step 12
Category I												
Grade 6												
2859	114,354	117,213	120,072	122,931	125,790	128,649	131,507	134,366	137,225	140,084	142,943	145,802
Grade 5												
2251	90,043	92,294	94,545	96,796	99,047	101,298	103,549	105,800	108,051	110,302	112,553	114,804
Grade 4												
1801	72,034	73,835	75,636	77,437	79,238	81,038	82,839	84,640	86,441	88,242	90,043	91,844
Grade 3												
1441	57,627	59,068	60,509	61,949	63,390	64,831	66,271	67,712	69,153	70,594	72,034	73,475
Grade 2												
1181	47,236	48,416	49,597	50,778	51,959	53,140	54,321	55,502	56,683	57,864	59,044	60,225
Grade 1												
992	39,694	40,686	41,678	42,671	43,663	44,655						
Category II												
Grade 6												
1169	46,777	47,946	49,115	50,285	51,454	52,624	53,793	54,963	56,132	57,301	58,471	59,640
Grade 5												
1039	41,579	42,619	43,658	44,698	45,737	46,777	47,816	48,856	49,895	50,935	51,974	53,014
Grade 4												
924	36,959	37,883	38,807	39,731	40,655	41,579	42,503	43,427	44,351	45,275	46,199	47,123
Grade 3												
821	32,853	33,674	34,495	35,317	36,138	36,959	37,781	38,602	39,423	40,245	41,066	41,887
Grade 2												
730	29,202	29,933	30,663	31,393	32,123	32,853	33,583	34,313	35,043	35,773	36,503	37,233
Grade 1												
649	25,958	26,607	27,256	27,905	28,553	29,202	29,851	30,500	31,149	31,798	32,447	33,096

Annex C

Proposed revised regulations for staff

Article 39

1 - Staff shall be assigned to a category and to a grade within that category based on the functions they are expected to perform.

2 - Category I positions will require the incumbent to have a degree or other equivalent professional qualification. There shall be six grades within Category I.

3 - Category II positions are support positions mostly requiring appropriate experience and specific qualifications. There shall be six grades within Category II.

4 - The broad level of qualifications and duties expected of each grade within a category are defined in Annex I of these regulations.

Article 40

When approving the Work Programme the Assembly shall also approve the list of UNIDROIT positions drawn up by the Governing Council based on proposals made by the Secretary-General. Such list shall indicate the grade assigned to each position. The approved list shall constitute Annex II to these regulations. In any three-year period this Annex may be amended by the General Assembly based on proposals made by the Secretary-General and approved by the Permanent Committee.

Article 41

1 - Category I staff shall be appointed by the Permanent Committee based upon proposals made by the Secretary-General.

2 - Category II staff shall be appointed by the Secretary-General provided the position has been included in Annex II to these regulations.

3 - Institute staff shall be recruited from among national of different countries and recruitment shall be based upon competitive examination or any other suitable system of comparison.

4 - Prior to advertisement of a position the relevant language qualifications shall be established and the Secretary-General shall be responsible for ensuring that the candidate proposed for recruitment shall meet those requirements adequately.

Article 42

1 - Salary scales applicable to Categories I and II shall be approved by the General Assembly.

2 - The approved salary scales are shown in Annex III to these regulations.

3 - The initial step within grade for a staff member appointed to a Category I position shall be approved by the Permanent Committee at the time of appointment. The initial step within grade for

Category II staff will be established by the Secretary-General provided the step is below step 6. If a higher step is deemed necessary the Permanent Committee shall approve the step.

4 - Salary scales in Categories I and II shall be adjusted periodically by the General Assembly based on the approved adjustment methodology defined in Article 43 below.

Article 43

[This can only be completed when the specific methodology had been decided up on and approved]

2 - There shall be twelve steps in each grade. The periodic increment (step within grade) to be received by staff shall be an amount equal to 2.5% of the first step in each grade. The periodic increment shall be awarded annually up to and including step six and biennially thereafter.

3 - The salary at a staff member's step in grade shall determine the indemnity payable under Article 70 of these regulations.

Article 44

1 - Promotion to a higher grade, which is subject to meritorious performance, shall only take place when the staff member is assigned work that meets the definitions given in Annex I and when the staff member has obtained the necessary qualifications or experience.

2 - Upon promotion the staff member shall be assigned to a step in the higher grade that has a salary that is at least four percent higher than the step in the grade that they occupied prior to the promotion.

3 - Promotions in Category I shall be decided upon by the Permanent Committee and in Category II shall be decided upon by the Secretary-General provided that in both cases a vacant position exists in the list of approved positions shown in Annex II.

Article 45

1 - A monthly allowance shall be paid to each dependent child under 18 years of age as specified in Annex III. The amount shall be established by reference to [to be added once a decision is made] and adjusted [annually at the same time that the salary scales are adjusted] if the comparator levels of the allowance have changed, subject to approval by the General Assembly.

i) By dependent child is meant any legitimate, natural, adopted or otherwise dependent child who depends on an official's or employee's household or on that person alone for main and continuing support.

ii) An otherwise dependent child shall be taken as meaning:

a) a child for whom adoption proceedings have been initiated

b) an orphan dependent upon the staff member

iii) The allowance shall continue to be payable until the dependent child reaches the age of 26 providing she (or he) is receiving, on a full-time basis, school or university education or vocational training which does not carry a wage or salary properly so-called.

iv) An allowance of double the amount of the dependent child's allowance as specified in Annex III shall be paid if the dependent child cannot support him (or her)self owing to permanent disablement as certified by a medical doctor approved by the Secretary-General. This amount shall be paid up to the age of 26 years, after which only the basic amount of the child's allowance will continue to be paid.

v) If an official or an employee or the spouse of an official or employee is entitled to payment of a child's allowance under his or her country's laws or regulations whose purpose is the same as that of the allowance provided for in this paragraph, the amount of that allowance shall be deducted from the allowance payable by the Institute.

2 – A monthly allowance shall be paid in respect of the spouse of an official or employee equivalent to [Z] percent of the official's basic monthly salary. Basic salary is defined as the salary of an unmarried staff member without dependents at the assigned grade and step.

i) Such a payment will be made on condition that the officially recognized spouse is not in receipt of a pension or engaged in gainful employment the income from which does not exceed of the amount above which the official or employee would be disqualified under Italian law from receipt of an allowance in respect of a spouse.

ii) If an official or an employee is entitled to payment of a spouse allowance under his or her country's laws or regulations or from another source whose purpose is the same as that of the allowance provided for in this paragraph, the amount of that allowance shall be deducted from the allowance payable by the Institute.

3 – An allowance equal in amount to the allowance for a dependent child may, in exceptional circumstances to be approved by the Permanent Committee, be payable to an official or an employee in respect of any relative by blood dependent on him or her for main and continuing support and whom he or she is under a legal obligation to provide with such support.

Article 46

1 - Staff members in Category I, who have not been continually resident in Italy for at least three years at the date of appointment, shall be entitled to the payment of an expatriation allowance in accordance with the levels and percentages of basic salary as set out in the table below.

2 - The expatriate allowance shall decline after year [X} and shall cease after [Y] years as shown in the table below.

[The balance of this article, i.e. the table, can only be added once a decision has been made on the actual levels of allowance to be paid]

Article 47

1 - Staff members may be appointed and work for less than a full-time working week. In such cases the staff member's basic salary and salary-related allowances shall be adjusted pro-rata to reflect the time worked.

2 - Staff members are not entitled to any allowance, benefit, subsidy or other form of supplementary payment not expressly provided for in these regulations or approved specifically by the General Assembly.

Article 62

If the single lump sum approach is adopted sub-paragraph 2 will require amendment.

If the use of per diem rates to calculate the lump sum reimbursement of household goods removal is adopted a new sub-paragraph will be required specifying the calculation.

Part 4

Article 69

This article can be removed in its entirety.

Article 70

It would seem that no current staff qualify for a termination indemnity and that no equivalent indemnity now exists, in which case this Article can be deleted in full.

New Article 69

[Transition of salaries, drafting depends on decisions yet to be made]

Annex I

Currently shown as Annex A to this document

Annex II

[The normal annex currently defined as Annex III to the regulations]

Annex III

[Salary scales for both categories once approved also to include the amount of the dependent child's allowance]

Annex D

Costs and transition measures

1. There are two ways to transition existing staff from their current pay levels to any new system. In the first approach, staff salaries can be "slotted" to the nearest appropriate grade and step in the new system that has a salary closest to their present salary, on the general presumption that the grade should, as much as possible, be in line with their current job responsibilities. In the second approach, the grade and step of the staff member would be the determinant for transfer to the new system and the salary would then either be frozen or moved forwards according to the parameters of the new scales. Each of these has different cost implications and would require different transition measures to guide this process.

2. A complexity has been introduced by the fact that Category A staff members have had their expatriation allowances integrated into base salaries in recent years. This has required a reverse calculation to arrive at a hypothetical base salary that a staff member would be receiving had pay elements been recorded separately. These reverse-calculated base salaries have been used to determine the appropriate grade and step for transition to the new system.

3. Based on the information provided and a reverse calculation to derive base pay it would appear that the second transition option based on a straight conversion of grade and step would not be appropriate. The majority of staff would, under this scenario, either have their pay frozen or would receive such large increases as to make the change unaffordable without complex transition measures. Thus, the sensible option would be to "slot" the staff member to the nearest most appropriate grade for their functions even if this, in the medium term, meant that the staff member's functions would not fit the broad grade descriptions given in Annex 1.

4. The slotting process has to respect acquired rights which in this context means that no staff member can receive less base pay than they currently receive. In all organizations undertaking similar exercises staff would be slotted to a pay step which has a base salary equal to or immediately above the pay that is presently being received. This inevitably results in a one-time fixed cost for transition to an improved salary scale as it is impossible to design a regular salary structure where all staff fit steps that exactly match current pay levels. Thus the cost estimates shown in Table 1 below give both the initial fixed cost for transition and the estimated salary progression thereafter for a period of five years assuming that a) the present financial crisis continues for two more years and that b) normal salary progression continues thereafter. In addition placing staff in a salary scale with the suggested 12 steps but maintaining their grade subject to a real change in job content will open up some staff to some further salary progression over and above the limits they currently can expect while other staff may no longer be able to progress through the scales automatically. These factors too, are included in the calculations.

5. Cost estimates have not been easy to calculate. In large organizations where there is a regular and constant level of turnover of staff it is possible to base estimates on the overall salary budget for different groups or pay elements. In UNIDROIT the estimates have to be based on modelling of individual salaries. In this model NO staff turnover has been considered. However the Permanent Committee should be aware of the fact that turnover generally reduces costs as outgoing staff on higher salaries are typically replaced by new staff at a lower grade and/or step. Additionally not all UN historic salary data has been available and calculations have assumed an even movement of pay in years where data is absent.

6. One aspect relating to projected costs that cannot be estimated and, therefore, is not included in the calculations, is a projection as to when CO salaries scales relevant to Category II will be resurveyed. As has been observed in paragraph 56, the UN system rebased their General Service salary scales in 2013, resulting in a freeze on present salaries until they catch up with the new scales which are 7.6% below the 2012 scales used in this study. Given the long-term convergence between CO and UN local staff salary scales, it can be expected that eventually CO local staff salaries will also slow down or be frozen. However the cycle of CO surveys is not known and it has been presumed for the purpose of this study that this trend will commence after the five-year period used for developing cost estimates, at which point any growth in UNIDROIT Category II salaries will also slow down.

7. Cost estimates for each of the salary options are tabulated below. The estimates are given in euro per annum rounded to the nearest hundred euros and are the costs over and above the estimated costs incurred under the present system. Thus Option 1, which is simply a regularization of the present system (CO x 80%), does not incur annual costs moving forwards that are greater than present costs, once the fixed costs have been absorbed and the availability of more steps in grade has been factored in.

8. These cost calculations include the cost of present salary-based allowances. In some options (as indicated in the tables in the main body of the text) some staff members have current salaries which are in excess of the salary at step 12 for their new assigned grades. In such a case their salary remains frozen until such a time as any salary scale increases place the salary of the top step above the frozen salary. This too, has been factored into the cost calculations.

Table 1 Additional costs of the different salary scale proposals (€ per annum)

Option	Initial fixed cost	Year 1	Year 2	Year 3	Year 4	Year 5
1	7, 700	2,600	2,600	3,300	1,200	1,200
2	16,900	9,100	14,100	11,300	11,300	21,400
3	14,300	4,500	7,700	3,200	3,200	6,200
4	11,100	5,600	5,600	300	300	6,700

9. As can be seen, Option 2 shows a high cost increase but this option is based on the use of both CO and UN scales without reduction. It is assumed that this scale will not be adopted by UNIDROIT but the calculations are provided to clearly show the maximum impact should one or more comparators be adopted without diminution of its salary increases. Option 4 at first sight seems the option with the least additional cost over and above Option 1. However it differs only because of the current slow down in UN GS salaries. When that has worked out of the system it is likely to be very similar in cost to Option 3. What is noticeable is that including UN with the CO salary scales does not reduce costs although all these calculated differences are marginal compared to total payroll costs.

10. The cost implications resulting from the proposed four options due to present salary-based allowances are included in Table 1. If there were to be a change in allowances due to inclusion of the UN as a comparator, as proposed in salary Options 2, 3, or 4, cost estimates for the proposed changes in salary-related allowances would be:

Table 2 Costs associated with changes in the dependency allowance system (€ per annum)

Option	Year 1	Year 2	Year 3	Year 4	Year 5
Child's allowance CO sole comparator	-	-	-	-	-
UN and CO as comparators	-	-	-	-	-
Household allowance CO sole comparator	-	-	-	-	-
UN and CO as comparators					
Salary Option 1	100	100	100	100	100
Salary Option 2	100	100	300	300	300
Salary Option 3	100	100	100	100	200
Salary Option 4	100	100	-	-	100

11. It will be observed that for the child's allowance there is no cost increase resulting from the proposed changes. This is because serving staff will have to be grandfathered at the present level. However there would be a saving of €840 per annum for each recognized dependent of newly recruited staff under the combined CO/UN option.

12. Other cost implications in this proposal relate to elements of expatriation. The cost implications of these proposals are even more difficult to estimate than for the other pay elements. Because so few staff members receive expatriation allowances it is considered that quantifying them based on present costs would be misleading as both recent recruits have no dependents. The study has proposed three options and a year-by-year comparison of the three proposals is shown in Table 3.

13. As is currently the case staff with expatriation allowances exceeding the present UNDROIT level (of 10%) would continue to be grandfathered, at no additional cost. If any staff were to receive the 10% level of the allowance they may qualify for the proposed change and this could have some cost implications depending on how many years they have received the current expatriation allowance at the 10% level.

Table 3 Impact of expatriation proposals (€ per annum)

Option	Year								
	1	2	3	4	5	6	7	8	9
Present UNIDROIT system	10	10	10	8	6	4	2	0	0
Improved UNIDROIT system									
Single staff member	10	10	10	10	8	6	4	2	0
With dependents	14	14	14	14	11	8	6	3	0
Household goods on arrival/ departure	Single €7,380			With dependents €11,070					
Home leave travel	At cost every other year (estimate € 750 per staff member)								
Single payment structure									
Single staff member, non EU	9	9	9	9	9	7	5	4	2
Single staff member EU/EFTA	6	6	6	6	6	5	4	2	1
With dependents (maximum) non EU	19	19	19	19	19	15	11	8	4
With dependents (maximum) EU/EFTA	13	13	13	13	13	10	8	5	3
Household goods on arrival/ departure	Single €7,380			With dependents €11,070					
Home leave travel	No longer paid								
Reduced single payment structure									
Single staff member, non EU	7	7	7	6	4	3	1	0	0
Single staff member EU/EFTA	4	4	4	3	2	2	1	0	0
With dependents (maximum) non EU	17	17	17	13	10	7	4	0	0
With dependents (maximum) EU/EFTA	11	11	11	9	7	4	2	0	0
Household goods on arrival/ departure	Single €7,380			With dependents €11,070					
Home leave travel	No longer paid								