

## POST ADJUSTMENT FOR GENEVA

The ICSC conducted cost-of-living surveys in headquarters duty stations in September and October 2016. The post adjustment multipliers resulting from these surveys are to be implemented in May 2017, affecting net salaries of staff in the Professional and higher categories. See [explanation of results](#) for a review of the underlying factors affecting the survey results and the impact of their implementation of the net salaries in three headquarters duty stations: Geneva, Montreal and Washington, D.C. This document provides responses to specific questions raised about the survey results for Geneva.

### Questions and Answers

**Question 1:** What is the basis for the Commission's decision to approve the results of the 2016 cost-of-living survey for Geneva, leading to a 7.7% reduction in salaries?

**Answer:** The Commission's decision to approve the results of the 2016 baseline surveys conducted in Geneva, Montreal, and Washington, D.C., is based on the recommendation by the Advisory Committee on Post Adjustment Questions (ACPAQ) that the design, administration, and analysis of the survey were fully consistent with the methodology, guidelines and procedures approved by the Commission for the 2016 round of surveys.

**Question 2:** There is a perception that the Commission's decision is inconsistent with the recommendation of its own subsidiary advisory panel of statistical experts, ACPAQ. Is this perception correct?

**Answer:** No. ACPAQ is a subsidiary body of the Commission that provides technical advice on statistical methodology. Its role in the post adjustment system is limited to the statistical methodology underlying the calculation of the post adjustment index (PAI), to ensure that it fulfils the purpose for which it was established, that is, equalization of the purchasing power of salaries paid to UN common system staff in the Professional and higher categories serving around the world, relative to their counterparts serving in New York.

In this connection, ACPAQ, at its 39<sup>th</sup> session, recommended that the Commission approve the results of the survey conducted in three of the headquarters duty stations: Geneva, Montreal and Washington, D.C. The PAIs based on these surveys at the duty stations, as of the dates of the surveys, were 166.66, 135.39, and 144.23, respectively. ACPAQ also informed the Commission that in the case of Geneva, the PAI based on the 2016 survey, was about 3.3 per cent less than the updated PAI based on the 2010 survey, which would have been the approximate measure of the underlying cost of living in Geneva, had a comprehensive cost-of-living survey not been conducted in 2016. For the other two duty stations, the two measures of cost of living were much

closer, with the approximate measure exceeding the actual measure by 0.8 per cent in the case of Montreal and by 1.4 per cent in the case of Washington, D.C.

It should be noted that ACPAQ did not make any pronouncements on the implications of the calculated PAIs on the salary levels at the respective duty stations. It was neither their role nor was it in their area of competence to do so. Indeed salary setting policies are the exclusive responsibility of the Commission. This is why the issue was dealt with only at the 84<sup>th</sup> session of the Commission. There is therefore no inconsistency between ACPAQ's recommendations and the Commission's decisions based on those recommendations.

**Question 3:** The Commission's decision to reduce salaries for staff in the Professional and higher categories appears to be inconsistent with its recent decision to increase salaries for locally recruited staff. Is that the case?

**Answer:** No. First of all there should be no expectation of consistency between the outcomes of two pay systems based on different methodologies and underlying principles. Salary setting for locally recruited staff is based on the cost of labor as reported by the UN's employer comparators at the duty station, whereas that of staff in the Professional and higher categories is based on a global base salary scale that is adjusted to take into account the cost of living at the various duty stations and, in the process, equalize the purchasing power of salaries in those duty stations. The objective of the 2016 baseline surveys was to accurately measure the cost of living at the respective duty stations, on the basis of the approved methodology, guidelines and procedures. The combination of current operational rules dealing with salary setting, differences in the evolution of macro-economic indicators between duty stations, and changes in the survey methodology together resulted in changes in post adjustment for Geneva and Montreal, and no change for Washington, D.C. See [explanation of results](#) for details.

**Question 4:** Some believe that the Commission's decision making process lacked transparency, with no modeling of the methodological changes. Is this correct?

**Answer:** No. As a matter of fact, there is no process in the management of the post adjustment system that is conducted in a more transparent manner than the baseline surveys at headquarters duty stations, an activity that occurs normally once every five years (delayed by one year for the 2016 round of surveys because of the comprehensive review of the UN common system compensation package).

Proposals pertaining to the methodology and operational rules were reviewed over the five-year period preceding June 2016, when the new round of surveys was launched. Representatives of administrations and staff associations were full participants in the discussions at ACPAQ and corresponding Commission sessions (see the [lists of participants](#) at the sessions from 2012 through 2016), in which the methodology and operational rules, procedures and guidelines were discussed.

All methodological changes recommended by ACPAQ were thoroughly modeled, and implications on staff salaries were clearly reviewed. For instance, see [A/67/30, p.34 \(para. 137\)](#) and [A/69/30, p. 55 \(para. 176\)](#), for details on two changes to the methodology for calculating the PAI:

- (1) The calculation of the rent index for group I duty stations; and
- (2) The harmonization of the specification of the weight of the out-of-area (OA) component of the PAI for all duty stations.

The modeling of the impact of these two methodological changes included significant financial implications in terms of slight increases in net salaries as a result of (1), accompanied by drastic reductions in net salaries as a result of (2). Geneva benefitted the most from the projected salary increases but also bore the brunt of the drastic salary decreases projected by the simulations. However, because the representatives of the administrations and staff federations advocated for (1), and since it was clear that the change in (2) was essential to the validity of the rent index, there was no opposition to these proposals from any participant at the ACPAQ and ICSC sessions. Many members of Local Survey Committees (LSCs), comprising representatives of administrations and staff associations of all organizations based in the various duty stations, also fully participated in the discussions regarding the methodology and operational rules, and their impact on salaries, at various sessions of ACPAQ and the Commission. In fact, all changes to the methodology for calculating the PAI, as recommended by ACPAQ, enjoyed the full support, in some cases, even advocacy, of all representatives of administrations and staff federations.

Following the approval by the Commission of the package of recommendations regarding the methodology and operational guidelines and procedures, the ICSC secretariat then embarked on a two-year process of engagement with the LSCs. The LSCs participated in the development, translation and testing of the survey questionnaires and other survey instruments. They helped organize pre-survey consultations, including town hall meetings where the package of the approved methodological and operational rules pertaining to the new round of surveys was reviewed. Several workshops organized for representatives of organizations and staff federations participating at ACPAQ sessions, as well as ad hoc workshops organized exclusively by staff federations, covered these methodological changes and their implications in great detail (See [here](#) and [here](#) for copies of the PowerPoint presentations).

As for the administration of the cost-of-living surveys themselves, the LSCs were full participants in the process every step of the way. For the price survey, they developed the list of outlets from which price data were collected. They coordinated the recruitment, at ICSC expense, of officials as local price survey consultants, typically, staff of national statistical authorities, who helped facilitate the price data collection. For Geneva, we had staff from the cantonal *Bureau du Commerce* and local police officers of Canton de Vaud; and for Montreal, we had staff of *Statistics Canada*. The LSCs also nominated monitors who physically observed

the price data collection throughout. Finally, they recruited consultants that visited the ICSC secretariat to review the data analysis being conducted for their respective duty stations.

The expenditure survey, which is the other equally important component of the cost-of-living survey, was also coordinated by the LSCs. Thanks to their full cooperation and technical and communication solutions put in place by the ICSC secretariat, the surveys were successfully administered, with unprecedented levels of response that exceeded the precision requirements established ACPAQ.

The foregoing is why the Commission is confident that the results of the cost-of-living surveys conducted in Geneva and Montreal in October 2016, and Washington, D.C. in September 2016, accurately reflect the actual cost-of-living situation experienced by UN common system Professional staff serving in their respective duty stations.

**Question 5:** The size of the decrease in salaries, in light of rising cost of living in Geneva, suggests that there are problems with the survey methodology or the data collected or both. Is this not correct?

**Answer:** No. The size of the decrease in salary in the case of Geneva is a function of the gap between the PAI based on the survey and the prevailing pay index. The survey PAI guarantees equivalence of purchasing power of salaries. However, between surveys, the standing policy of the Commission is to adjust the PAI for inflation in all its components and, at the same time, to keep salaries stable in local currency by protecting them against exchange rate fluctuations (the so-called 0.5 per cent rule). This keeps monthly pay levels high, regardless of other macro-economic conditions, in duty stations such as Geneva, with strong local currencies relative to the US dollar. In other words, this policy also disconnects pay levels from the principle of purchasing power parity of salaries of duty stations relative to New York. In fact, Section 5.2 of the [Post Adjustment System booklet](#), in commenting on the 0.5 per cent rule, states, *inter alia* that "The rule permits, and indeed under some circumstances necessitates divergences between the PAI and the post adjustment multiplier (PAM), which are however eliminated at subsequent cost of living adjustments."

The primary objective of cost-of-living surveys is to correct this distortion and realign pay levels with actual cost of living, by closing the gap between the PAI and the pay index. This is precisely what occurred in the case of Geneva. As a matter of fact, the application of the policy of ensuring stability of salaries in Swiss Francs effectively led to the payment of salaries at consistently higher levels than was warranted by the evolution of cost of living in Geneva, from September 2010 to the present. This long-running gap between pay index and PAI grew even larger in the past two years. The size of the salary decrease should therefore be viewed as reflective of the size of the discrepancy between the PAI and pay index that the comprehensive survey was designed to correct. See [explanation of results](#) for more details on the other factors contributing to the decrease in salary levels for Geneva following the implementation of the survey results. It should be noted that the post adjustment change for Geneva, effective 1 May

2017, will be implemented with the transitional measures established under the operational rules approved by the General Assembly, designed to mitigate the impact of negative survey results for currently serving staff members.

Accordingly, the new post adjustment will initially only be applicable to new staff joining the duty station on or after 1 May 2017; and currently serving staff members will not experience any reduction in salaries until August 2017.

**Question 6:** Was the decision to postpone consideration of the results of the cost-of-living surveys for Rome, Vienna, Paris, London and Madrid, indicative of problems with the survey methodology?

**Answer:** No. The decision to postpone consideration of the results of the five European Comparison Programme (ECP) covered duty stations is, in fact, evidence of the lengths to which the Commission's secretariat goes to ensure a faithful application of the approved methodology, and operational guidelines and procedures. Unlike Geneva, Montreal and Washington, D.C., where price data were collected by pricing teams comprising stakeholders, the price data for these five duty stations were obtained from the ECP, in accordance with a memorandum of understanding for the exchange of statistical information among the three partner agencies engaged in cost-of-living measurement: the ICSC secretariat (for the UN common system); Eurostat (for the European Commission) and the International Service for Remunerations and Pensions (ISRP), (for the Coordinated Organizations). The use of ECP data was approved in principle by the Commission (see [A/69/30, Paragraph 181 a](#)), as recommended by ACPAQ, following an illustration of the modus operandi for implementation of this decision (see [relevant excerpts of ICSC reports](#) on the issue), and was finally ratified by the Commission for implementation in the 2016 round of surveys (see [A/70/30, para 43](#)). However, since the data obtained were in the form of average prices per item without information on the outlets used for price data collection, it was impossible for the ICSC secretariat to utilize the full range of its repertoire of tools for ensuring fair price comparisons. The Commission therefore decided that the secretariat should conduct further studies, including a special price survey in Brussels, the base city for cost-of-living comparisons for ECP covered countries. The objective of this survey and other related studies, is to identify and correct for sources of discrepancy between the ICSC and ECP price survey systems, in order to assure fair price comparisons.

**Question 7:** There are problems with the price data collection and processing, as evidenced by the small number of price quotations (for example 3,000 collected by the ICSC versus 20,000 collected by the Swiss national statistics office for the consumer price index); decisions regarding exclusion or inclusion of collected price data, etc. Please clarify.

**Answer:** In price comparisons, it is the representativity of items, rather than their number, that is most important. The ICSC list of items is one that is developed over time with the full participation of administration and staff representatives, with the objective of making it

representative of UN common system staff population consumption patterns. Because of the significant differences between the design, objectives, target populations, administration of ICSC and national CPI price surveys, it is not appropriate to make wholesale comparisons between the two systems on the basis of number of price quotations.

The analysis of the price data, including decisions about exclusion of price quotations, was carried out in accordance with current best practices, and the approved guidelines and procedures. The analysis conducted by the secretariat was of course reviewed by the experts representing the various duty stations and, ultimately, by ACPAQ. The experts' concerns, whether general or item-specific, were addressed in a further round of price data processing. The secretariat incorporated all suggestions and recommendations of the experts, while ensuring a faithful application of the approved guidelines and procedures. No problems were raised by any party regarding the adequacy of the list of items or the decisions taken by the secretariat in excluding or including specific price quotations. The number of price quotations collected for Geneva was in line with past surveys and was sufficient for the computation of reliable price relatives.

**Question 8:** Some have alleged that the reports of the experts who visited the ICSC secretariat to review the price data analysis on behalf of the duty stations were submitted only to ACPAQ and no one else. Is this the case?

**Answer:** This is not correct. The reports of the independent experts were submitted to the various LSCs prior to the ACPAQ session. They were also submitted to ACPAQ verbatim as part of the documentation for the session, and were considered by ACPAQ with same level of seriousness as the documents submitted by secretariat. See the [guidelines governing the work of the experts](#) as agreed by all parties before the experts began their work, as well as the [briefing presentation](#) the secretariat made for the experts. It should be noted that there was no explicit criticism of any aspect of the work of the secretariat by the experts. The secretariat worked collaboratively with them, tapping into their in-country experience, and incorporating any suggestions they had for improving the price comparisons, as long as they did not violate the approved methodology, guidelines and procedures.

**Question 9:** The Commission's decision to remove the 5% augmentation of negative survey results as part of the gap closure measure was without rationale and was taken in spite of objections from stakeholders. Is this true?

**Answer:** The rationale for this decision is clearly spelt out in the report of the Commission's 81<sup>st</sup> session. It is worth emphasizing that this decision was fully supported by CEB/Human Resources Network (see [A/70/30, Paragraphs 51 to 64](#)). Representatives of staff federations were opposed to the decision but the Commission was not persuaded by their arguments.

**Question 10:** If the post adjustment is reduced while the cost of living at a duty station is increasing, then the survey and the underlying methodology must be flawed. Is that a correct conclusion?

**Answer:** This conclusion is not correct. To see this, it is necessary to remember that the post adjustment system is based on cost-of-living comparisons between duty stations and New York. Thus price relativities with New York could be lower between two points in time if price levels rise faster in New York than the duty station. In other words, it is possible for the post adjustment index of a duty station to decline even in the presence of local inflation if such inflation is exceeded by that in New York, as was the case for these three duty stations in the six years since the last survey in 2010. For instance, while the average inflation in Switzerland during the period 2010 through 2016 was negative (deflation), that in New York was more than 10 per cent. See [explanation of results](#) for details.

**Question 11:** The ICSC conclusions about the cost of living in Geneva diverge significantly from comparable macro-economic indicators. Is that the case?

**Answer:** As a matter of fact, the ICSC's conclusions about the cost of living in Geneva is consistent with available data from other sources. The consumer price indices published by the Swiss national statistics office show a negative trend in recent years. Also, the US cost-of-living allowance payable to its diplomatic staff in Geneva has declined by half since 2011.

**Question 12:** The ICSC artificially underestimated the cost of living in Geneva by including rent prices in a third country (France). Is this correct or appropriate?

**Answer:** This assertion is not correct. Market rent data collected by ISRP for the purpose of rent comparisons for Geneva with New York include neighbourhoods in Geneva and Vaud cantons but not neighbouring France. This was understood by all stakeholders before the surveys were launched. In fact, the list of neighbourhoods used for the market rent surveys for Geneva was distributed to all ACPAQ participants as part of the reports for the duty station. It is therefore surprising that this issue is still being raised.

**Question 13:** The ICSC did not correctly apply the approved methodology, leading to potential downward distortions in the estimation of the cost of living.

**Answer:** As confirmed by ACPAQ, the ICSC secretariat applied faithfully and correctly the methodology, procedures and guidelines approved by the Commission. Any minor adjustments made by the secretariat due to practical problems encountered during the administration or analysis of the survey were reported in the documents submitted by the secretariat and ratified at the ACPAQ session, without any objection from any stakeholder.

**Question 14:** The ICSC incorrectly evaluated the prices for Geneva, for example, train tickets. Please clarify!

**Answer:** All price data collected by the ICSC were evaluated correctly, in accordance with the approved guidelines and procedures. Regarding the train ticket item, it is important to understand that the average price shown in the reports includes 1 price quote for a 250 km train ride and 2 price quotes for a cheaper 70 km train ride. The secretariat decided to include the shorter train rides as secondary matches to the ECP list of items in order to accommodate smaller duty stations where longer train rides are rare to non-existent. This principle was extended to the non-ECP duty stations as well, including Geneva and Montreal and Washington, D.C. If the one price quote for a 250 km train ride on the Geneva side were used against the several price quotes on the New York side, the price ratio would be lower than 1 as longer train rides are more expensive in New York. However, reprocessing the New York price database so as to have the same proportion of 70 km to 250 km train rides as for Geneva (1:2), the advantage was on the side of Geneva. The secretariat then decided to use the second option because it is based on a larger number of price quotations.

**Question 15:** The number of price quotations excluded from the New York database is too high, at about 38%. The variation in prices collected in New York is too wide to allow for fair comparisons with New York. Is this a correct conclusion?

**Answer:** No it is not. Remember that the New York database is also used for price comparisons with all other duty stations, including field duty stations. Thus a larger number of price quotes covering a wider spectrum of specifications were collected. However, a large number of these were excluded as part of matching with specific duty stations such as Geneva because this comparison necessarily matched New York with Geneva on all characteristics such as outlets, brands, etc.

The variation in the prices of an item in the various duty stations versus New York was certainly taken into account in the price comparisons. After the appropriate matching of the price data for the two duty stations on outlets and brands, etc., every effort was made to keep the variation on both sides as close as possible, bearing in mind New York's unique status as the base for comparison for all duty stations.

**Question 16:** The comparison of medical insurance premiums is not fair because the coverage for New York plans is not the same as those of other duty stations. Is this correct?

**Answer:** The comparison of medical insurance costs is a cost comparison, not a price comparison. In other words, this component of the PAI is designed to compare the staff member's out-of-pocket cost for medical insurance coverage at the duty station, with that of his/her counterpart in New York, without accounting for the characteristics of the plans. Again, such issues were discussed at length during ACPAQ sessions as well as related workshops, and



formed the package of recommendations that were approved by the Commission for the 2016 round of surveys.

**Question 17:** ICSC did not collect similar data for Geneva compared to the New York and, in the process, exaggerated reductions in rent in Geneva. Is that correct?

**Answer:** This is not correct. The rent comparison is based on market rents collected by ISRP following a specific methodology that ensures comparability of neighbourhoods across locations. This arrangement has been in place since 1995. The parities for each dwelling class (type and size) are averaged with weights now based on Geneva staff population residential patterns, rather than outdated fixed weights with no relationship with UN staff residential patterns, that have been used up to now. This was found by ACPAQ to be a methodologically unsatisfactory way of calculating a rent index that, among other requirements, was supposed to use weights based on duty station specific staff residential patterns. This correction led to a major shift of weights from houses (which are more expensive to rent in Geneva than in New York since New York's house rentals are limited to areas outside Manhattan, specifically, New York suburbs and New Jersey) to apartments (which are cheaper to rent in Geneva than in New York). The change led to a significant decrease in the rent index for Geneva but increases for Montreal and Washington, D.C. The negative impact of the change in dwelling class weights for Geneva was partially offset by the revision of the sample of New York apartment rental neighbourhoods to include more affordable suburbs. The change in methodology also happens to be the technically sound way of calculating rent indices, as understood and agreed to by all stakeholders at the ACPAQ and Commission sessions. See [explanation of results](#) for details.

**Question 18:** The ICSC's comparison of education costs between New York and Geneva is not adequate as it doesn't take into account the fact that a higher proportion of staff in Geneva use private schools for their English curriculum than in New York, where English is the language of instruction in public schools. Is this correct?

**Answer:** The comparison of education costs is based on average tuition and related costs for private schools. Having a higher proportion of staff using private schools has nothing to do with the price comparison, but may of course influence the weight of the education component of the PAI.

*List of reference documents:*

---

[Explanation of results](#) of the 2016 baseline cost-of-living surveys in headquarters duty stations

[Organizations participating](#) in the ACPAG meetings 2012 – 2017

ICSC Annual Reports [2012](#), [2014](#) and [2015](#)

[Post Adjustment System Booklet](#)

Post Adjustment workshops in [Paris 2016](#) and [Kuala Lumpur 2017](#)

ICSC Secretariat Explanations on the [use of ECP Data](#)

[Guidelines for Review](#) of Price Data Analysis by Independent Experts

[Briefing for Consultants](#) representing Duty Stations

---