

The Post Adjustment System

BRIEFING

By

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76th FICSA Council

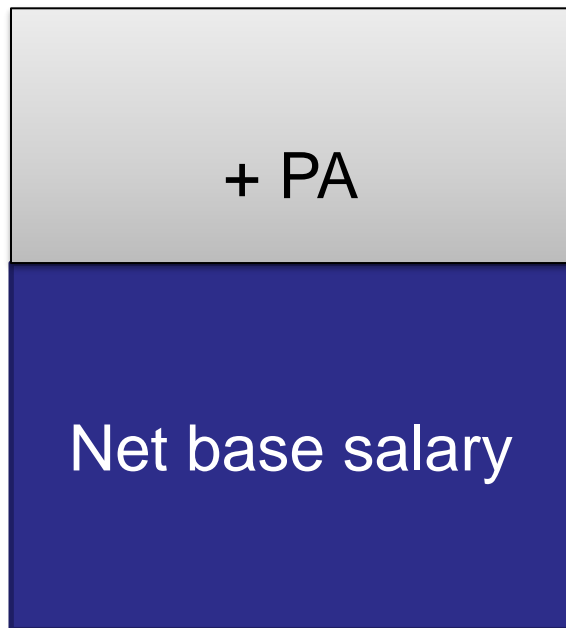
What is Post Adjustment?



An amount paid in addition to net base salary, to ensure that no matter where United Nations common system staff work, their net remuneration has a **Purchasing Power** equivalent to that at the **base of the system**, New York.

PA is about 30% of NR on the average; ranges from 9.4% to 116.6% (January 2023)

UN Salary Structure for P+ staff category



PA is a variable component that is adjusted periodically to reflect changes in cost of living in a duty station relative to NY

Policy Background

- **Staff rule 3.7**
 - *Post adjustment is an amount paid to staff members serving in the Professional and higher categories and in the Field Service category, in accordance with **annex I, paragraph 9**, of the Staff Regulations, to ensure equity in purchasing power of staff members across duty stations.*
- **Annex I, para 9. of staff rule**
 - *In order to preserve equivalent standards of living at different offices, the Secretary-General may adjust the basic salaries.....by the application of non-pensionable post adjustments based on relative costs of living, standards of living and related factors at the office concerned as compared to New York. Such post adjustments shall not be subject to staff assessment.*
- **ICSC Statute articles 10 and 11**

ICSC Statute: Articles 10 and 11 before amendment

Article 10

The Commission shall make recommendations to the General Assembly on:

- (a) The broad principles for the determination of the conditions of service of the staff;
- (b) The scales of salaries and post adjustments for staff in the Professional and higher categories;
- (c) Allowances and benefits of staff which are determined by the General Assembly;²
- (d) Staff assessment.

Article 11

The Commission shall establish:

- (a) The methods by which the principles for determining conditions of service should be applied;
- (b) Rates of allowances and benefits, other than pensions and those referred to in article 10(c), the conditions of entitlement thereto and standards of travel;
- (c) The classification of duty stations for the purpose of applying post adjustments.

ICSC Statute: Articles 10 and 11 after amendment

Article 10

The Commission shall make recommendations to the General Assembly on:

- (a) The broad principles for the determination of the conditions of service of the staff;
- (b) The salary scale and the value of the post adjustment multiplier for staff in the Professional and higher categories;
- (c) Allowances and benefits of staff which are determined by the General Assembly;²
- (d) Staff assessment.

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- (a) The methods by which the principles for determining conditions of service should be applied;
- (b) Rates of allowances and benefits, other than pensions and those referred to in article 10(c), the conditions of entitlement thereto and standards of travel;
- (c) The post adjustment applicable to each duty station.

Salary Setting Framework

Method: Cost-of-living measurement and bilateral comparisons to ensure purchasing power parity of Net Remuneration with base location (New York)

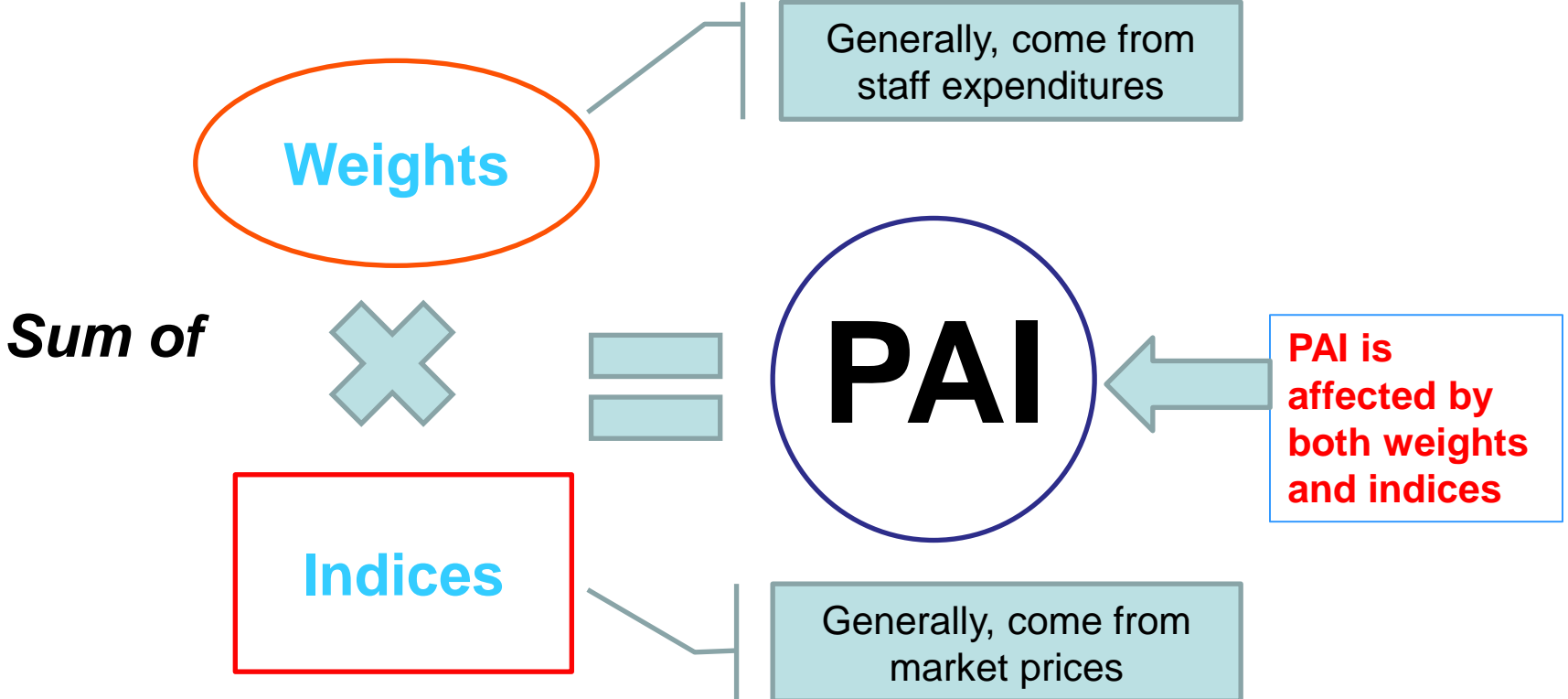
- ❖ Cost-of-living surveys: Expenditure (Housing, Household); Prices
- ❖ Calculation of a Post Adjustment Index (PAI)
- ❖ Updating of PAI over time to account for fluctuations in “inflation” and exchange rates
- ❖ Application of Operational rules to determine a Post Adjustment Multiplier (PAM)

Coverage

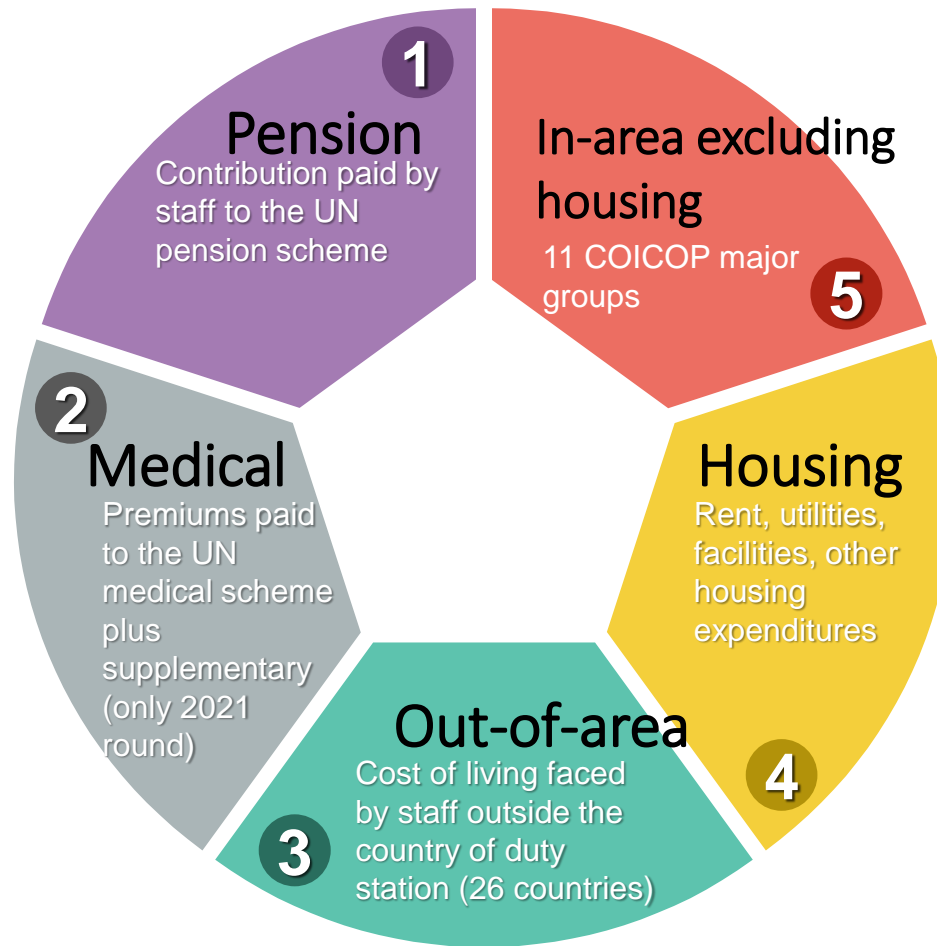
Internationally recruited Professional staff (about half of the UN's staff population)

How is PAI determined?

- Interaction of weights and indices



Components of the PA Index



All the five components sum up to the NTP of a P4/VI with dependent/spouse allowance at the duty station

Components of the PAI

In-Area
(Excluding Housing)

Major Groups
Averages (11)

Item Ratio =
$$\frac{\text{Average Price at the Duty Station}}{\text{Average Price in New York}}$$

$$\frac{3.60}{3.00} = 1.2$$
 Item is 20% more expensive at the DS

Basic Heading Ratios
e.g. Rice and other cereals(73)

Item Ratios
e.g. basmati rice

Common Weights
Aggregate Geometrically

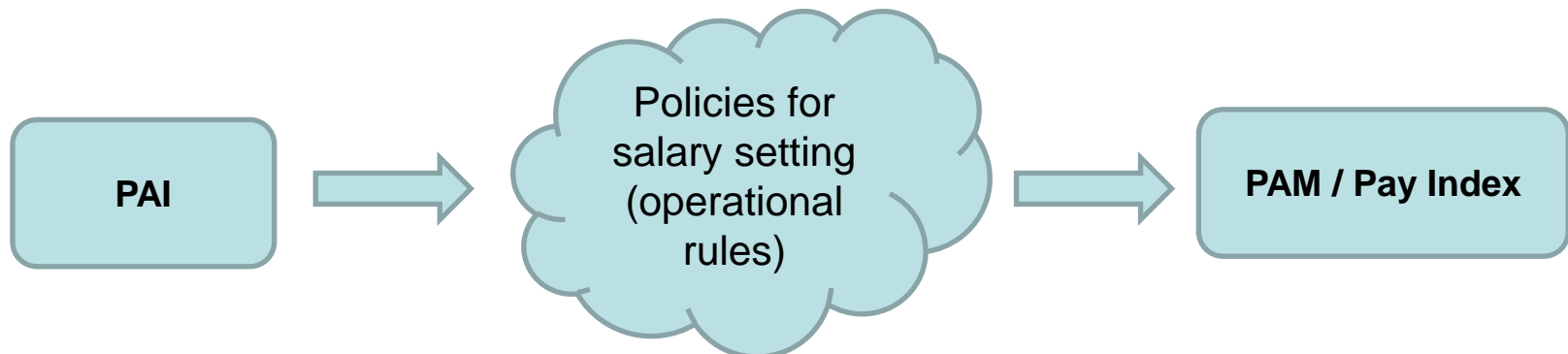
PAI Calculation

Major groups	Amount	%	Index
Food and non-alcoholic beverages	957.57	7.46	134.17
Alcoholic beverages and tobacco	127.43	0.99	105.57
Clothing and footwear	407.56	3.17	155.04
Furniture, household equipment and routine maintenance of the house			102.49
Health			115.77
Transport			122.75
Communication			128.86
Recreation and culture			139.75
Education			78.69
Restaurants and hotels			122.87
Miscellaneous goods and services			140.28
Total in-area excluding housing			122.09
Housing	5,205.75	25.41	103.10
Pension	1,058.01	8.24	119.30
Medical	628.24	4.89	62.63
Out-of-area	2,568.53	20.00	114.77
PAI		175.12	

PA (relative COL) can go down while COL increases at the DS (if it increases faster in NY)

PAI versus PAM

- The **Post Adjustment Index (PAI)** is a cost-of-living index measuring the living costs of staff at any given duty station compared to that at the base (New York).
- The **Post Adjustment Multiplier (PAM)**, also known as post adjustment classification (PAC) determines salary: 1 multiplier point = 1% of Net base salary.



Updating Post Adjustment Indices

Once the benchmark PAI is established through a survey, it is updated overtime until the next survey.



Changes in PAI overtime depend on:

Local inflation movement

Exchange rate fluctuation

Changes in PAI components

- In-area excluding housing (PP survey)
- Housing (PP survey, Hsg survey or external rent data)
- Pension contribution (pensionable remuneration scale)
- Medical insurance (schedule of medical plans)
- Out-of-area (CPI and exchange rate changes of the 26 countries in the basket)

Updating Post Adjustment Indices

Group I



- PAI reviewed every 12 months
- PAM adjusted only if it increased, otherwise prevailing pay index maintained



Comprehensive survey every 5 years

VS

Group II

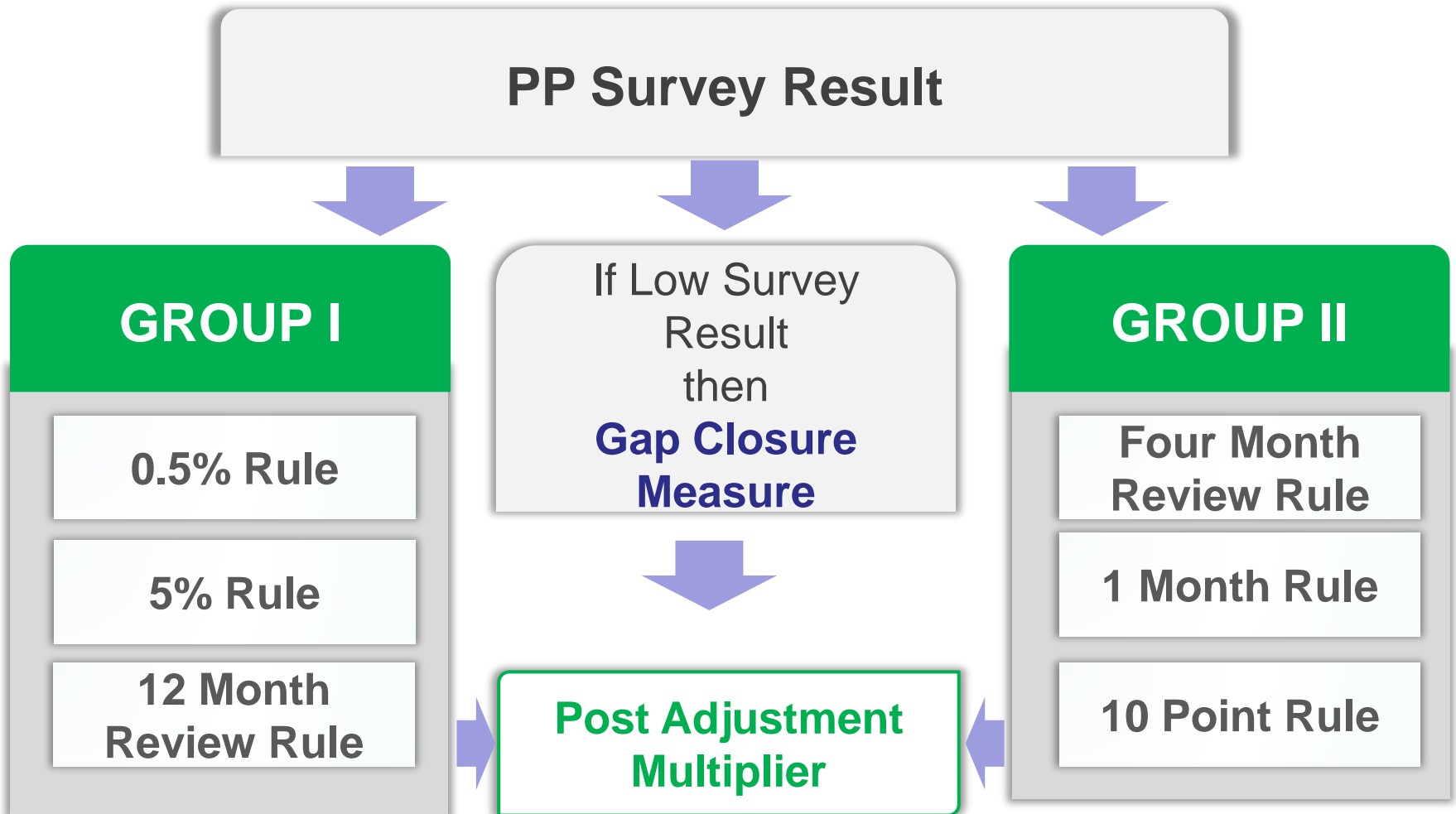


- PAI reviewed every 4 months
- PAM adjusted for both increases and decreases

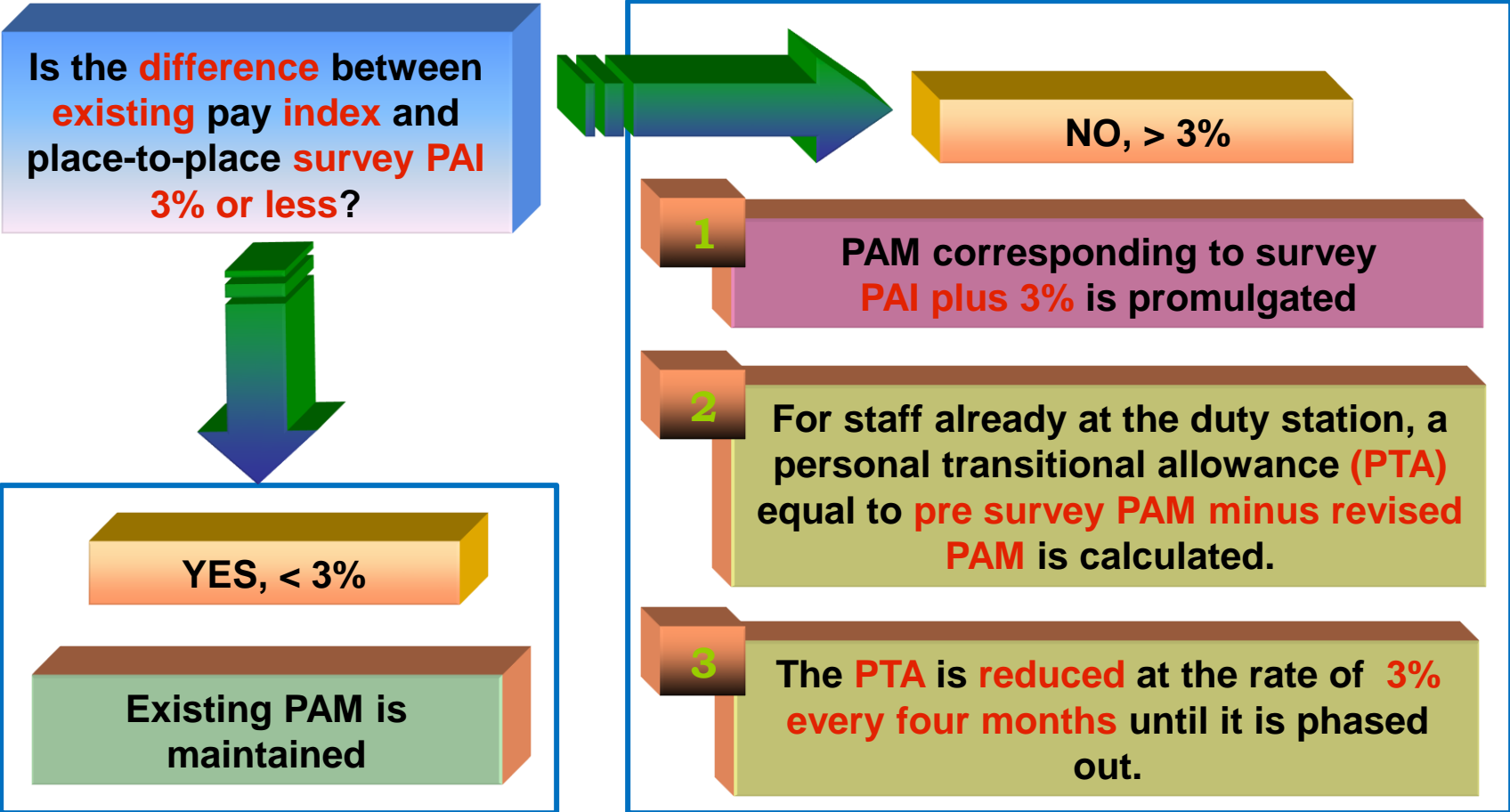


Comprehensive survey every 2-3 years

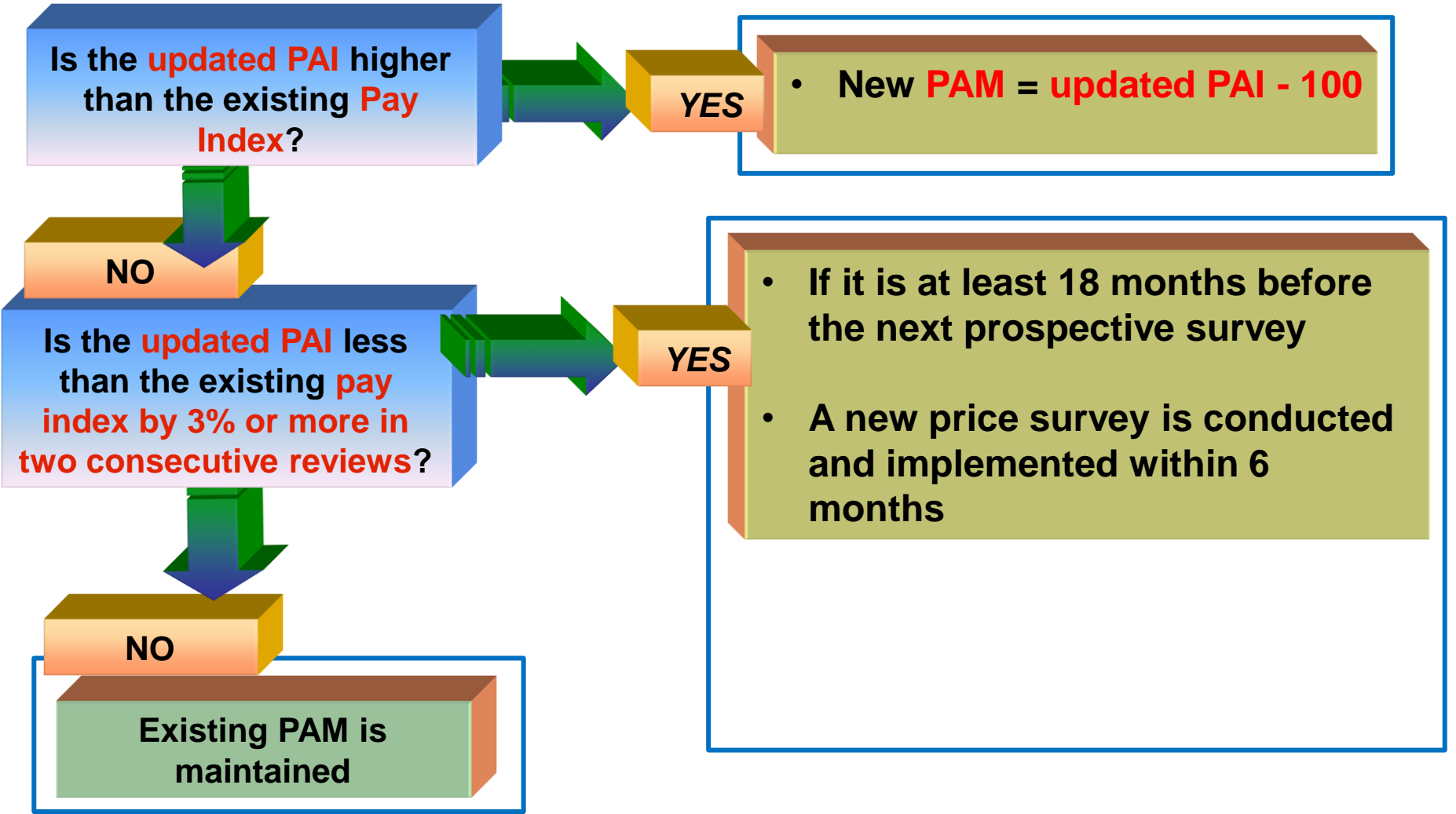
Determining the Post Adjustment Multiplier



Updating Post Adjustment Indices (gap closure measure)



Interim adjustment of PAM between surveys - 12M Review

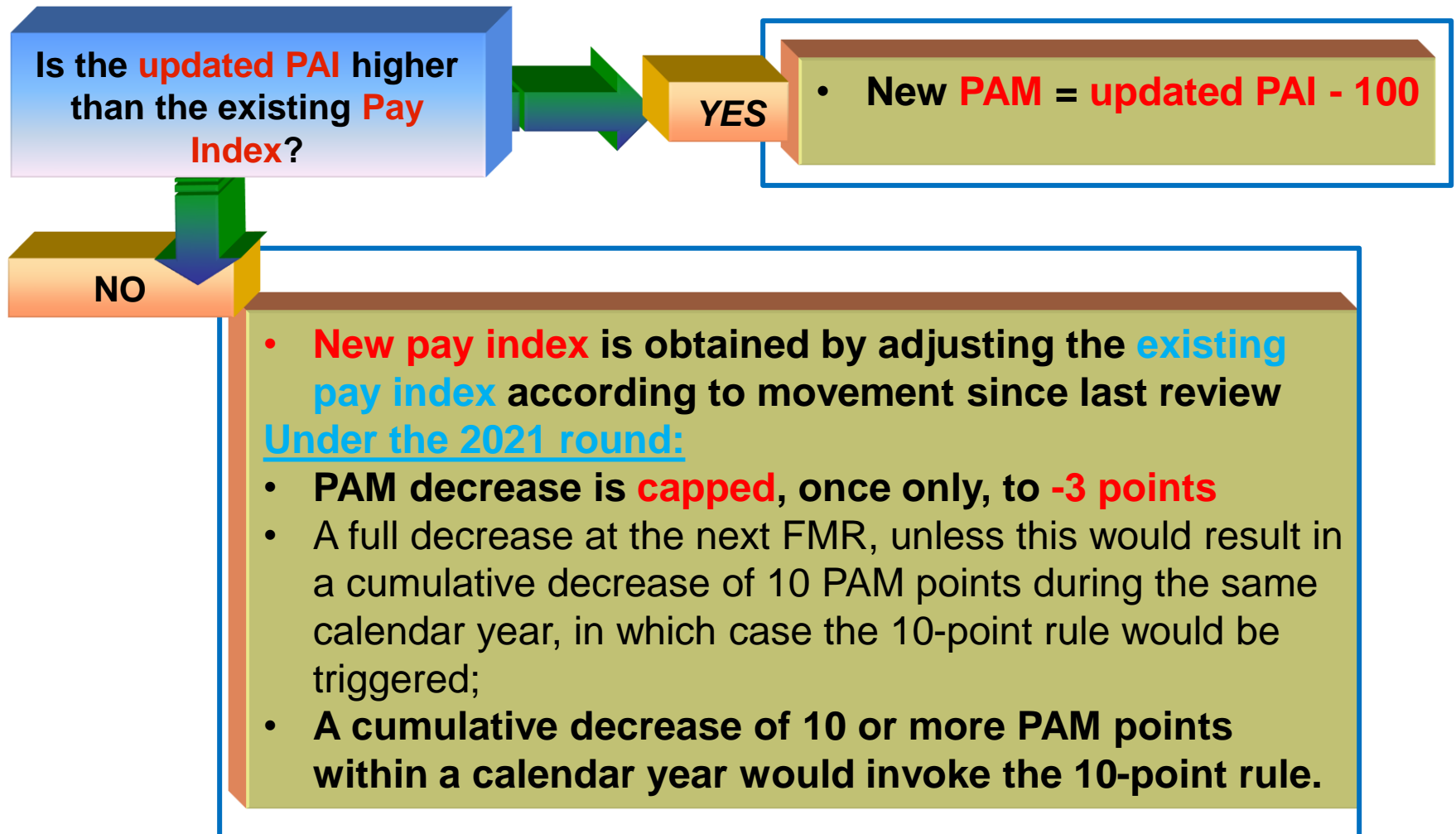


Interim adjustment of PAM between surveys - FMR

Multipliers for all field duty stations are reviewed every four months: in March, July and November, for both exchange rate changes and inflation

- ❖ During the review, PAIs are updated for both inflation and exchange rate changes
- ❖ CPIs are used to take inflation into account
- ❖ Exchange rate changes and CPI movements do not normally affect PA classification in the intervening months between reviews

Interim adjustment of PAM between surveys - FMR



Inflation, inflation, inflation

What is the ICSC doing about it?

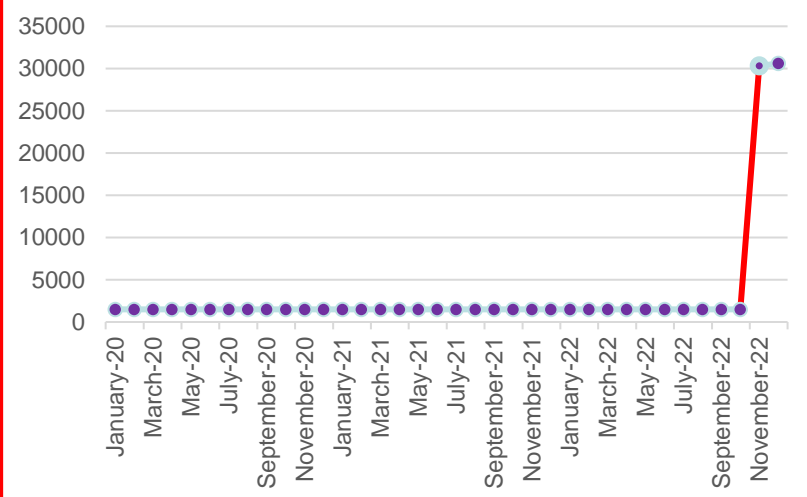
- Incorporate it in the monthly adjustment of the PAI, via consumer price indices (CPIs);
- Impact on remuneration is reflected only at the PAC reviews:
 - Once a year for group I duty stations (February),
 - 3 times a year for group II duty stations (March, July, November);
- PAC reviews incorporate the impact of not just inflation, but also that of exchange-rate fluctuations; sometimes completely offset each other

Inflation can be offset by devaluation

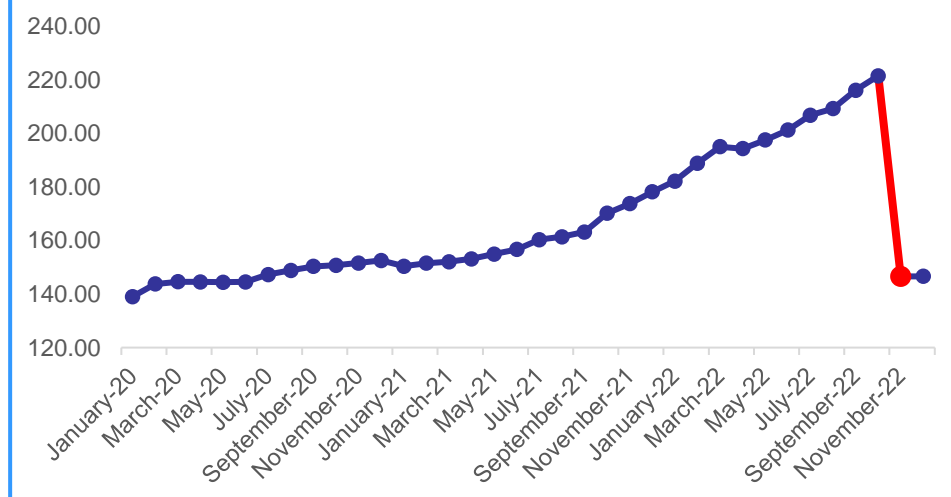
- **Test case: Lebanon**
- As of January 2023, Lebanon had the highest levels of inflation in the system (both the 6-month and 12-month averages)
- As of October 2022, there was significant devaluation of the local currency
- The impact of the devaluation of the currency on the PAI was stronger than that of the inflation

Impact of inflation and exchange rate on PAI Lebanon

Evolution of Exchange rate



Evolution of PAI



- The high inflation continuously increased PAI
- Significant devaluation in November 2023, despite inflation, caused PAI to drop significantly triggering the ten-point rule

Another test case: Vienna

- PP survey was implemented in August 2022; updating is done from survey month to current month
- A year after the survey, how did the exchange rate and inflation affect price ratios established as of the survey date (October 2021)
- Example using one basic heading (Rice and Cereals)

	October 2021	October 2022	% change
Exchange rate	0.860	1.032	-20%
Inflation	100	113.02	13.02%
Rice and Cereals Ratio	78.04	73.50	-5.82%
PAI	146.08	134.93	-7.63%

Inflation is captured at disaggregated levels (series)

- For example, for HQs, it is disaggregated as follows:

Duty station	Number of series tracked
USA (NY and WDC)	47
Canada (Montreal)	32
Austria (Vienna)	39
France (Paris)	39
Italy (Rome)	40
Spain (Madrid)	39
Switzerland (Geneva)	37
UK (London)	38

Post Adjustment Status for G1 duty stations

Duty station	PAI January 2023	Pay index 2023	Gap
Australia	137.1	130.1	7.0
Austria	146.0	142.4	3.6
Belgium	144.7	131.7	13.0
Bulgaria	122.4	112.9	9.5
Canada-Montreal	149.2	145.5	3.7
Croatia	139.8	132	7.8
Cyprus	126.4	116.5	9.9
Czech Republic	154.9	142.7	12.2
Denmark	170.3	154.1	16.2
Finland	138.3	131.2	7.1
France-Paris	152.0	149.7	2.3
Germany-Bonn	134.7	124.9	9.8
Greece	129.3	118.6	10.7
Hungary	129.0	111.5	17.5
Ireland	153.2	142.2	11.0
Italy-Rome	131.8	126.6	5.2
Japan-Tokyo	163.2	154.3	8.9
Malta	132.4	124.6	7.8
Monaco	152.0	149.7	2.3
Netherlands	152.0	144.6	7.4
Norway	142.5	131.2	11.3
Poland	121.6	110.2	11.4
Portugal-Lisbon	135.0	133.3	1.7
Romania	118.9	110.1	8.8
Slovakia	131.1	121	10.1
Slovenia	134.4	128	6.4
Spain	130.3	130.6	-0.3
Sweden	139.8	128.2	11.6
Switzerland	176.1	175.2	0.9
UK	167.2	160.3	6.9
US-DC	165.1	160.2	4.9
US-NY	180.3	169.9	10.4

- Significant gap exist for most of the duty station
- Highest gap 17.5 index points, Hungary
- Demonstrates increasing cost of living due to high levels of inflation whose impact is stronger than any devaluation of the local currency

Addressing the gap between PAI and pay index

Currently, PAI and pay index are aligned during the annual review, February of every year or on survey implementation

In an era of hyper-inflation or significant devaluation, the PAI and pay index gap grows unless they are aligned more frequently. **Is it getting too long to wait for February review?**

Existing operational rules do not address the current phenomenon in a timely manner

The secretariat will present the results of its analysis of the nature and impact of this phenomenon, and some recommendations of possible remedies, for consideration by the Commission at its 95th session, March 2023

Consolidation of PA into net base salary

- Revisions to the base/floor salary scale impacts post adjustment
- Implemented on a “no loss, no gain” basis
- Post adjustment indices and multipliers are adjusted commensurately with the revision to the base/floor salary scale

6. Table 1 below reflects changes in post adjustment multipliers for all duty stations before (A, pre-consolidation) and after (B, post-consolidation) due to the implementation of the revised base/floor salary scale. The post adjustment multipliers in column (B) are the final multipliers to be implemented effective 1 January 2023.

Table 1: Pre-and Post-consolidation post adjustment multipliers – effective 1 January 2023

DUTY STATION	(A) PRE- CONSOLIDATION	(B) POST- CONSOLIDATION	REMARKS
Afghanistan	41.7	38.5	
Albania	31.0	28.1	
Algeria	40.7	37.6	
Angola	85.1	81.0	
Anguilla	51.8	48.4	
Antigua and Barbuda	51.8	48.4	
Argentina	41.7	38.5	
Armenia	39.7	36.6	
Aruba	67.1	63.4	
Australia	33.1	30.1	Group I Country
Austria	45.6	42.4	Group I Country
Azerbaijan	43.4	40.2	
Bahamas	76.1	72.2	

[January 2023 post adjustment circular](#)

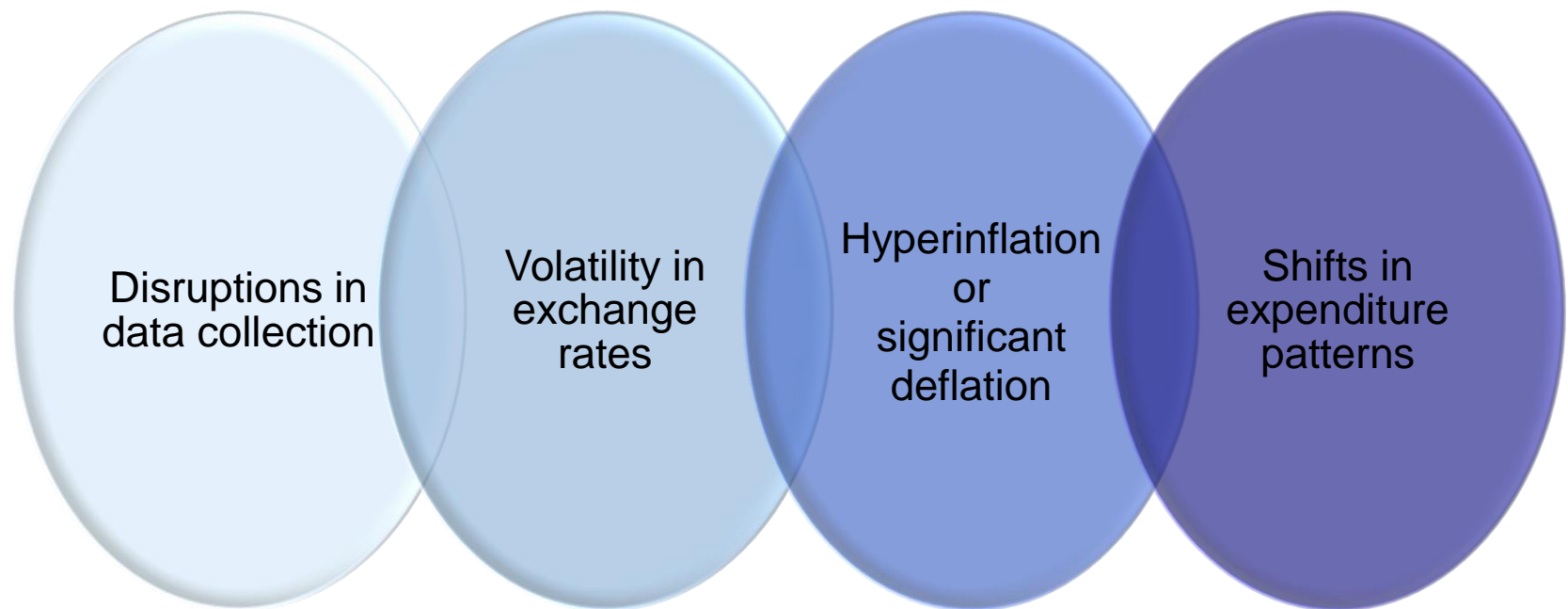
Margin management mechanism

- Margin management mechanism links the salary of the UN common system to that of the comparator, US federal civil service
- Current framework is to maintain the net remuneration of New York to be 10 to 20% higher than the comparator, desirable midpoint is 15%
- There are trigger points (below 13% or above 17%) at which the Commission was granted powers by the GA to increase salaries through post adjustment (**scaling up**) or to **freeze**.
- More details can be found in [Annex IX of the PA booklet](#)

Table 1: Group I Duty Stations with Post Adjustment Classification Review in February 2017

DUTY STATION	PAI		MULTIPLIER		
	Feb-17	Feb-17	Feb-17 0.5%	Feb-17	Feb-17
	Pre Scaling Up	Post Scaling Up		Pre Scaling Up	Post Scaling Up
Australia	131.3	134.0	33.7	33.7	34.0
Austria	132.7	135.4	33.2	33.2	35.4
Belgium	132.8	135.5	31.1	32.8	35.5
Bulgaria	110.8	113.0	13.8	13.8	13.8
Canada - Montreal	133.4	136.1	35.3	35.3	36.1
Canada - Ottawa	135.5	138.3	37.4	37.4	38.3
Canada - Toronto	144.9	147.8	46.9	46.9	47.8
China - Hong Kong (SAR)	203.2	207.4	106.4	106.4	107.4

Impact of Covid-19 on salary adjustments



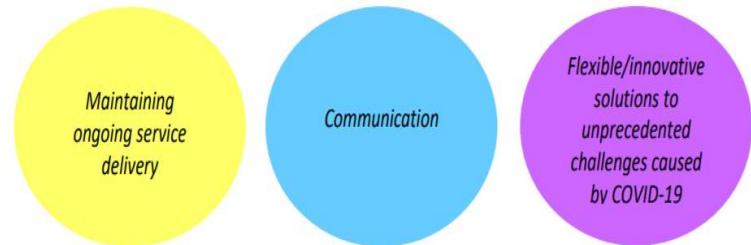
How did the ICSC respond to the Covid-19 pandemic?

- Temporarily suspended the survey program
- Intensified alternative modes of data collection e.g., internet
- Promulgated special measures to insulate any negative impact on net take-home pay
- Increased outreach and engagement with stakeholders; organizations, staff, GA etc.



The response by the International Civil Service Commission (ICSC) regarding the impact of COVID-19 on the UN Common System

The ICSC's response centered around helping the UN Common System organizations and staff, in headquarters and in the field, to cope with and continue to deliver their mandates within the complex and health-threatening operating environment caused by COVID-19. We primarily focused on the support to organizations and staff as they managed the crisis response. This became top priority for ICSC that fell into three urgent areas:



Special measures for salary adjustment

Protect net-take home pay
(increase if warranted, freeze otherwise)

Housing surveys
(to capture higher housing related costs)



Operational rules for salary adjustment

Normal operation vs. special measures

Operational Rule	Normal operation	Special Measure
Personal Transitional Allowance (PTA)	<ul style="list-style-type: none"> PTA reduced by 3% every 4 months until it is phased out PTA paid only to existing staff 	<ul style="list-style-type: none"> Frozen PTA paid to all staff (including staff assigned to the duty station after the implementation of the survey)
Four-month review	Group 2 post adjustment multipliers adjusted every 4 months in any direction based on the review	Increase if warranted, otherwise frozen; 10-point rule is suspended (reinstated as of October 2022)
0.5% rule	<ul style="list-style-type: none"> The whole net take-home pay (NTP) is kept stable in local currency The monthly NTP (local currency) is kept stable within +/- 0.5% of the benchmark level of NTP until the next interim adjustment 	<p>For eligible duty stations: The NTP is split in two component:</p> <ul style="list-style-type: none"> One component is kept stable in local currency and the other component is kept stable in US dollars The monthly level of NTP (local currency) may exceed by more than +0.5% the benchmark level of NTP between interim adjustments

Discontinuation of Special Measures

Special measures were established to prevent decreases in NTP as Covid raged

- **Created disconnect between the pay index and the cost of living**

For example, in the most recent four-month review (November 2022), **68 duty stations** whose pay indices would have been reduced were maintained at a higher level

When lifted in February 2023, many duty stations are expected to experience decreases in the March 2023 four-month review

Going forward with the 2021 round of surveys

ICSC 95th session (20-31 March 2023, New York)

ACPAQ 44th session (15-22 May 2023, Warsaw)

- Review of the methodology for application to field duty stations for the 2021 round of surveys.
- Methodological issues arising from the 2021 baseline surveys at headquarters duty stations:
 - ❖ Review of web scraping and other big data sources in the context of post adjustment index calculations;
 - ❖ Measures to mitigate or neutralize the effects of pure methodological change in post adjustment index calculations;
 - ❖ Investigation into the source of shocks in post adjustment index calculations, with reference to the rent component, for which the benchmark index and the updating mechanism are based on the same source data.
- Investigation into the feasibility, and impact, of establishing a separate post adjustment for Bern.
- Application of external data, in lieu of staff expenditures surveys, as a source of expenditure weights used in post adjustment index calculations: a pilot study.
- Other business

Thank You

Q&A