

ISSUE BRIEF

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U.S. Should Rein in Lavish U.N. Salaries

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The International Civil Service Commission (ICSC) is currently meeting to recommend changes to the salaries and benefits for more than 80,000 United Nations employees and 14 other organizations participating in the United Nations common system.¹ The ICSC calculates that U.N. employees in the professional and higher grades in New York earn a net remuneration (take-home salary) that averages 29.5 percent higher than that of equivalent U.S. civil servant grades in Washington, D.C. Moreover, U.N. employees enjoy benefits that in many cases exceed those of U.S. civil servants.

The financial implications of these lavish salaries and benefits are significant for the member states that pay for the budgets of these organizations, since the large majority of these budgets are dedicated to salaries and benefits. As the largest

contributor to the U.N. system, the U.S. should work with the other member states to immediately freeze U.N. salaries until they are equivalent to that of the U.S. civil service.

U.N. Compensation. The U.N. is comprised of 193 member states and is specifically charged by the U.N. charter to give “paramount consideration” in hiring staff to “the highest standards of efficiency, competence and integrity” while giving due regard to “the importance of recruiting the staff on as wide a geographical basis as possible.” This presented a challenge to the U.N. when it was founded, because compensation varies greatly between member states.

When the U.N.’s predecessor, the League of Nations, grappled with the issue, it established the Noblemaire Committee,² named after its chair, which recommended the adoption of a compensation system equal to that of the British Empire—the highest paid civil service in the world at the time—because “if lower salaries had been offered, it would be impossible to obtain the services of Britishers of the required standing. ... On the other hand, it would be difficult ... to pay lower salaries for the same work to members of other nationalities.”³

This practice, known as the Noblemaire principle, was inherited

by the U.N. and requires professional staff salaries to be determined by comparison to those of the civil service of the member state with the highest civil service pay levels. Since the U.N. was founded, this has been the U.S.

Complicating matters is that U.N. professional categories do not line up with U.S. civil service grades. The ICSC calculates equivalencies between the two as a basis for determining compensation—a process that inevitably involves subjective judgment. The ICSC itself reports that U.N. compensation significantly exceeds that of the U.S. equivalent. Specifically, the seven U.N. professional categories in New York receive net remuneration⁴ between 27.7 percent and 40.4 percent higher than the net remuneration of U.S. federal employees based in Washington, D.C.⁵

On average, weighting for the number of U.N. employees in each category, U.N. net remuneration is 29.5 percent higher than that of their U.S. equivalent. The most numerous U.N. professional grade (called “P-4”) earned an average take-home salary in 2011 of \$133,225, versus \$104,353 for the U.S. equivalent.⁶

The ICSC calculates the cost-of-living differential between

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Washington and New York to be 12.7 percent. After applying this adjustment and weighting for the number of U.N. employees in each category, the ICSC calculates that U.N. net remuneration is 14.9 percent higher than the U.S. equivalent. However, the U.S. Office of Personnel Management calculates the locality pay differential in New York as only 3.6 percent. Using this 3.6 percent differential reveals that net remuneration for U.N. staff in New York is actually 25 percent higher than the U.S. equivalent even after adjusting for location.

Additionally, the U.N. applies the Noblemaire principle selectively to benefit U.N. staff. While the U.S. instituted a pay freeze for federal workers in 2011 and 2012, the U.N. approved a salary increase of nearly 3 percent last year.⁷

U.N. Benefits. The U.N. asserts that the pay discrepancy is necessary

in order to compensate for “specific elements relating to expatriate service.”⁸ But it is unclear why a premium above U.S. civil service salaries, the highest of any member state, is required. Indeed, U.N. net remuneration does not include the additional, incredibly generous benefits and allowances enjoyed by U.N. staff—many of which are specifically targeted to alleviate the challenges of expatriate service including:⁹

- A rental subsidy of up to 80 percent of rent above a specified threshold.
- Higher salaries and allowances for U.N. employees with dependents.
- A dependant child allowance (under 18 or under 21 if attending school full-time) of \$2,929, a secondary dependant allowance (sibling or parent) of \$1,025, and

enhanced allowances for disabled dependants.

- Education grants for staff serving outside their home country amounting to 75 percent of tuition, up to \$32,255 per annum, payable through the fourth year of college up to the age of 25, and up to 100 percent reimbursement for boarding school for primary and secondary students.
- Travel expenses relating to the initial appointment, change of duty stations, family visitation separation of service, and home leave travel. Staff posted outside their home country are provided with paid travel to their home countries for themselves and their families biennially.
- A daily subsistence allowance during business travel and a half-rate

1. These are the International Labor Organization; the Food and Agriculture Organization; the U.N. Educational, Scientific, and Cultural Organization; the International Civil Aviation Organization; the World Health Organization; the Universal Postal Union; the International Telecommunications Union; the World Meteorological Organization; the International Maritime Organization; the World Intellectual Property Organization; the International Atomic Energy Agency; the U.N. Industrial Development Organization; and the U.N. World Tourism Organization. While it has not formally accepted the statute of the commission, the International Fund for Agricultural Development participates in the commission.
2. International Civil Service Commission, “Historical Study of the Noblemaire Principle,” July 2004, http://www.fsu.unlb.org/docs/related_documents/59CRP5.pdf (accessed July 16, 2012).
3. Ibid.
4. Essentially, this is take-home pay. In the case of the U.S., this is after-tax income. Except for U.S. citizens working at the U.N., all U.N. staff are exempt from domestic taxation. However, the U.N. does charge its employees a “staff assessment” that is applied on a progressive scale to income. Most of this staff assessment is credited against the dues of the member states. Since the U.S. taxes U.N. salaries, its share of the staff assessment is credited through the Tax Equalization Fund to the U.S. minus the taxes paid by U.S. citizens employed by the U.N. See Brett D. Schaefer, “The U.N. Should Pay What It Owes the U.S. from Its Tax Equalization Fund,” Heritage Foundation *WebMemo* No. 3052, November 8, 2010, <http://www.heritage.org/research/reports/2010/11/the-un-should-pay-what-its-owes-the-us-from-its-tax-equalization-fund>; and United Nations, “Assessment of Member States’ Contributions to the United Nations Regular Budget for 2012,” December 27, 2011, <http://www.un.org/en/ga/contributions/budget.shtml> (accessed July 16, 2012).
5. United Nations, “Report of the International Civil Service Commission for 2011,” Annex VI, <http://icsc.un.org/resources/pdfs/ar/AR2011.pdf> (accessed July 16, 2012).
6. Ibid.
7. Ambassador Joseph M. Torsella, “Remarks on the Proposed UN Program Budget for 2012-13, before the Fifth (Administrative and Budgetary) Committee of the UN General Assembly,” U.S. Mission to the United Nations, October 27, 2011, <http://usun.state.gov/briefing/statements/2011/176325.htm> (accessed July 16, 2012).
8. International Civil Service Commission, “United Nations Common System of Salaries, Allowances, and Benefits,” April 2012, <http://icsc.un.org/resources/pdfs/sal/sabeng12.pdf> (accessed July 16, 2012).
9. Ibid.

daily subsistence allowance for traveling family members.

- Hardship and danger allowances for duty stations with difficult living conditions that can reach thousands of dollars each month.
- A mobility allowance when moved between duty stations, and paid expenses for shipping household goods and, in some cases, partial payment for shipping automobiles.
- Annual vacation of 30 days, 10 official holidays, 16 weeks of paid maternity leave, and four to eight weeks of paid paternity leave.

Many of these benefits exceed those provided by the U.S. federal government—in some cases, significantly. The extent of U.N. compensation is further illustrated by studies indicating that U.S. federal employees on average earn significantly more in salary and benefits than equivalently skilled U.S. private-sector workers.¹⁰

The Need to Rein in U.N. Compensation. Under the

Noblemaire principle, the U.N. is supposed to base its compensation on that of the U.S. civil service. In reality, the U.N. provides more lavish salaries and benefits than those of equivalent American civil servants. This discrepancy poses significant, unjustified costs on member states, especially the U.S., which is the largest contributor to the U.N. system, providing \$7.7 billion in FY 2010.¹¹ Personnel costs comprise 74 percent of the U.N. regular budget according to the U.S. Mission¹² and the budgets of most other U.N. organizations are similarly structured. To address this critical budgetary issue, the U.S. should:

- Demand an immediate pay freeze until U.N. net remuneration matches that of the U.S. civil service;
- Urge the General Assembly to instruct the ICSC to use the U.S. Office of Personnel Management locality pay adjustment for New York rather than its own cost-of-living calculations; and

- Have the U.S. Office of Personnel Management, the Congressional Budget Office, or the Government Accountability Office periodically conduct its own comparative analysis of U.N. compensation versus that for U.S. federal workers, including establishing its own equivalencies and comparing total compensation combining salaries and benefits, as independent verification of the ICSC calculations.

Austerity at the U.N. Fiscal prudence is always sound policy, but it is especially urgent in this era of tight budgets and financial crisis. Governments around the world have to implement austerity measures to meet budgetary necessity. As a composite of the world's nations, the U.N. should not be insulated from this reality.

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10. James Sherk, "Inflated Federal Pay: How Americans Are Overtaxed to Overpay the Civil Service," Heritage Foundation *Center for Data Analysis Report* No. CDA10-05, July 7, 2010, <http://www.heritage.org/Research/Reports/2010/07/Inflated-Federal-Pay-How-Americans-Are-Overtaxed-to-Overpay-the-Civil-Service>; and Andrew G. Biggs and Jason Richwine, "Comparing Federal and Private Sector Compensation," American Enterprise Institute, June 8, 2011, <http://www.aei.org/paper/100203> (accessed July 16, 2012).

11. The Office of Management and Budget submits an annual report to Congress on U.S. contributions to the U.N. system. The most recent report was published in June 2011. Jacob J. Lew, "Annual Report on United States Contributions to the United Nations," Office of Management and Budget, June 6, 2011, http://www.whitehouse.gov/sites/default/files/omb/assets/legislative_reports/us_contributions_to_the_un_06062011.pdf (accessed July 16, 2012).

12. Torsella, "Remarks on the Proposed UN Program Budget for 2012-13."