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From: Evelyn Kortum, General Secretary

**REPORT OF THE FEDERATION OF INTERNATIONAL CIVIL SERVANTS' ASSOCIATIONS (FICSA)
ON THE 41ST SESSION OF THE ADVISORY COMMITTEE ON POST ADJUSTMENT QUESTIONS
(ACPAQ)
(FAO, Rome, 20 – 27 May 2019)**

*Submitted by Brett Fitzgerald (President) and
Christian Gerlier (Chairman of FICSA's Standing Committee on Professional Salaries and Allowances)*

Agenda

The main items on the agenda of the ACPAQ's 41st session included:

- Review of the post adjustment system
- Report of the Task Force on the review of the conceptual basis of the index; and
- Methodological issues pertaining to the housing component of the post adjustment index for Group I and Group II duty stations.

The 41st session of the ACPAQ was held at FAO headquarters in Rome, Italy, from 20 to 27 May 2019 under the chairmanship of Mr. Montovani. The ACPAQ members who participated in the session were: Messrs. Astin, Berumen Torres, Ito, Mouzelo-Katoula and Tatarinov. Other participants included representatives of the Organizations and representatives of the Staff Federations, also comprising statisticians nominated to the Task Force by both the Organizations and Staff Federations, as well as representatives and statisticians of the ICSC secretariat.

Review of the post adjustment system - Report of the Task Force on the review of the conceptual basis of the index

Most of the Task Force's work centered around three main themes:

Theme 1: The measurement objective of the post adjustment index (PAI), index formula and aggregation (from top to bottom), price vs cost index, related considerations regarding treatment of pension contribution component and naming of the index;

Theme 2: Weighting issues: within the in-area (excluding housing) component, within the housing component, with the medical insurance component; and weighting across components, superpopulation vs actual population and characteristicity of the index; and

Theme 3: Statistical methods and procedures for the compilation of the index: scope and coverage, data sources, quality adjustment, inclusion/exclusion vs imputation/editing/cleaning, anonymity vs confidentiality, boundaries for user involvement.

In considering the work of the Task Force as presented to ACPAQ, it was noted that there were some issues on which the Task Force had not been able to reach consensus, more specifically the following:

1. Whether the PAI should be based on a system of bilateral comparisons, with New York's weights and prices being the reference weights and prices for all comparisons, or a multilateral system of comparisons, maintaining New York's prices fixed, but with reference weights that would implicitly be averaged across all duty stations participating in the PAS;
2. Whether methodological changes contemplated for the PAS should be implemented all at once or in a gradual manner;
3. Whether the weighting of the five major PAI components should be done by constraining the US dollar weight of the in-area (excluding housing) and of the out-of-area (OA) components as done today, or according to other possible alternatives, ranging from no constraining of weights to constraining the weight of those two components together with the housing component; and finally;
4. Whether the weighting of the PAI should more generally follow a household-based or an expenditure-based approach.

The report of the Task Force also included viewpoints from some of its members regarding cross-cutting issues and linkages with the work being done by the Working Group on Operational Rules.

Speaking on behalf of both FICSA and UNISERV, the FICSA representative noted that, within the context of proposed methodological changes, in particular the proposed move from the modified Walsh index to a superlative index such as Törnqvist, some of the changes under consideration could lead to lower post adjustment indices in many, if not all, duty stations. Highlighting that staff should not have to suffer reductions in net remuneration which are purely due to a change in methodology, the representative specified that FICSA and UNISERV would not be in a position to support this proposed change unless it is carried out on a no-loss/no-gain basis. In this respect, the representative stated that FICSA and UNISERV looked forward to further discussions on the mechanism which would be used to achieve changes to the methodology without affecting net remuneration of staff, regardless of whether the mechanism would be a recalibration factor within the PAI or a transitional factor within the operational rules.

Following lengthy discussions specific to the Task Force's review of the conceptual basis of the PAI, ACPAQ decided to recommend the following to the Commission:

1. That the Törnqvist index formula should be used for the calculation of the in-area (excluding housing) index of the PAI, and the PAI should be estimated using a system of bilateral comparisons, as opposed to a system of multilateral, transitive parities, which was another

vision for the PAS contemplated by the Task Force. This recommendation was contingent upon further elaboration of such aspects as:

- (a) An evaluation of the effects of applying the Törnqvist formula to the highest level of aggregation of the PAI, as well as within its components;
 - (b) The development of a recalibration factor or other statistical measures that would identify and neutralize the impact of methodological change;
 - (c) The determination of the functional form of the coefficient of reliability;
 - (d) The determination of the criteria for identifying duty stations to be used for determining the set of pooled weights;
2. As a general principle, the calculation of indices and ratios in the PAI should be based on market price information as opposed to staff-reported expenditures or incurred costs, whenever possible;
 3. For the next round of surveys, additional studies should be conducted by the secretariat to investigate the following issues:
 - (a) Using market price information for the calculation of the domestic service index (for group I duty stations);
 - (b) Whether the calculation of the education index should continue to be based on gross tuition fees or be changed to using actual costs incurred by staff, after accounting for the education grant;
 - (c) Including the cost of supplementary medical insurance incurred by staff;
 4. The pension contribution component should for the time being be retained in the PAI. Alternative scenarios for its treatment should be studied by the secretariat in future;
 5. The secretariat should continue monitoring the importance of other items not presently covered by the PAI using feedback provided by survey respondents;
 6. Internally calculated rent projection factors should be replaced with appropriate disaggregated local/national CPIs for updating purposes, where available. Suggestions for changes in the ISRP methodology for rent data collection, should be submitted through the secretariat;
 7. The current rent class-mean imputation for the calculation of the rental weight for home-owners should continue to be used;
 8. Aggregation (or collapsing) techniques to merge dwelling classes should be used, when needed, so that no individual information can be tracked from the averages disseminated in survey reports, even at the expense of transparency;
 9. The secretariat should:
 - (i) Test the inclusion of the type of outlet in item specifications before using it in the next round of surveys;
 - (ii) Undertake further research to elaborate the application of household and expenditure weighting within the PAS covering both their theoretical justification and appropriate implementation approaches; and

(iii) Test alternative procedures for the determination of the weights of the PAI major components, including scenarios for which the in-area (excluding housing) component is not treated as the sole candidate for the residual weight.

10. The Committee decided to postpone to a future session its review of Task Force recommendations that were calling for studies and research for future implementation.

Methodological issues pertaining to the housing component of the PAI

Discussions ensued in respect of methodological issues pertaining to the treatment of the rent/housing and domestic services components of the PAI, as well as differences in their treatment between group I and group II duty stations.

In concluding this agenda item, ACPAQ decided to recommend to the Commission that the ACPAQ secretariat continue its research geared towards improving the housing component for group I duty stations for the next round of surveys, by considering the feasibility and effects of the following changes to the current methodology:

1. Using the Törnqvist formula and expenditure weights in the aggregation of the domestic services subcomponents within the domestic-services basic heading and, at the same time, building the comparison exclusively on the basis of the most prevalent type of domestic service when needed;
 2. Using the Törnqvist formula and corresponding expenditure weights in the aggregation of the rent index for group I duty stations;
 3. Assessing the adequacy of the length of the moving average model used in the determination of longevity weights, as part of the preparations for every survey round;
 4. Using relevant CPI data as published by national statistical offices to update the rent index for group I duty stations;
 5. Considering the feasibility and effects of using the Törnqvist formula and expenditure weights in the aggregation of the housing index for group II duty stations;
 6. Reviewing the methodology for the treatment of domestic services;
 7. Resolving the double-counting in the treatment of major household appliances for group II duty stations; and
 8. Streamlining and simplifying the treatment of the “other housing costs” sub-component.
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