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Item 6 (b) of the provisional agenda*

Conditions of service of staff in the Professional and higher categories

Post adjustment issues: results of the 2016 round of surveys; report of the Advisory Committee on Post Adjustment Questions on its thirty-ninth session and agenda for the fortieth session

Note by the secretariat of the International Civil Service Commission

Summary

At its thirty-ninth session, the Advisory Committee on Post Adjustment Questions reviewed the results of the 2016 baseline cost-of-living surveys conducted at all eight headquarters duty stations (Geneva, London, Madrid, Montreal, New York, Paris, Rome and Vienna) and Washington, D.C. The Committee also considered a range of methodological issues pertaining to the 2016 round of surveys, including the adaptation of the approved methodology for application to field duty stations. The present report contains a number of recommendations of the Committee regarding: (a) minor modifications to the approved methodology relating to both data collection and processing; (b) the survey results for Geneva, Montreal, and Washington, D.C.; and (c) the methodology to be applied to field duty stations. The Committee decided to defer recommendations regarding the survey results for London, Madrid, Paris, Rome and Vienna, pending its review of the results of a comprehensive price survey to be conducted in Brussels by the secretariat, as part of its plan to assess and account for any systemic differences resulting from the transition from the use of data collected by the International Civil Service Commission to the use of the European Comparison Programme average prices for those duty stations.

* ICSC/84/R.1.



I. Introduction

1. The thirty-ninth session of the Advisory Committee on Post Adjustment Questions was held from 20 to 27 February 2017 at United Nations Headquarters in New York, under the chairmanship of Wolfgang Stoeckl. The list of participants is contained in annex I to the present report and the agenda for the session in annex II to the present report.¹ The secretariat has prepared the present summary of the proceedings of the session in order to assist the International Civil Service Commission in its review of the report, the full text of which is provided for background information in document [ICSC/ACPAQ/39/R.13](#).

Opening of the session

2. The Chair of the Advisory Committee on Post Adjustment Questions opened the meeting by welcoming participants to the thirty-ninth session of the Committee. He indicated at the outset that the session was particularly important because it was the one at which the results of the cost-of-living surveys conducted at all headquarters duty stations and Washington, D.C., were expected to be examined and recommended for approval by the Commission.

II. Implementation of the methodology approved by the Commission for cost-of-living surveys at headquarters duty stations

3. The Committee reviewed various aspects of the implementation of the methodology approved by the Commission for cost-of-living surveys at headquarters duty stations and Washington, D.C. Details of the methodological changes approved by the Commission, on the basis of recommendations of the Committee were reviewed. They included the adoption of the European Comparison Programme as a source of specifications and price data (for covered group I duty stations), the redesign of survey instruments, the revision of the basic heading structure of the post adjustment index, the harmonized specification of the out-of-area weight for both group I and group II duty stations, the treatment of out-of-area housing expenditure, the change in the procedure for calculating rent indices and the expansion of the staff population eligible to participate in the survey to include staff at the D-2 level.

4. Furthermore, a number of key aspects relating to the organization of the surveys, as well as to the collection and processing of price and expenditure data, were highlighted by the secretariat. They included coordination with local survey committees regarding lists of outlets and eligible staff; shared responsibility for the collection of price data; an expanded use of the Internet for collecting price data, thereby optimizing coverage of outlets; the creation of a survey support microsite to facilitate the administration of the survey; the conduct of price surveys by the secretariat in selected locations; the collection and updating of rent and price data from partner organizations; and the implementation of the strategy designed by the secretariat, in collaboration with organizations and local staff associations, to encourage staff participation in the surveys.

5. The secretariat reported that staff participation rates were high and that the target sample sizes needed to meet the precision requirements specified by the

¹ The proposed agenda of the fortieth session of the Committee will be submitted to the Commission for its consideration at its eighty-fifth session.

Committee had been achieved or exceeded for all duty stations (see annex III). A comparison of the new set of common expenditure weights with the set from 2010 revealed major shifts in expenditure patterns since the 2010 round of surveys. The secretariat emphasized the role of the various stakeholders and the excellent collaboration among them during all phases of the survey process, including the administrative and logistical support provided by the local survey committees, price survey consultants who facilitated on-site price data collection in Geneva and Montreal, observers nominated by the local survey committees to accompany Commission pricing teams, independent consultants representing the local survey committees who visited the Commission secretariat during price data processing and provided useful feedback and the Commission's partner agencies, Eurostat and the International Service for Remunerations and Pensions, which provided useful assistance with regard to methodological issues, as well as with the process of acquiring price data from the European Comparison Programme. Details on the number of price quotations collected and used for each duty station are provided in annex IV to the present report.

6. A number of comments and proposals made by consultants were taken into account during the processing of the survey data for the duty stations covered by the European Comparison Programme. The consultants submitted reports for their respective duty stations, which were made available to the Committee. In their reports, the consultants expressed satisfaction at the level of cooperation accorded to them by the secretariat and the transparency of all aspects of the work of the secretariat, as well as for the opportunity to review all available data. They raised a number of issues and made recommendations that were taken note of and acted upon by the secretariat. An additional report summarizing the secretariat's responses to the findings and recommendations of all independent experts was also provided to the Committee.

7. The secretariat provided possible explanations for the significant difference in the evolution of price relativities between duty stations covered by the European Comparison Programme and those that were not covered by the Programme, as evidenced by the decreases in the in-area (excluding housing) indices for all duty stations, but particularly so for duty stations covered by the Programme. That was due in part to evidence gleaned from the 2016 round of price surveys, as well as from external sources, showing that price levels in New York had increased to a higher degree than those recorded in other duty stations between 2010 and 2016. The secretariat noted, however, that for the duty stations covered by the Programme that recorded the largest decreases, it could not use all the traditional array of data-processing techniques and tools usually employed to ensure fair price comparisons. In particular, the careful balancing of price data sets across duty stations could not be done in a comprehensive manner without access to additional metadata on prices, such as the list of outlets, data that were available for duty stations not covered by the Programme.

8. To mitigate the effects of the lack of access to all metadata for duty stations covered by the European Comparison Programme, compensate for the inability to apply the full range of data-processing techniques and, at the same time, permit the immediate implementation of all survey results, the secretariat proposed using a survey transition factor to adjust the values of the in-area (excluding housing) indices of duty stations covered by the Programme in such a way that the average decrease in the index for duty stations covered by the Programme was roughly equal to that of the duty stations not covered by the Programme. However, the secretariat stressed that the survey transition factor could be measured more precisely by the Commission's conducting a comprehensive, traditional price survey in Brussels, the reference city used by Eurostat for cost-of-living comparisons with duty stations

covered by the Programme. Such a survey would also provide the possibility of further research into the possible methodological differences between the systems used by the Commission and the Programme in their respective price surveys in such areas as the selection of outlets, items and brands.

A. Discussions in the Committee

9. The Committee highlighted the unprecedented levels of staff participation in the survey for all duty stations, adding that such high response rates led to more reliable estimates of relevant characteristics and the calculation of post adjustment indexes that more accurately reflected the true cost of living experienced by United Nations common system Professional staff at the various duty stations. The secretariat stressed that the high response rates ensured that significant shifts in the expenditure patterns of staff were accurately captured, adding that those changes in expenditure patterns, and in cost-of-living indices, were attributable in part to the many significant methodological changes between the two rounds, one of the most important of which was the introduction of average price data from the European Comparison Programme for duty stations covered by the Programme. The Committee noted that the difference between results of the 2016 round of cost-of-living surveys and the 2010 indices updated for the 2016 round, should not necessarily be attributed to changes in the 2016 round alone, given that the results of both the 2016 and 2010 rounds were estimates, subject to a certain margin of error. The secretariat noted that the Programme provided price data of very good quality, but it was clear that the survey practices of the Commission were not yet fully aligned with those of the Programme.

B. Justification, determination and application of the survey transition factor

10. In response to the Committee's questions regarding the survey transition factor, the secretariat explained that the results of the proposed price survey in Brussels would provide an overall estimation, unaffected by exchange rates, of the impact of the differences between procedures and guidelines of the European Comparison Programme and Commission systems. In addition to the numerical evaluation, the support available from its partner agencies might also allow, to the extent that Brussels metadata would be made available, for an ex-post analysis of the extent of discrepancies between the distribution and market positioning of outlets or item brands and other important price determining features. The use of the survey transition factor was envisaged as an interim solution until the secretariat achieved full alignment of its own survey procedures and guidelines to those of the Programme, in terms of such aspects as the selection and classification of outlets, items and brands.

11. The secretariat noted that the results for Geneva, Montreal and Washington, D.C., which were not covered by the European Comparison Programme, were also negative, which could be explained in part by the significant increases of price levels in New York relative to those duty stations. The secretariat presented an example using data from other sources, showing that price levels in New York had increased substantially more than those at other duty stations since the previous round. In addition to divergent inflationary trends, the strengthening of the United States dollar against European currencies since 2010 also played a role in producing low price relativities. The Committee indicated that, with so many methodological changes instituted for the 2016 round, large differences in results between survey

rounds should be expected. However, in national statistics, a phasing-in procedure for new results produced by major methodological changes was also put into place.

12. Although they appreciated the rationale of the survey transition factor, some participants did not believe that it had the needed credibility for acceptance by stakeholders, given that it seemed to be arbitrary and not based on a solid theoretical model, but on the rather strong assumption that duty stations covered by the European Comparison Programme should have the same degree of decrease as other duty stations. The secretariat noted that in addition to the recorded decreases in the in-area (excluding housing) indices for duty stations covered by the Programme, there were other components of the post adjustment index, such as housing or the out-of-area components, whose indices decreased in part by methodological changes, such as the new procedure for calculating rent indices or the harmonized specification of the out-of-area weight, and that that was amply illustrated by results of simulations presented at previous sessions of the Committee. The Committee suggested that, in order to evaluate the factors that had a negative impact on the price surveys of 2016, the secretariat should not only conduct a price survey in Brussels according to its traditional approach but a completely new price survey in New York according to the Programme approach.

13. The representatives of Eurostat and the International Service for Remunerations and Pensions informed the Committee that their agencies were interested, as was the secretariat, in achieving a fuller integration of European Comparison Programme price data into calculations of post adjustment indexes, given that that would increase the joint credibility of both agencies. In that regard, they offered to collaborate with the Commission secretariat on joint ex-post analyses of survey data and other areas of common interest, such as a more detailed review of the consistency of the types of outlets used by the two systems, by setting up an intersecretariat research programme on all issues of common interest, with a view to reporting the findings back to the Committee.

14. Some participants asserted that the magnitude of the differences between the post adjustment index of the 2016 survey and the updated post adjustment index of the 2010 survey warranted further investigation, adding that accepting those results would also call into question the validity of previous results. They indicated that the purpose for switching the source of price data to the European Comparison Programme was to reduce the operating costs of the secretariat, but that the switch had raised issues of comparability between the two systems, as well as the representativity of the items selected in the basket of goods and services. The secretariat noted that, given the circumstances, the survey transition factor was the most practical approach for assessing and accounting for the difference between the two systems that would also allow for an immediate implementation of the survey results. Estimating the survey transition factor on the basis of the proposed price survey in Brussels, or in other third-party duty stations, might make it more accurate and independent of current survey results, but that would not necessarily guarantee a higher value. In both cases, the survey transition factor was a transitional measure meant to replicate the effects, in average terms, of the secretariat's traditional approach to price data processing when all variables relating to item price data were known. It indicated that the ideal, long-term solution was based on the alignment of the procedures and guidelines for conducting price surveys across the two systems.

15. The Committee took note of the concerns raised by various participants regarding the comparability of the European Comparison Programme average price data with those based on data collected by the Commission in New York. They reiterated that, given the number of changes introduced into the methodology, it was not surprising to see the changes in the results from the 2010 to the 2016 rounds. They reminded participants that the cost of living at various duty stations was not

measured in absolute terms for each location, but relative to the base of the system, New York, at which there had been a noticeable increase in price levels. Methodological changes were introduced in the 2016 round with a view to improving the accuracy of cost-of-living measurements, and such changes had been discussed and approved at previous sessions of the Committee.

16. The Committee concluded that, whereas there were no obstacles to recommending for approval the survey results for duty stations not covered by the European Comparison Programme, the case regarding the duty stations covered by the Programme warranted further investigation. In that regard, it considered that, rather than use an interim survey transition factor based on the results of the current baseline cost-of-living surveys, it would recommend to the Commission that a comprehensive assessment of possible systemic differences in the Programme and Commission systems be conducted, including a price survey in Brussels conducted according to Commission procedures, with a view to accounting for the impact of those differences on the survey results for duty stations covered by the Programme.

C. Housing component

17. In response to questions regarding the selection of neighbourhoods in International Service for Remunerations and Pensions rent surveys, the representative of the Service clarified that the selection of neighbourhoods was independent of the residential patterns of international staff, adding that that approach to salaries avoided the effects of a downward spiral in post adjustment, or a “poverty trap”, which had been previously discussed by the Committee. However, he indicated that the selection of neighbourhoods, which was validated by national statistical authorities, resulted in very comparable sets of residential areas across duty stations.

D. Recommendations of the Committee

18. The Committee decided:

- (a) To inform the Commission that:
 - (i) The collection and processing of the data from the 2016 baseline cost-of-living surveys were carried out in accordance with the approved methodology;
 - (ii) Adjustments of the approved methodology by the secretariat with regard to data collection and processing were justifiable in the light of the reported circumstances;
- (b) To recommend to the Commission that:
 - (i) The new common weights for the 2016 round of surveys, based on results of the household expenditure surveys, be approved;
 - (ii) The item “Cigarettes, with filter, not domestic brand, Well Known Brand” be removed from the basket of goods and services;
 - (iii) The minor modifications made to item specifications, including the change from total service to hourly rate for electrician and plumber services, be approved;
 - (iv) Until supplementary price information is obtained, ratios for items judged not to be sufficiently comparable between duty stations and New York should be excluded for duty stations covered by the European Comparison Programme;

(v) Supplementary price information for items judged not sufficiently comparable should be collected with a dedicated mini-survey in New York at the earliest opportunity, in consultation with partner organizations;

(vi) A survey transition factor be estimated on the basis of a fully fledged price survey in Brussels to adjust in-area (excluding housing) indices of headquarters surveys for duty stations covered by the Programme, as part of the secretariat's overall plans aimed at assessing and accounting for systemic differences between the Programme and the Commission systems;

(vii) The use of size adjustment factors in the calculation of the rent index should continue until the reliability of average rents for alternative dwelling living space sizes in New York is assured;

(viii) The secretariat be granted the flexibility to introduce minor modifications to the staff expenditure survey questionnaire to be used in the 2016 round of surveys, in the light of experience acquired during the 2016 baseline cost-of-living surveys.

III. Collection of survey data in New York for the purpose of place-to-place cost-of-living comparisons

19. The Committee considered the report of the secretariat on the collection of price data from physical and online retail outlets and housing and household expenditure reported by staff in New York. Prices for the common basket of goods and services were collected primarily in June 2016, with a supplementary price data collection undertaken in September and October 2016, covering mainly seasonal items, such as clothing or other items that were not available in June 2016. Prices for items subject to the real-time price comparison approach, such as electronics and other high-technology products, were collected in September and October 2016. The staff expenditure survey was conducted in September 2016. The approved procedures and guidelines regulated the entire survey process, including the collection and processing of sale prices and the application of average sales taxes, as well as the determination of average housing weights or the actual out-of-area weight for New York using reported staff expenditure.

A. Discussions in the Committee

20. In response to participants' requests for clarification on the criteria for exclusion of price quotations during the analysis, the secretariat explained that a broad range of prices was collected in New York, not only to match item specifications exactly, but also to include a supplementary group of price quotations for items that were slightly beyond the specifications so as to facilitate matching with other duty stations. If those supplementary items turned out not to be needed or inappropriate for comparison, they were excluded from the analysis. The Committee noted that collecting a much larger number of price quotations in New York than was necessary for price comparisons with other duty stations in fact represented a benefit, not a cost, given that it was much more efficient to exclude price quotations that were not needed than to have an insufficient number of price quotations for the comparison. The secretariat provided clarification on the coverage and accuracy of the prices collected for a number of specific items, including seasonal items.

B. Recommendations of the Committee

21. The Committee decided:

(a) To note that the collection and processing of the data from the 2016 place-to-place survey in New York was carried out in accordance with the approved methodology;

(b) To recommend that the results of the 2016 place-to-place survey for New York be approved by the Commission.

IV. Cost-of-living survey in Geneva

22. The Committee considered the report on the cost-of-living survey conducted in Geneva in October 2016 by the Commission secretariat. The report included details on all aspects of the survey process, from data collection and processing to the calculation of the post adjustment index. Also included were details such as the number of price quotations collected and used, the number of outlets visited and staff response levels and rates in the staff expenditure survey.

23. A cost-of-living comparison was made between Geneva and New York. The results of the comparison showed that the cost-of-living index for Geneva for October 2016 was 101.99 relative to the base (New York, June 2016=100), at the exchange rate of 0.988 Swiss franc (SwF) to the United States dollar. That resulted in a survey post adjustment index for October 2016 of 165.89, representing a decrease of about 3.78 per cent relative to the updated post adjustment index of 172.40 for Geneva for October 2016. The results for Geneva and the other duty stations are summarized in annex V to the present report.

A. Discussions in the Committee

24. Many participants expressed their disappointment at the low survey results that, in their view, were not consistent with reliable macroeconomic data or the increases in the cost of living at the duty station since the previous survey and questioned many aspects of the underlying post-adjustment methodology. Among the issues raised was the exclusion of housing expenditure data from staff members living in neighbouring France, and their inclusion in out-of-area expenditure, which, in their view, underestimated the weight of the housing component of the post adjustment index. Also mentioned was the perceived lack of transparency in the methodology and procedures employed by the International Service for Remunerations and Pensions in the collection of the market rent data used in the calculation of the rent index for group I duty stations and an asymmetrical treatment in the collection of price data for seasonal clothing items between New York and Geneva.

25. Regarding the treatment of responses from staff serving in Geneva but residing in France, it was clarified that expenditure incurred within Switzerland was treated as in-area and averaged together with the expenditure of those residing in Switzerland. Housing expenditure of staff residing in France who participated in the survey was completely excluded from the housing analysis, and therefore the housing weight for the post adjustment index of Geneva was not affected. The housing component of the post adjustment index for Geneva is associated with housing indices and ratios derived from prices and costs collected from within Switzerland only. However, housing expenditure of staff residing in France, since it is incurred outside Switzerland, was included in the determination of the actual out-of-area weight, leading to a more accurate estimation of the actual out-of-area weight for Geneva than in the previous round.

26. Regarding the low survey results, the secretariat explained that post adjustment is not meant to compensate staff for independent increases in the cost of living at their duty stations, but rather to equalize the purchasing power for all Professional staff of the United Nations common system through cost-of-living comparisons at the same point in time, between the duty stations and New York, the base of the post adjustment system. That meant that negative results in a cost-of-living survey were possible even if the overall level of prices had increased at a given duty station, as long as the level of prices in New York increased at a faster rate. Regarding the out-of-area weight, the secretariat noted that the new out-of-area weight for the current round, unlike the one for 2010, which had been administratively specified, had been determined using the harmonized specification of the out-of-area weight, on the basis of actual survey data reported by all staff members at the duty station, including those residing in neighbouring France. On the use of external rent data from the International Service for Remunerations and Pensions, the secretariat explained that, whereas market rent data were used in the determination of rent parities, the weights associated with those parities were derived from staff-reported data for Geneva.

B. Recommendations of the Committee

27. The Committee noted that both the collection and processing of data from the 2016 place-to-place survey in Geneva had been carried out in accordance with the approved methodology.

28. The Committee decided to inform the Commission that the cost-of-living index for Geneva for October 2016 was 101.99 relative to the base (New York, June 2016=100) at the exchange rate of SwF 0.988 to the United States dollar. That was equivalent to a post adjustment index for October 2016 of 165.89, representing a decrease of 3.78 per cent in the post adjustment index for Geneva.

V. Cost-of-living survey in Montreal

29. The Committee considered the report on the cost-of-living survey conducted in Montreal in October 2016 by the Commission secretariat. The report included details on all aspects of the survey process, from data collection and processing, to the calculation of the post adjustment index. Also included were details such as the number of price quotations collected and used and staff response rates in the staff expenditure surveys.

30. A cost-of-living comparison was made between Montreal and New York. The results of the comparison showed that the cost-of-living index for Montreal for October 2016 was 83.17² relative to the base (New York, June 2016=100) at the exchange rate of 1.325 Canadian dollars (Can\$) to the United States dollar. That resulted in a survey post adjustment index for October 2016 of 135.27, representing an increase of about 0.71 per cent over the updated post adjustment index of 134.32 for Montreal for October 2016.

A. Discussions in the Committee

31. The representative of the International Civil Aviation Organization expressed her appreciation for the support provided by the secretariat throughout the survey

² Recalculated after further clarification was provided by the survey coordinator on the price data for some items.

process. The high rate of staff participation for Montreal was attributed to the work of the local survey committee, which included representatives of all United Nations organizations located in Montreal, and to individual staff members' seeking to have the post adjustment component of their remuneration adjusted to reflect increases in the cost of living in Montreal since the 2010 survey. She questioned the methodology for calculating the index of the medical component of the post adjustment index for Montreal, adding that the quality and type of medical services, benefits provided and reimbursement levels underlying the premiums were not comparable between Montreal and New York. Regarding tuition, she noted that some schools in Montreal were required by law to include accessory fees in one global tuition amount, and staff wanted to be assured that those mandatory costs were taken into account in the comparison with New York. She also suggested that the prices of some items, such as fruits and vegetables, be adjusted for their seasonal price differences during the year. The representative of the Federation of International Civil Servants' Associations (FICSA) noted that some medical insurance plans had claim ceilings, beyond which staff were expected to pay additional premiums, and that those costs, coupled with the mandatory extra costs for education could be very high in some locations. He suggested that those costs be included in the comparison of the tuition fees and medical insurance premiums.

32. The secretariat explained that the medical insurance component of the index was not a price comparison but rather a cost comparison by factoring in the actual out-of-pocket costs paid by staff. The secretariat clarified that steps were taken to match the tuition fees from schools in Montreal to those of schools in New York. The secretariat explained that the Commission had in the past adjusted fruit and vegetable prices for seasonal variations, but that that practice was discontinued as at the 2005 round of surveys on the basis of the results of analyses showing that the adjustment did not have any measurable impact. The Committee and participants agreed that both the data collection and processing of the Montreal survey were conducted in accordance with the approved methodology, guidelines and procedures, as was the compilation of the cost-of-living index and associated post adjustment index. Accordingly, the Committee had no reservations in recommending the results for approval by the Commission.

B. Recommendations of the Committee

33. The Committee noted that both the collection and processing of data from the 2016 place-to-place survey in Montreal had been carried out in accordance with the methodology approved by the Commission at its seventieth session.

34. The Committee decided to inform the Commission that the cost-of-living index for Montreal for October 2016 was 83.17 relative to the base (New York, June 2016=100) at the exchange rate of Can\$ 1.325 to the United States dollar. That was equivalent to a post adjustment index for October 2016 of 135.27, representing an increase of 0.71 per cent in the post adjustment index for Montreal.

VI. Cost-of-living survey in Washington, D.C.

35. The Committee considered the report on the cost-of-living survey conducted by the Commission secretariat in Washington, D.C., in September 2016. The report included details on all aspects of the survey process, from data collection to the calculation of the post adjustment index. Also included were details such as the number of price quotations collected and used, the number of outlets visited and staff response levels and rates in the expenditure surveys.

36. A cost-of-living comparison was made between Washington, D.C., and New York. The results of the comparison showed that the cost-of-living index for Washington, D.C., in September 2016 was 88.52³ relative to the base (New York, June 2016=100). That resulted in a post adjustment index for September 2016 of 143.98, representing an increase of about 1.21 per cent more than the updated post adjustment index of 142.26 for Washington, D.C., for September 2016.

A. Discussions in the Committee

37. The representative of the Pan American Health Organization (PAHO) expressed his appreciation for the support provided by the secretariat of the Commission to the administration and staff in Washington, D.C., during the preparatory phase and the survey period and his satisfaction at the high staff participation for Washington, D.C. He attributed that success to a number of factors, including the substantive support of the secretariat both prior to and during the survey and the aggressive strategies implemented by the local survey committee to encourage participation of staff in the survey. The representative highlighted the significant investment in time and financial resources on the part of agencies based in Washington, D.C., and the Commission and questioned whether it was justified in relation to the results of the price survey. He asked for further clarification on the sudden drop of the in-area (excluding housing) relativity that could be easily explained to staff. The representative added that PAHO continued to question the significance of physically collecting price data for Washington, D.C. The secretariat assured the representative that it was actively engaged with partners (International Service for Remunerations and Pensions and Eurostat) in a continuing effort to acquire data from the European Comparison Programme, which would render unnecessary on-site price collection at the duty station in the future.

38. The representative of FICSA, on behalf of the PAHO/World Health Organization (WHO) Staff Association, also expressed his disappointment at the low survey results, emphasizing that they were not consistent with other cost-of-living estimates developed by entities with a long record of experience in the field. The Committee noted that the results of the survey were realistic and consistent with the findings of the independent consultant retained by the secretariat to estimate, biennially, the cost-of-living differential between New York and Washington, D.C., for the purpose of the management of the United Nations/United States of America net remuneration margin. The most recent cost-of-living differential was 13.8 per cent, as at January 2016, almost identical to the differential in the post adjustment index between Washington, D.C., and New York as at the date of the survey (September 2016), which was about 14.1 per cent.

B. Recommendations of the Committee

39. The Committee noted that both the collection and processing of data from the 2016 place-to-place survey in Washington, D.C., had been carried out in accordance with the methodology approved by the Commission at its seventieth session.

40. The Committee decided to inform the Commission that the cost-of-living index for Washington, D.C., in September 2016 was 88.52 relative to the base (New York, June 2016=100). That was equivalent to a post adjustment index for September 2016 of 143.98, representing an increase of about 1.21 per cent in the post adjustment classification for Washington, D.C.

³ Recalculated after further clarification was provided by the survey coordinator on the price data on some items.

VII. Cost-of-living surveys in London, Madrid, Paris, Rome and Vienna

41. The Committee considered the reports on the cost-of-living surveys conducted in London, Madrid, Paris, Rome and Vienna in September and October 2016 by the Commission secretariat. For those duty stations, the price data usually collected by the Commission secretariat was replaced by the European Comparison Programme average price data obtained from Eurostat, in accordance with methodology approved by the Commission. The reports detailed the process of obtaining Programme price data and the derivation of a survey transition factor proposed by the secretariat for application to the in-area (excluding housing) indices of duty stations covered by the Programme to compensate for the lack of application of its full price data-processing techniques and to ensure fair price comparisons. The reports also provided details on all aspects of the survey process, from data collection, sources and processing to the calculation of the post adjustment index, including such details as the number of price quotes included for each duty station from the Programme average prices, and staff response levels and rates in the expenditure surveys.

42. Cost-of-living comparisons were made for each duty station relative to the base (New York, July 2016=100) at the exchange rates of the local currency, relative to the United States dollar, on the survey date. The results of the cost-of-living indices comparisons and the resulting post adjustment indexes, after adjusting with the interim survey transition factor, are shown in the table below. The cost-of-living index for London for September 2016 was compiled at the exchange rate of £0.763 to the dollar, Madrid and Paris for September at €0.897 to the dollar, and Rome and Vienna for October at €0.906 to the dollar.

Results of the cost-of-living surveys

<i>Duty station</i>	<i>Survey cost-of-living index (1)</i>	<i>Survey post adjustment index^a (2)</i>	<i>Updated post adjustment index (3)</i>	<i>Percentage change between (3) and (2)</i>
London	97.53	158.63	159.9	-0.8
Madrid	73.26	119.16	128.3	-7.1
Paris	79.56	129.40	141.8	-8.8
Rome	77.93	126.76	133.2	-4.8
Vienna	82.76	136.39	136.4	-1.3

^a After adjusting with the survey transition factor.

A. Discussions in the Committee

43. The discussions in the Committee centred primarily on the use of European Comparison Programme average price data in the compilation of cost-of-living indices for that group of duty stations. The issues regarding the methodological comparability of the Commission and the European Comparison Programme systems, the derivation and use of the survey transition factor and the interpretation of resulting indices are summarized in section II of the present report. Whereas both the Committee and participants agreed that the proposed methodology regarding the collection and processing of the data from the 2016 baseline cost-of-living surveys in all duty stations covered by the Programme were carried out in accordance with the approved methodology, the overall results and their practical applicability as presented were seriously called into question.

44. Some participants expressed their concern over the sample of neighbourhoods in the International Service for Remunerations and Pensions rental surveys, with some participants citing as examples the exclusion of certain localities frequently inhabited by local United Nations staff in London and Vienna, which were centrally located, in close proximity to United Nations offices. They believed that market rents in those areas, if collected, would have likely increased the average rents at both duty stations. The secretariat responded that the Service methodology only aimed at ensuring that neighbourhoods chosen for the survey were comparable to those selected in New York, without regard to staff residential choices. The representative of FICSA indicated that the rent data did not necessarily reflect the residential patterns for a target group of professionals with high socioeconomic status. He questioned the validity or representativeness of the Service rental data, citing an alternative source that recorded an average 17 per cent increase in the rental market in Vienna.

45. A Committee member raised questions regarding the selection of certain clearly exclusive and special outlets for price data collection and the comparability of certain items across duty stations. He suggested that the secretariat conduct some analyses in the future for items that showed high price variability across duty stations. He asked about the possibility of sharing Commission outlet lists with Eurostat so that comparability with European Comparison Programme outlets could be verified. The representative of FICSA concurred with the Committee member, adding that the secretariat should also check Programme outlet lists to ascertain their comparability with those of the Commission.

46. Taking into account the concerns raised by participants regarding the comparability of the European Comparison Programme and Commission data sets, and explanations provided by the secretariat as summarised in section II above, the Committee concluded that there was enough evidence that the survey processes of the Programme and the Commission, both credible agencies in the field of cost-of-living measurement, were not properly aligned and that that could be assumed to be at least partly responsible for the rather drastic reductions in the in-area (excluding housing) indices for the duty stations covered by the Programme. There was general agreement among Committee members that a further investigation should be conducted by the secretariat, in collaboration with Eurostat and the International Service for Remunerations and Pensions, with the objectives of assessing and accounting for those differences and ensuring a fair comparison between the duty stations covered by the Programme and New York. The investigation would include, but not be limited to, a full-fledged cost-of-living survey on the basis of the Commission methodology, in Brussels, the reference city for cost-of-living comparisons for duty stations covered by the Programme. The Committee would submit its final recommendations regarding the results of the baseline cost-of-living surveys for duty stations covered by the Programme for the consideration of the Commission at its eighty-fifth session.

B. Recommendations of the Committee

47. The Committee decided:

(a) To recommend that the secretariat conduct further studies, in collaboration with Eurostat and the International Service for Remunerations and Pensions, aimed at assessing and accounting for observed differences in the Commission and Programme systems, including a full-fledged cost-of-living survey in Brussels, and comparisons of Programme and Commission price data for Washington, D.C.;

(b) To make recommendations regarding the survey results for London, Madrid, Paris, Rome and Vienna for the consideration of the Commission at its eighty-fifth session, after the Committee has reviewed the results of the studies specified in subparagraph (a) above.

VIII. Review of the methodology for application to field duty stations

48. The Committee considered the report of the secretariat containing information on the modifications of the approved cost-of-living measurement methodology for application to field duty stations. In its report, the secretariat described the process of adapting the new common expenditure weights to be used in the post adjustment index calculations for the 2016 round of surveys and the processing of survey data for field duty stations. The secretariat informed participants that the surveys would be administered online for the first time in field duty stations. Taking into account the limitation of the markets in those duty stations, the secretariat proposed that the list of outlets and the data on housing costs for New York be adjusted according to established procedures in place since 1995, with the objective of making them more suitable to be used as benchmarks for cost-of-living comparisons with field duty stations. The table of housing data for New York to be used for comparisons of housing costs with field duty stations is contained in annex VI to the present report.

A. Discussions in the Committee

49. The representative of FICSA enquired as to whether the secretariat had conducted any simulations regarding the items that are classified as dollar-driven in the context of the harmonized specification of the out-of-area weight for all duty stations. A Committee member noted that, in some group II duty stations, the concept of dollar-driven items was not applicable, adding that, coupled with the administrative rule of adding an additional 15 per cent of net salary for remittances, would artificially inflate the out-of-area weight for field duty stations. The secretariat noted that there were many field duty stations in the system, such as non-family duty stations, in which the dollar-driven methodology and the additional weight for remittances was still very much applicable, adding that the higher out-of-area weight acted as a stabilizing factor for the post adjustment index, constraining it from being too susceptible to the usually volatile local macroeconomic conditions in those duty stations. The secretariat agreed with the proposal to conduct a study to determine to what extent revisions were warranted with regard to the classification of items and basic headings as dollar-driven.

B. Recommendations of the Committee

50. The Committee decided to recommend that the Commission:

(a) Approve the methodology to be used for data collection and processing for field duty stations;

(b) Approve the use of the table of housing costs for various housing types and sizes in New York as benchmarks in the calculation of the housing index for field duty stations, as shown in annex VI to the present report, for the 2016 round of surveys;

(c) Take note of the Committee's endorsement of the modifications to the questionnaires to be used for the cost-of-living surveys at field duty stations.

IX. Other business

51. The representatives of the Food and Agriculture Organization of the United Nations, the United Nations Children's Fund, the Office of the United Nations High Commissioner for Refugees and WHO, with the support of all staff federations, appealed for a review of the classification, for post adjustment purposes, of Eastern European duty stations, in particular Bulgaria, Hungary and Romania, which had been classified by the Commission as group I since 2007. After providing a summary of the major features of those duty stations, in terms of the unique expenditure patterns of staff serving at them, they reiterated the long-standing claim that the classification of those duty stations as group I was at least partly responsible for the reduction in the purchasing power of staff salaries. In particular the operational rules applicable to group I duty stations were designed to stabilize the net take-home pay in local currency, but staff incurred expenditure on tuition fees and rent in non-local hard currencies.

52. Acknowledging that conducting more frequent cost-of-living surveys at Eastern European duty stations, as approved by the Commission, captured more precisely the evolution of the cost of living, it did not completely address the problem of significant expenditure made in non-local currencies, against which the local currency had been historically weak. The representatives requested consideration of remedial measures, such as the application of an operational rule for field duty stations that would stabilize the net take-home pay in United States dollars or the possibility of creating a hybrid classification of duty stations, combining features of group I and group II duty stations. They also requested that the Commission undertake a mission to such duty stations to conduct a first-hand assessment of the cost-of-living situation experienced by United Nations common system Professional staff, preferably prior to the conduct of the next cost-of-living surveys.

53. Regarding the classification of duty stations into group I or II, the secretariat informed participants about previous studies using statistical modelling, which indicated a measure of misclassification of some duty stations into their current categories. The secretariat stressed, however, that the results of those studies were heavily dependent on the quality of the statistical models used and that, in any case, the classification of duty stations would always be subject to the policy considerations of the Commission.

54. As for remedies requiring changes in operational rules, the secretariat noted that the complications of such an approach compared with the modest gains, as shown in the results of previous studies, led the Commission to opt for the conduct of more frequent cost-of-living surveys at those duty stations. The secretariat explained that the expenditure survey questionnaire for the 2016 round elicited information on the exact amounts of in-area expenditure in hard currencies, and it would therefore make more sense to update previous studies after cost-of-living surveys were conducted at the duty stations concerned. The Chair of the Committee noted that questions relating to operational rules, including the classification of duty stations as group I and group II, were under the purview of the Commission, and the report of the present discussion would be submitted for the consideration of the Commission at its eighty-fifth session.

X. Closing of the session

55. The Chair of the Committee reiterated the commitment of the Committee, the secretariat and Eurostat/International Service for Remunerations and Pensions to

take all the steps necessary to assess and account for any systemic differences in the Commission and European Comparison Programme systems in a way that would ensure the comparability of their respective average prices. He stressed that the organizations and staff federations would be fully engaged at every stage of the planned studies, including the survey in Brussels. In conclusion, he informed participants that the proposed agenda of the fortieth session of the Committee would be discussed by correspondence and submitted to the Commission for its consideration at its eighty-fifth session.

Annex I

List of participants

A. Members of the Advisory Committee on Post Adjustment Questions

Wolfgang Stoeckl, Chair
Abdoulaye Adam, Member
John Astin, Member
Edmundo Berumen Torres, Member
Akihiko Ito, Member
Youri Ivanov, Member^a

B. Representatives of executive heads of participating member organizations

United Nations

Géraldine Gourvès-Fromigué, Chief, Policy and Conditions of Service Section
Elza Maharramova, Compensation Officer
Maxim Golovinov, Human Resources Officer

United Nations System Chief Executives Board for Coordination

Michael Rosetz, Senior Adviser

International Atomic Energy Agency

Rula Sabat, Acting Section Head, Staff Administration Section

United Nations Development Programme

Andrew Villanueva, Human Resources Analyst

International Maritime Organization

Andrea Barbato, Head of Entitlements and Information Management

Food and Agriculture Organization of the United Nations

Ann Dehlin, Human Resources Officer

Office of the United Nations High Commission for Refugees

Seshan Nurani Sreenivasan, Head of Payroll

International Civil Aviation Organization

Linda Comeau-Stuart, Chief of the Policy, Organizational and Staff Development Section

^a Absent.

Pan American Health Organization

Paul de la Croix-Vaubois, Human Resources Adviser (Compensation and Entitlements)

United Nations Educational, Scientific and Cultural Organization

Anna Krotova, Human Resources Officer (Compensation and Policy)

United Nations Children’s Fund

Ajay Lakhanpal, Chief of the Payroll Section

Michelle Wong, Human Resources Policy Specialist

United Nations Population Fund

Maria Hadzic, Human Resources Analyst

United Nations Office at Geneva

Jean Marie O’Connell, Chief, Policy Implementation, Monitoring and Evaluation Unit

International Fund for Agricultural Development

Sarah Rancati, Human Resources Policy Analyst

World Health Organization

Roxana Jafari-Omid, Human Resources Officer (Policy and Compensation)

World Intellectual Property Organization

Michel Ciampi, Human Resources Business Specialist

C. Staff representative bodies

Coordinating Committee for International Staff Unions and Associations of the United Nations System

Egor Ovcharenko, Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA), Vice-President (Conditions of Service)

Valentina Stoevska, CCISUA representative

Federation of International Civil Servants’ Associations

Diab El-Tabari, President of the Federation of International Civil Servants’ Associations (FICSA)

Henri-Louis Dufour, FICSA representative

Imed Zabaar, FICSA representative

United Nations International Civil Servants Federation

Stephan Flategan, Vice-Chair of United Nations International Civil Servants’ Federation, member of the United Nations Development Programme/United Nations Population Fund/United Nations Office for Project Services/United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) Staff Council

D. Observers**International Service for Remunerations and Pensions/coordinated organizations**

Gastone Guglielmina, Head of Studies and Support Unit

Jonghyun Oh, Statistician

Eurostat/European Commission

James Whitworth, Head of Unit, Statistics for Administrative Purposes

Ian Dennis, Senior Expert, Team Leader, Remuneration Statistics for Administrative Purposes

E. Secretariat of the International Civil Service Commission

Ibrahim Yansaneh, Secretary of the Advisory Committee on Post Adjustment Questions and Chief, Cost-of-Living Division

Roberto Pagan, Deputy Chief, Cost-of-Living Division

Ignacio Vera, Statistician, Cost-of-Living Division

Cleopatra Todis, Statistician, Cost-of-Living Division

Thierno Balde, Statistician, Cost-of-Living Division

Kari Manninen, Statistician, Cost-of-Living Division

Crispin Boney, Statistician, Cost-of-Living Division

Genet Amdeberhan, Associate Statistician, Cost-of-Living Division

Omar Abdi, Associate Statistician, Cost-of-Living Division

Annex II

Agenda of the thirty-ninth session of the Advisory Committee on Post Adjustment Questions

20-27 February 2017

United Nations Headquarters, New York

1. Opening of the session.
2. Statement by the Chair.
3. Adoption of the agenda.
4. A report on the implementation of the methodology approved by the Commission for cost-of-living surveys at headquarters duty stations.
5. Collection of survey data in New York for the purpose of place-to-place cost-of-living comparisons.
6. Cost-of-living survey in Geneva.
7. Cost-of-living survey in Rome.
8. Cost-of-living survey in Vienna.
9. Cost-of-living survey in Paris.
10. Cost-of-living survey in Montreal.
11. Cost-of-living survey in London.
12. Cost-of-living survey in Madrid.
13. Cost-of-living survey in Washington, D.C.
14. Review of the methodology for application to field duty stations.
15. Other business.
16. Adoption of the report and closing of the session.

Annex III

Response rates to the 2016 expenditure surveys

<i>Duty station</i>	<i>No. of personnel</i>	<i>No. of responses received</i>	<i>Response rate (percentage)</i>	<i>No. of responses used</i>	<i>Responses used (percentage)</i>
Geneva	6 147	2 773	45	2 453	88
New York	5 428	2 521	46	2 168	86
Rome	1 649	1 111	67	998	90
Vienna	2 191	1 253	57	1 120	89
Paris	715	418	58	365	87
Washington, D.C.	351	293	83	255	87
Montreal	335	319	95	292	92
London	197	155	79	144	93
Madrid	41	40	98	35	88
Total	17 054	8 883	52	7 830	88

Annex IV

Price data collection in the 2016 round of surveys at headquarters duty stations

Table 1
Price data collection in the 2016 round of surveys at headquarters duty stations

Duty station	No. of price quotations			
			Data collected by the survey coordinator, including on real-time price comparison items	
	Collected	Used	Collected	Used
Geneva	2 860 ^a	2 319	209	209
Montreal	3 313 ^a	2 412	125	92
New York	5 423 ^b	3 359	146	104
Washington, D.C.	3 815 ^a	2 670	158	136
London	N/A ^c	5 223	162	147
Madrid	N/A ^c	6 465	177	142
Paris	N/A ^c	3 322	178	138
Rome	N/A ^c	7 034	184	172
Vienna	N/A ^c	3 440 ^c	141	129

^a Whole basket of goods and services.

^b In the case of New York, the number of collected and used price quotations refer only to items not subject to the real-time price comparison approach. For items subject to the real-time price comparison approach, please refer to table 2 below.

^c The number of collected price quotations is not available. The number of price quotations used refers to those that were used in the estimation of average prices acquired from the European Comparison Programme data sets.

Table 2
Number of data points collected on prices in New York used for matching prices of items subject to the real-time price comparison approach at other duty stations

Duty station	Transport		Communications		Recreation and culture		Total	
	Collected	Used	Collected	Used	Collected	Used	Collected	Used
Geneva	16	16	5	5	38	38	59	59
London	16	16	2	2	14	13	32	31
Madrid	17	12	14	9	22	21	53	42
Montreal	19	18	3	3	29	29	51	50
Paris	16	16	1	1	15	15	32	32
Rome	19	16	4	4	27	27	50	47
Vienna	17	15	1	1	14	14	32	30
Washington, D.C.	21	20	5	5	29	28	55	53

Annex V

Results of the 2016 cost-of-living surveys at headquarters duty stations

Country	Duty station	Survey month	As at survey date		
			Survey post adjustment index	Updated post adjustment index	Difference (percentage)
			(1)	(2)	(1)/(2)
Canada	Montreal	October	135.3	134.3	0.7
Switzerland	Geneva	October	165.9	172.4	-3.8
United States of America	Washington, D.C.	September	144.0	142.3	1.2
Results pending^a					
Austria	Vienna	October	–	136.4	–
France	Paris	September	–	141.8	–
Italy	Rome	October	–	133.2	–
Spain	Madrid	September	–	128.3	–
United Kingdom of Great Britain and Northern Ireland	London	September	–	159.9	–

^a Results pending the conduct of further studies and analyses, including a price survey conducted in Brussels, as recommended by Advisory Committee on Post Adjustment Questions at its thirty-ninth session.

Annex VI

**Average housing costs in New York to be used in the
calculation of the housing index for field duty stations**

<i>Type and size of dwelling</i>	<i>No. of renters</i>	<i>Average gross rent (A)</i>	<i>Utilities (B)</i>	<i>Facilities (C)</i>	<i>Other housing costs (D)</i>	<i>2016 total (A-D)</i>	<i>2010 total</i>	<i>2016:2010 ratio</i>
Apartment-studio	47	2 198.81	88.34	5.92	110.31	2 403.38	2 214.20	108.54
Apartment-1 bedroom	521	3 072.31	109.07	4.74	136.25	3 322.37	2 944.32	112.84
Apartment-2 bedrooms	365	3 470.23	145.55	7.75	188.66	3 812.19	3 349.33	113.82
Apartment-3 bedrooms	113	3 672.02	224.56	7.89	190.08	4 094.55	3 607.01	113.52
Apartment-4 bedrooms	9	3 895.00	212.27	10.91	139.66	4 257.84	3 763.91	113.12
House-1 bedroom	7	2 506.43	138.57	7.80	93.91	2 746.71	2 609.79	105.25
House-2 bedrooms	20	2 584.17	258.32	15.00	123.89	2 981.38	2 875.78	103.67
House-3 bedrooms	64	3 343.05	319.05	13.76	117.13	3 792.99	3 685.74	102.91
House-4 bedrooms	23	4 100.65	340.19	13.12	140.43	4 594.39	4 548.47	101.01
House-5 bedrooms	14	4 712.14	345.70	15.69	220.04	5 293.57	5 239.83	101.03
Total	1 183							

Note: In the housing survey conducted in New York in June 2016, staff members reported residing in studios, one to four bedroom apartments or one to five bedroom houses. For each dwelling type and size, total housing costs were calculated (see column entitled “2016 total”). Those costs are to be compared with corresponding costs at a field duty station. The resulting ratios will then be aggregated using the number of renters at the duty station as weights, resulting in the overall housing index.