INTERNATIONAL CIVIL SERVICE COMMISSION

THE POST ADJUSTMENT SYSTEM

WHAT IT IS, HOW IT WORKS

New York, February 2011

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What it is, how it works

FOREWORD

This booklet has been prepared by the secretariat of the International Civil Service Commission (ICSC) as a reference source to provide information on the post adjustment system as it is currently applied. It supersedes information provided in earlier booklets. It does not form part of the authoritative texts of staff rules and regulations of the employing organizations, which govern the employment contracts of individual staff. Nothing contained in this booklet or omitted from it can therefore be taken to replace or alter the staff rules and regulations of the employing organization.

The calculation of post adjustment indices reflecting cost-of-living and currency movements at the different locations in the United Nations common system is one of the Commission's main responsibilities. To obtain the inputs for these calculations, the Cost-of-Living Division of the Commission's secretariat organizes the periodic collection of data through cost-of-living surveys, which are described in this booklet. Numerous such surveys are conducted at duty stations every year.

Much of the data used to compute post adjustment levels are collected from the staff. A good understanding of what post adjustment is, and what it does, is key to enlisting the active participation of staff in the survey process. Post adjustment depends, to a great extent, on data provided by staff. The more complete and accurate the information provided by staff, the more accurate the post adjustment index will be. The short time required to complete various questionnaires in the course of a year will, therefore, be time well spent.

It is hoped that this booklet will prove useful to staff and others. Comments and queries are welcome and should be addressed to the Executive Secretary of ICSC.

Kingston P. Rhodes
Chairman
International Civil Service Commission

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INTRODUCTION

This booklet describes the post adjustment system as it currently operates in about 200 locations worldwide. It consists of two parts. Part I gives a general overview of the system, while Part II provides greater detail on technical and methodological matters. Part I can be read by those wishing to gain an understanding of broad concepts and issues. Those interested in going into the subject in greater depth will also wish to peruse Part II. While Part I can be read on its own, cross-references to Part II are provided to enable the reader to "dip" into the more detailed subject matter contained therein. For those requiring more technical information on specialized aspects (e.g. personnel managers, survey coordinators), a series of manuals have been prepared:

(a) Calculation of post adjustment indices

(b) Guidelines for the determination of post adjustment classification

This booklet deals exclusively with the post adjustment system. Information on other elements of the compensation system can be found in booklets entitled "United Nations Common System of Salaries, Allowances and Benefits", and "Mobility and Hardship Scheme" also published by ICSC. All booklets are available in electronic format on the ICSC website at: http://**icsc.un.org**

PART I

1.1 What is post adjustment?

Post adjustment is an amount paid in addition to **net base salary**, which is designed 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**. It is applicable to the United Nations Common System international staff in the Professional and higher categories.

Together, **the net base salary and the post adjustment add up to the net remuneration**. If the cost-of-living index at a given location is equal to or is lower than the base index of 100, the post adjustment is set at zero; in other words, net remuneration in such cases is the same as net base salary. **There is no negative post adjustment**.

While New York is the reference point for inter-city comparisons, there still needs to be a way to compensate for cost-of-living increases in New York. For this reason, **net remuneration in New York also contains a post adjustment element**.

Post adjustment is designed specifically to deal with the **relative difference in the cost of living** between a specific duty station and the base city, New York. It does not take into account hardship or hazardous conditions, which are dealt with by separate provisions. (See "A Guide to the Mobility and Hardship Scheme" booklet or rules regarding hazard pay).

1.2 How has the post adjustment system evolved over time?

The United Nations was established at a time of low inflation and stable exchange rates. It was therefore possible to apply a relatively simple system of salary adjustment at the then-limited number of duty stations outside New York. Base salary scales remained largely unchanged and cost-of-living adjustments were made from time to time.

With the expansion of United Nations activities in the mid 1950s the need arose for a more accurate and responsive system that could at the same time be easily and efficiently administered. This led to the creation of the present post adjustment system in 1957, when Geneva was selected as the base of the system. In the late 1960s the system came under further pressures from higher rates of inflation and more frequent currency movements. In the mid 1970's, ICSC came into being and following an in-depth review of the United Nations salary system, further refinements were introduced and New York was made the base of the system.

In the late 1970s monetary instability and soaring inflation rates prompted ICSC to review the statistical methodology used to calculate post adjustment indices. The Commission's recommendations included revised data collection techniques, improved item specifications and an increased use of computer technology. By the late 1980s the system was once again in need of adjustment and the Commission, at the request of the General Assembly of the United Nations, undertook a comprehensive review of the conditions of service of staff in the Professional and higher categories. This review resulted in major changes in the post adjustment system, which included streamlining the cost-of-living survey process and improving the system's transparency. More recently, in the year 2000, the methodology was further refined resulting in a number of simplifications and increased transparency of the post adjustment system.

1.3 What makes up post adjustment?

Post adjustment is computed on the basis of four elements:

- **differences in prices** between the location where the staff member works and New York
- **local inflation**
- **exchange rate** of local currency relative to the United States dollar
- **average expenditure pattern** of staff members at a given location.

1.4 Who is responsible for the post adjustment system?

Under its statute, ICSC is mandated to manage the system and calculate post adjustment indices. In this exercise, a subsidiary body - the **Advisory Committee on Post Adjustment Questions** (ACPAQ) advises ICSC on technical aspects, including statistical methodology. The ICSC secretariat is responsible for the day-to-day management of the system.

At the local level, post adjustment matters are coordinated by the **lead agency -** generally the agency with the greatest number of staff in the location. The lead agency liaises with ICSC and coordinates surveys and other data collection activities required for the calculation of the post adjustment index.

1.5 What is the post adjustment index? What is the post adjustment multiplier?

The **post adjustment index** (PAI) for a given location **is a measure of the cost of living** of staff at that location relative to the base city, New York. The **post adjustment multiplier** (also known as the post adjustment classification) is usually equal to the post adjustment index. However, other rules may affect the determination of the multiplier. These are described in detail in the corresponding manual (see the Introduction on page 4).

One point of the post adjustment multiplier corresponds to one percent of the staff member's net base salary. Multiplying this amount by the post adjustment multiplier applicable to the duty station gives the amount of post adjustment payable. Adding this amount to the net base salary figure gives the net remuneration. For sample calculations of post adjustment and net remuneration see part II, section 6.

1.6 How is the post adjustment index derived?

The post adjustment index (PAI) is established by means of **periodic comparisons of cost-of-living data between the base city and other locations**. These data are collected through surveys called **place-to-place surveys**. In between place-to-place surveys, the PAI is updated through **time-to-time adjustments** reflecting movements in local prices as well as changes in the local exchange rates relative to the US dollar. Also, housing surveys are carried out each year at many duty stations to enable the housing component of the comparison to be adjusted at least once each year.

The main components of the post adjustment index are:

- **the in-area component (excluding rental/housing)**
  relates to living costs (services and commodities) incurred in the country of the duty station;

- **the rental/housing component**
  relates to rent and housing-related costs;

- **the medical insurance component**
  relates to the amount of insurance premiums paid by staff;

- **the pension contribution component**
  relates to the amount of pension contributions paid by staff;

- **the out-of-area component**
  relates to expenditures, which, although incurred while the staff member is at the duty station, are disbursed outside the country, often in another currency.

1.7 What exactly is a place-to-place survey?

A place-to-place survey is a **statistical activity used to obtain and process benchmark data for establishing the post adjustment index**. The results of the survey supersede index movements, which have occurred since the previous place-to-place survey.

A place-to-place survey is carried out **at least once every four years** in all field locations where staff of the UN system are stationed (the interval between surveys is usually longer for Headquarters duty stations). Surveys are conducted more frequently at any duty station if there has been rapid inflation and/or substantial devaluation of the local currency relative to the US dollar. A place-to-place survey requires:

- **the collection of prices (of over 300 specified goods and services);**
- **the collection of housing and domestic costs from the staff members; and**
- **the collection of household expenditure costs from the staff members.**

Details of the types of surveys conducted, their frequency, the situations under which they are carried out and the data collection tools employed in each case are given in part II, section 2.

1.8 What is the relationship between place-to-place surveys and housing surveys?

A **place-to-place survey includes a housing survey** in order to establish values for the housing component of the post adjustment index. In between place-to-place surveys, additional housing surveys are carried out annually in order to update the housing component. See part II, section 2 for more information on housing surveys.

1.9 How are the data for place-to-place and housing surveys collected?

There are three key players in the data collection process: eligible **staff members** at the duty station, the **survey coordinator** appointed by the local administration, and the ICSC-appointed **pricing agent**. Their roles are as follows:

Staff members have a crucial role to play in the survey process in three ways. Firstly, staff members will be asked to **complete a household expenditure survey questionnaire** during a place-to-place survey. Responses to this questionnaire will permit the ICSC to establish appropriate weighting structures (relative importance) for different expenditure categories at the duty station. Secondly, all staff members will also be asked to **complete a housing survey questionnaire**. At Headquarters duty stations, this additional information will permit the determination of weighting structures for housing and rental subsidy thresholds. For field duty stations, it will also provide housing costs for inclusion in the post adjustment calculations. Therefore, staff members supply a substantial amount of the data to be collected. Thirdly, where prices are collected, staff members are **part of the consultation process for the selection of outlets**. It should be stressed that ICSC assures absolute confidentiality of the data provided by staff members. In this connection, analysed data are only published in aggregate form.

A **Survey coordinator** is appointed by the local administration of the lead agency at each duty station. The survey coordinator **organizes all the elements of the survey**, encourages staff to complete and return questionnaires and provides advice required in completing forms, etc. In consultation with staff members, the local coordinator is responsible for identifying and selecting retail outlets for price collection. The local coordinator also provides ICSC with other relevant information about living costs at the duty station, and is responsible for explaining changes in post adjustment to staff at the duty station.

An **independent pricing agent** is appointed by ICSC to **collect prices in retail outlets patronized by the staff members** at field duty stations. Pricing agents should be sufficiently experienced and qualified to recognize local shopping conditions as they relate to staff at the duty station, and should be conversant with the specification of items on the pricing forms. For Headquarters duty stations, ICSC secretariat staff carries out the functions of the pricing agent, assisted by officials of the national statistical office in the country.

1.10 What it meant by "eligible staff members"?

Staff members eligible to participate in place-to-place surveys are those in grades P-1 through D-1 (or L-1 through L-6).

The following UN staff members are not required to complete the questionnaires because their expenditure patterns are not considered representative:

- those in grades D-2 and above;
- those whose salary accounts for less than half the total family income;
- those who live in hotels or lodging houses or who share rents with others;
- those on short-term assignments;

1.11 How is the post adjustment index calculated?

Once the survey data have been collected from the sources described above, they are sent by the survey coordinator to the ICSC secretariat in New York. The data is then analyzed by the secretariat according to the procedure described below.

Expenditure weights are computed on the basis of household and housing expenditure data derived from questionnaires completed by staff:

- household expenditure data collected at headquarters duty stations and Washington D.C. are used to determine the relative importance or weight of each item in the basket of goods and services. These weights are known as "common expenditure weights" and are used to determine duty station-specific weights for place-to-place surveys conducted at both headquarters and field duty stations.

- field duty stations household expenditure data are used to separate in-area from out-of-area expenditures and to establish duty station specific weights.

For further information on the computation of weighting patterns and a sample calculation, see part II, section 3.1.

1.12 What are the stages in the calculation of the post adjustment index?

The first stage consists of **computing price ratios** for items surveyed. For each item in the survey, the recorded price(s) in local currency are converted into US dollars using the prevailing United Nations operational exchange rate; secondly, the average item price per outlet is obtained; and thirdly, the average item price for all outlets that were priced (average duty station price) is calculated. The average duty station price is then divided by the average New York price for the same item to obtain a ratio between the two prices.

The second stage consists of **aggregating price ratios into subgroups and groups** of items. The item-by-item ratios are weighted by the relative importance of the expenditures they represent. Through a building block process, they are aggregated to produce **basic heading indices** (e.g. rice, beef, children's footwear, etc.), **sub-group indices** (e.g. food, footwear, expenses for vehicles, etc.) and then **group indices** (representing general categories of expenditure such as food and non-alcoholic beverages, clothing and footwear, transport, etc.).

The **housing index** is derived in a similar manner. The principal item surveyed is rent. Other housing costs are added to rent costs to calculate the final housing index. The principal difference between the housing costs and other items of consumption is that housing costs are collected from staff as well as external sources (in Group I duty stations the data are collected mostly from external sources, while in Group II duty stations data are collected mostly from staff). **NOTE: Combining the group indices and the housing index establishes the in-area cost-of-living relativity or index between New York and the given location, which is one component of the post adjustment index**.

The calculation of the overall post adjustment index involves combining the follwing indexes: **in-area (including housing), out-of-area, pension contributions and medical insurance costs**. Examples of the calculation of the post adjustment index are given in part II, sections 3.2 and 3.3

1.13 How is the post adjustment index reviewed?

Since the cost of living changes at different rates in different locations and exchange rates fluctuate regularly, the post adjustment index for each duty station **is reviewed on a monthly basis** by the ICSC secretariat. See part II, sections 4.1 and 4.2.

1.14 Are exchange rate movements taken into account?

Post adjustment is set in US dollars, but is paid either wholly or partly in the currency of the duty station. Therefore, as part of the updating procedure, post adjustment indices are revised to reflect changes in the rates of exchange of local currencies against the US dollar. See part II, section 4.3.

1.15 How are the post adjustment classifications reviewed?

The procedures for reviewing the post adjustment classifications are different for the two groups of duty stations:

- Group I* or "hard currency" duty stations are reviewed monthly.
- Group II or "soft currency" duty stations are reviewed three times a year.

This difference of treatment reflects varying objectives in dealing with exchange rate fluctuations. At Group I duty stations the aim is to "stabilize" the local hard currency amount. In

*Group I duty stations are listed in Annex II.

Group II the aim is to "stabilize" the US dollar level. Details on how these procedures are applied may be found in part II, section 5.

1.16 What is the rental subsidy scheme?

While post adjustment contains a housing element based on ~~an~~ average rental cost, individual rents may vary considerably from the average. ICSC has therefore established a rental subsidy scheme **to cover situations where staff members are unable to find acceptable housing at or near the average level of rent taken into account in the post adjustment**. A key element of the rental subsidy scheme is the **rental subsidy threshold**, which is based on the average rent to income ratio prevailing at the duty station. Generally speaking, actual rents above the personal threshold rent attract a subsidy. The information for calculating the rental subsidy threshold is obtained from housing survey questionnaires. However, as the post adjustment is updated through place-to-place surveys, these higher rents are gradually incorporated into the post adjustment and staff members may therefore find that **as the post adjustment goes up their rental subsidy may go down**. The principles underlying the rental subsidy scheme are the same for all duty stations. However, the parameters of the scheme are different for Group I duty stations on the one hand and field duty stations on the other. Details of these two variants of the scheme are found in part II, section 7; an example of a rental subsidy calculation is given in annex III.

1.17 What are the other uses of the post adjustment index?

Although the post adjustment index is designed to measure relative differences in cost of living, it has other applications within the pay and benefits system. A 36-month average difference between the post adjustment at the base city, and post adjustment at other locations is used as a yardstick to determine whether additional **pension adjustments** should be granted to pension recipients.

1.18 What is the consolidation of post adjustment into base salary?

From time to time it is necessary to incorporate (or consolidate) a number of post adjustment multiplier points into base salaries. This is done primarily to maintain a base/floor net salary level in line with the comparator salary level (United States of America civil service). In the past, consolidation has taken place both with and without salary increases, depending on timing and other factors. It is important to note, however, that consolidation is in itself not a salary increase. When consolidation takes place, the level of post adjustment is lowered at all duty stations to take account of the number of index points transferred from post adjustment into the base salary. However, since the consolidation of post adjustment into net base salary cannot result in negative post adjustment (the lowest post adjustment multiplier is zero), for duty stations where the multiplier is zero or near zero some real increase in salary may result from consolidation.

PART II

1. THE COMPONENTS OF THE POST ADJUSTMENT INDEX

1.1 The overall structure of the Post Adjustment Index

The post adjustment index (PAI) has an internal structure, which is described in the following schematics:

- ❑ Major component
    - o Major group
        - ▪ Sub-group
            - • Basic Heading
                - ✓ Individual item

There are 5 major components of the PAI:

- ❑ In-area (excluding housing)
- ❑ Housing
- ❑ Medical insurance
- ❑ Pension contribution
- ❑ Out-of-area

Only the “In-area” component has an internal structure. It consists of 12 major groups:

- o Food and non-alcoholic beverages
- o Alcoholic beverages and tobacco
- o Clothing and footwear
- o Housing
- o Furniture and household equipment
- o Health
- o Transport
- o Communication
- o Recreation and culture
- o Education
- o Restaurants and hotels
- o Miscellaneous goods and services

Some of the major groups are subdivided into one or more subgroups. For example, the major group "Food and non-alcoholic beverages" consists of two subgroups:

- ▪ Food
- ▪ Non-alcoholic beverages

Each of the subgroups consists of a variable number of basic headings. Basic headings represent the lowest level in the index structure. The "weight" of each basic heading is a measure of its "relative importance". The determination of internal weights is an important part of the post adjustment methodology. As an example, the list of basic headings for the group "Food and non-alcoholic beverages" is provided below:

- Rice and cereals

- Bread and rolls, biscuits and other bakery product
- Macaroni and similar products
- Meet
- Poultry
- Other meat products
- Fish and other seafood products
- Dairy products and oil/fats
- Fruits
- Vegetables
- Sugar, jam, honey, etc
- Food products n.e.c.
- Coffee, tea and cocoa
- Mineral water and soft drinks

Each basic heading consists of a number of individual price items. For example, "Rice and cereals" consists of the following price items:

- ✓ Rice, long grain
- ✓ Rice, Basmati
- ✓ Wheat flour
- ✓ Corn flakes
- ✓ Oatmeal

The basic heading "Fuels and lubricants for personal transport" consists of the following price items:

- ✓ Gasoline, regular (normal)
- ✓ Gasoline, super (premium)
- ✓ Gasoline, diesel
- ✓ Motor oil, SAE 40
- ✓ Motor oil, SAE 30

The total number of price items is 320. Prices for the above listed services and commodities are collected at the duty station and compared with prices of similar items collected in New York, the base city for the post adjustment system. The price ratios of the "basket" of goods and services in the two cities are then combined to produce a total in-area index.

1.2 The "basket" of goods and services

The main criteria used for selecting the basket of representative items are:

- The item should be commonly purchased by international staff and be of significant importance in their average expenditure pattern. Bread and gasoline meet this criterion. Gold watches and sewing needles do not as gold watches are not frequently purchased and sewing needles are of little significance in expenditure patterns.

- The item should be easily identifiable and available for pricing; the quantity of the commodity or service should be specified;

- Each item should serve as a reasonable guide to the price level of related items. For example, the price differential for cotton towels between a given duty station and New York could very well be a good indicator of differentials for cotton sheets and tablecloths;

It is neither necessary nor practical to collect prices on every item bought by staff in order to calculate a valid index of relative differences in consumer prices. The careful selection of key representative items in line with the above criteria ensures that the post adjustment index reflects relative price differences for a much wider range of commodities than is actually priced in the "basket".

The items on the pricing list are specified to a fair degree of precision to ensure that the index reflects difference in prices only and not differences due to variation in quantity or quality of an individual item. To ensure comparability with the base city, particularly with regard to the availability of food and clothing required for different climatic conditions, a larger range of items is priced in New York.

1.3 The rental/housing component

Expenditure on housing is usually a significant element in staff members' living costs. In many duty stations it represents a major component of in-area expenditures. In addition to the basic cost of renting a dwelling space, other housing costs, including utility costs (heating, electricity, gas and water) and maintenance, are collected. Data on these costs are obtained directly from staff. At some duty stations, the costs of facilities or appliances such as cooking stoves and refrigerators (which are normally included in rents in New York) are added to the rent where necessary, before making the price comparison. At field duty stations, the cost of security features and domestic services are also included.

In the case of Group I duty stations, in addition to the collection of data on rent and other housing costs from staff, external rent data from real estate agencies are obtained from external sources. The housing data provided by staff is used to derive the housing weights. The external rent data are compared with similar data at the base of the system, New York, to calculate the rent index. For Group II duty stations all data on rent and housing costs are collected from staff through the housing and domestic services questionnaire.

The rental value used in the final comparison is the gross rent. Rents are compared between the duty station and New York for dwellings of equivalent characteristics. The cost of home ownership (i.e. mortgage/interest charges) is not taken into account because this item of expenditure is considered to be partly an investment, subject to capital appreciation. Differences in the cost of home ownership between New York and other duty stations are considered to be reflected in the prevailing rent levels.

1.4 Medical insurance

Staff contributions to medical insurance are used to calculate the medical insurance index. The index is revised whenever changes in medical insurance contribution occur. Usually it happens once a year when new information on medical insurance rates becomes available.

1.5 Pension contribution

Staff pension contribution is treated as a separate component of the post adjustment index. It was included to ensure that take-home pay is not eroded when changes in pension contribution are introduced. Such changes are triggered by reviews of the post adjustment classification in New York. Only time-to-time changes of the pension contribution are taken into account. Since it is US dollar based, there is no exchange rate adjustments needed.

1.6 The out-of-area component

The post adjustment index takes into account the fact that some portion of the remuneration of international staff is spent outside the location of the duty station. Such expenditures include items imported directly by staff because of limitations of the local market, the cost of private travel outside the country of the duty station (home leave, vacations), fees for education and support of dependants abroad, upkeep of a dwelling in the home country, etc. Information on such expenditures and their relationship to the total expenditures of staff in percentage terms is obtained from household expenditure questionnaires completed by staff in place-to-place surveys. The out-of-area component is adjusted on a time-to-time basis by a global factor known as the out-of-area price index.

The use of a global out-of-area price index derives from the international character of common system staff. No particular country can be designated as the focal point for expenditures incurred outside the duty station. In post adjustment calculations, it is therefore assumed that a "world" price level is the same for all staff.

At some field duty stations in developing countries certain groups of expenditure items are considered as out-of-area if 60 per cent or more of the expenditures for such items were incurred out-of-area. For example, these items may include canned food and preserves, other processed foodstuffs, alcoholic beverages, tobacco, clothing and footwear, household textiles, medical and pharmaceutical products, car parts, books and education expenses not covered by the education grant.

The following expenditures, which are considered as fixed-dollar amounts, are referred to as dollar-driven expenditures and are treated as out-of-area expenditures at most field duty stations (i.e. soft-currency duty stations): remittances to maintain family members abroad, purchases of durable goods (such as furniture, household appliances, glassware, tableware and utensils, vehicles, sports equipment, photographic, video and audio equipment), vacations and home leave and other out-of-area commitments.

For the purpose of classifying out-of-area expenditures, duty stations are divided into two groups. For headquarters and other duty stations with similar characteristics, which are classified as Group I duty stations, 20 per cent of the net income (net base salary plus post adjustment) plus 5 per cent of net base salary (non-consumption commitments) is used as the minimum out-of-area expenditure. If the actual out-of-area expenditure (derived from household questionnaires) is greater than 20% then the actual out-of-area weight is used. For field duty stations (Group II), the out-of-area weight is determined on the basis of household expenditure surveys and the results are then applied on the basis of the bands shown below (with the minimum being 30%). For example if the weight for a field duty station is 27 per cent (i.e. in the less than 35 per cent range) a 30 per cent weight will be used.

Bands of actual out-of-area weights for Group II duty stations

Out-of-area weight based on survey (%)	Out-of-area weight used (%)
Less than 35	30
More than 35 and less or equal to 45	40
More than 45 and less or equal to 55	50
More than 55 and less or equal to 65	60
More than 65 and less or equal to 75	70
More than 75	80

2. THE COST-OF-LIVING SURVEY PROCESS

2.1 Types of surveys

There are two general types of surveys conducted for the cost-of-living measurements:

- **Place-to-place survey (PP)**
- **Housing survey (H)**

The methodology for conducting each of these surveys depends on the type of duty station.

PP surveys for the eight headquarters duty stations and Washington DC are carried out approximately every five years and consist of three elements. Firstly, a price survey of representative items and services is conducted by ICSC staff. Secondly, a housing questionnaire is administered to all staff, in order to obtain data on housing and domestic service costs. Thirdly, a detailed household expenditure questionnaire is administered either to all staff (in small duty stations) or a sample of staff (in large duty stations), in order to collect detailed information on the consumption pattern for different kinds of goods and services. The data collected serve as the basis for determining common expenditure weights for the whole post adjustment system.

The PP surveys conducted for other Group I and field duty stations are similar to those for headquarters duty stations. However, the price surveys at these duty stations are conducted by local consultants appointed by ICSC. It should be noted that price collection might be restricted by the limited number of goods and services available locally. Surveys are conducted at least once every four to five years or at shorter intervals depending on local conditions, which may include rapidly fluctuating prices, currency devaluation, or lack of reliable consumer price indices. The household expenditure questionnaires are also completed by staff at the same time and the collected data are used to determine the relative proportion of in-area and out-of-area expenditures and to establish duty station-specific weights. **For all duty stations, the housing survey represents an integral part of any PP survey**.

When a **housing survey** is conducted in between two consecutive **PP surveys**, only one type of questionnaire is used (housing and domestic costs questionnaire). No price or family expenditure data are collected.

For Group I duty stations, the housing survey is conducted at least once in between two consecutive PP surveys, in order to determine rental subsidy thresholds only. For Group II duty stations, housing surveys are conducted annually in between place-to-place surveys to update the housing component of the PAI as well as determine rental subsidy thresholds.

The cycle for PP and H surveys is summarized in Table 1 below.

Table 1 - Types of surveys

Type of survey	**Headquarters Duty Stations + Washington D.C.**	**Group I**	**Group II**
PP	Approximately every 5 years	Every 4-5 years	Every 1-3 years
H	Once in between consecutive PP surveys (for rental thresholds only)	Once in between consecutive PP surveys (for rental thresholds only)	Once a year (for rental index and thresholds)

2.2 *Data collection*

The data for a place-to-place survey are compiled from three sources: eligible staff at the duty station, the local survey coordinator and the ICSC-appointed pricing agent (ICSC staff at Headquarters duty stations), who collects retail prices.

Individual staff members are requested to respond to two different questionnaires (housing and household) in the course of a place-to-place survey.

2.3 *Household Expenditure Survey Questionnaire*

At headquarters locations and Washington, D.C. a selected sample of staff (in large duty stations) or all staff (in small duty stations) are asked to complete the household expenditure questionnaire which covers items of expenditure on food and beverages, transportation and communication, recreation, education, clothing, household textiles and furnishings, automobile maintenance and repairs, health and personal care, etc. The data collected in year 2010 in headquarters duty station surveys were used to determine the relative importance of the various items of consumption expenditure in the basket of goods and services of international staff members. These data formed the basis for establishing common expenditure weights. It should be mentioned that common weights are used to determine duty station-specific weights for all duty stations.

At the other duty stations, staff are requested to complete a modified version of the household expenditure questionnaire. These data are used to determine in-area expenditures and out-of-area expenditures and to establish their corresponding weights. Staff in all duty stations are reminded that in completing the questionnaire, accuracy is in their best interest and that some research may be necessary on their part especially with regard to reporting annual expenditures, records of which they may not have kept.

2.4 Housing and Domestic Service Costs Survey Questionnaire

A housing survey is conducted together with the household expenditure survey to establish values for the housing component of the post adjustment index. However, at Group II duty stations, housing surveys are also carried out annually between place-to-place surveys to update the housing and domestic service components in the post adjustment index. Information is collected on type of occupancy (renter or home-owner), type of dwelling (house or apartment), government or UN agency-provided or commercial housing, furnished or unfurnished, rent, number of bedrooms, cost of utilities (electricity, gas, water, heating and garbage collection), taxes and compulsory insurance, key-money or broker's fees, repainting and repair costs, etc. The comparison of rent plus apportioned costs (for example, common expenses incurred by tenants living in multiple-apartment buildings) is made on the basis of number of bedrooms by type of dwelling unit (i.e. apartment or house).

At Headquarters duty stations, Washington D.C. and other Group I duty stations, the housing questionnaire is completed during a place-to-place survey to establish the housing weight component of the overall weighting structure. However, the data from the questionnaires are not used for calculating the rent index, which is derived from external rent data collected annually. Annual revisions of the post adjustment classification for Group I duty stations are also based on rent data provided by an external source. In between place-to-place surveys a simplified housing questionnaire is used to collect housing data exclusively for determining rental subsidy thresholds.

2.5 Retail price collection

An independent pricing agent employed by ICSC collects prices at each duty station (except headquarters duty stations and Washington, D.C.). Pricing forms**,** containing detailed specifications of the items listed for pricing, are used to record actual prices paid by the consumer and other relevant information on the priced item. The pricing agent collects prices in the outlets most frequented by staff, as well as duty-free shops and commissaries if they are accessible to all staff at the duty station. Only retail prices including sales taxes, where applicable, are collected. Sale prices of items are also collected but not for substandard goods, clearance or closing-down sales. There is, in general, a target number of five price quotations per item per outlet. If more than five types or brands meeting the specification for the item are found in one outlet, the prices for the most popular ones are taken. Otherwise, five price quotations, one per item from up to five different outlets, are required. In some cases where the stores patronized by international staff are limited in number, three price quotations are acceptable. For food and other groceries, the types or brands considered as "most popular" and therefore priced - are those, which occupy the most shelf space. For clothing and footwear, they are those which occupy the largest display area. Sub-standard and luxury items are excluded. Prices are not collected from small designer boutiques, bargain-basement, or budget stores.

For headquarters duty stations and Washington, D.C., ICSC secretariat staff conduct the price collection surveys, often assisted by national statistical office staff.

3. HOW THE POST ADJUSTMENT INDEX IS CALCULATED

3.1 Computing weights

Weights are essential in determining the overall effect of price differences between a duty station and New York. The importance of a consumption item depends not only on its price, but also on the quantity consumed. If, for instance, chicken is consumed in larger quantities than lamb, expenditure on this item might be greater. Chicken may thus have a greater importance or weight in the consumption pattern. To take another example: if the price of bread doubles, the impact on the average family living costs may be significant. But if the price of salt doubles, the resulting impact is not likely to be great. This is because the amount of money that the average family spends on salt is a small proportion of its overall budget as compared to bread, and hence a substantial increase in the price of salt would not represent much of an additional financial burden.

Weights are computed for each item in the "basket" and are expressed as percentages and referred to as "common expenditure weights". These weights are derived from household expenditure questionnaires completed by staff members at the eight headquarters duty stations and Washington, D.C. (see Annex I - Glossary for definition). To illustrate the concept of weights, a breakdown of weighting patterns is given in Table 2 below (assuming an annual expenditure budget of $80,000).

Table 2 - Example of Weighting Pattern (major groups of expenditure)

Item/Group of Expenditures	Amount spent ($)	Relative importance or weight (%)
Food and non-alcoholic beverages	4,864	6.08
Alcoholic beverages and tobacco	632	0.79
Clothing and footwear	1,072	1.34
Housing, water, electricity, gas and fuel	28,408	35.51
Furniture household equipment and routine maintenance of the house	632	0.79
Health	1,576	1.97
Transport	2,560	3.20
Communication	944	1.18
Recreation and culture	2,008	2.51
Education	312	0.39
Restaurants and hotels	1,224	1.53
Miscellaneous goods and services	1,296	1.62
Pension contribution	7,352	9.19
Medical insurance (UN schemes)	3,120	3.90
Out-of-area	24,000	30.00
TOTAL	80,000	100.0

It is important to understand that the weighting pattern actually used at each duty station reflects "common weights" combined with actual weights for housing, pension contribution, medical insurance and out-of-area expenditures as applied to the remuneration of a staff member at level P-4, step VI at a specific duty station.

3.2 Computing the cost-of-living relationship

A sample calculation of the cost-of-living comparison is given in Table 3. In this example, to enable easy understanding of the calculation method, all calculations were made as an arithmetic weighted average of the price ratios. In practice, a more complex formula - the modified Walsh index, which combines geometric and arithmetic averaging – is used.

Price ratios are calculated in two stages as follows. At the first stage, individual prices collected in local currency are converted into US dollars. At the second stage, individual price ratios are calculated by dividing the duty station average price by the New York average price for the same item. Price ratios indicate cost-of-living differences at the item level.

Aggregation of individual price ratios into an overall cost-of-living index takes into account all pieces of information collected through a survey: household expenditures, individual prices, housing and domestic service costs.

Table 3 - Summary Result of Comparison of Living Cost in Duty Station "X" in May 2010 and in New York in June 2005

Category	Weight (a)	D.S. "X"/ NY Index (b)	Weight x Index (a x b)
Total in-area	56.91	122.59	6976.69
Food and non-alcoholic beverages	6.08	122.3	743.58
Alcoholic beverages and tobacco	0.79	88.2	69.68
Clothing and footwear	1.34	176.1	235.97
Housing, water, electricity, gas and fuel	35.51	130.6	4637.61
Furniture household equipment and routine maintenance of the house	0.79	105.7	83.5
Health	1.97	72.3	142.43
Transport	3.2	77.1	246.72
Communication	1.18	56.9	67.14
Recreation and Culture	2.51	122.7	307.98
Education	0.39	54.0	21.06
Restaurants and hotels	1.53	147.8	226.13
Miscellaneous goods and services	1.62	120.3	194.89
Pension Contribution	9.19	116.6	1071.55
Medical Insurance	3.90	67.2	262.08
Out-of-area	30.00	117.8	3534.00
Total	**100.00**	**118.44**	**11844.32**

The total in-area index is calculated first as follows:

$$\text{Total in-area index} = \frac{743.58 + 69.68 + 235.97 + 4637.61 + 83.50 + 142.43 + 246.72 + 67.14 + 307.98 + 21.06 + 226.13 + 194.89}{6.08 + 0.79 + 1.34 + 35.51 + 0.79 + 1.97 + 3.2 + 1.18 + 2.51 + 0.39 + 1.53 + 1.62} = \frac{6976.69}{56.91} = 122.59$$

The total index is then combined with pension contribution, medical insurance and out-of-area as follows:

$$\text{Total index} = \frac{6976.69 + 1071.55 + 262.08 + 3534.00}{56.91 + 9.19 + 3.90 + 30.00} = \frac{11844.32}{100} = 118.44$$

Table 3 compares the prices collected at duty station "X" in May 2010 to those collected in New York in June 2005. The "Total in-area" index (122.59) indicates that the level of prices collected in duty station "X" at the time of the survey was 22.59 per cent higher than in New York in June 2005. The "Total" index in Table 3 is a combination of the total in-area index with indices of three UN-specific components: pension contribution, medical insurance and out-of-area.

Given that PP surveys are carried out at different duty stations at different times, it is necessary to benchmark them against a common base. This is accomplished in the process of calculating the post-adjustment index, as explained in paragraph 3.3 below.

It is important to understand that the "Total in-area" index of 122.59 is the weighted average of price ratios between duty station "X" and New York. This approach assigns due weight to the relative importance of each expenditure category (i.e. the amount expended). If a simple average of the relative price differences had been calculated, the index would have been 106.17, as shown below:

$$\frac{122.3+88.2+176.1+130.6+105.7+72.3+77.1+56.9+122.7+54.0+147.8+120.3}{12}=\frac{1274.0}{12}=106.17$$

In other words, a simple average index would have indicated prices to be only 6.17 per cent higher in Duty Station X than in New York instead of 22.59 per cent. If a simple average had been used, the relative importance of each expenditure category would not have been properly reflected.

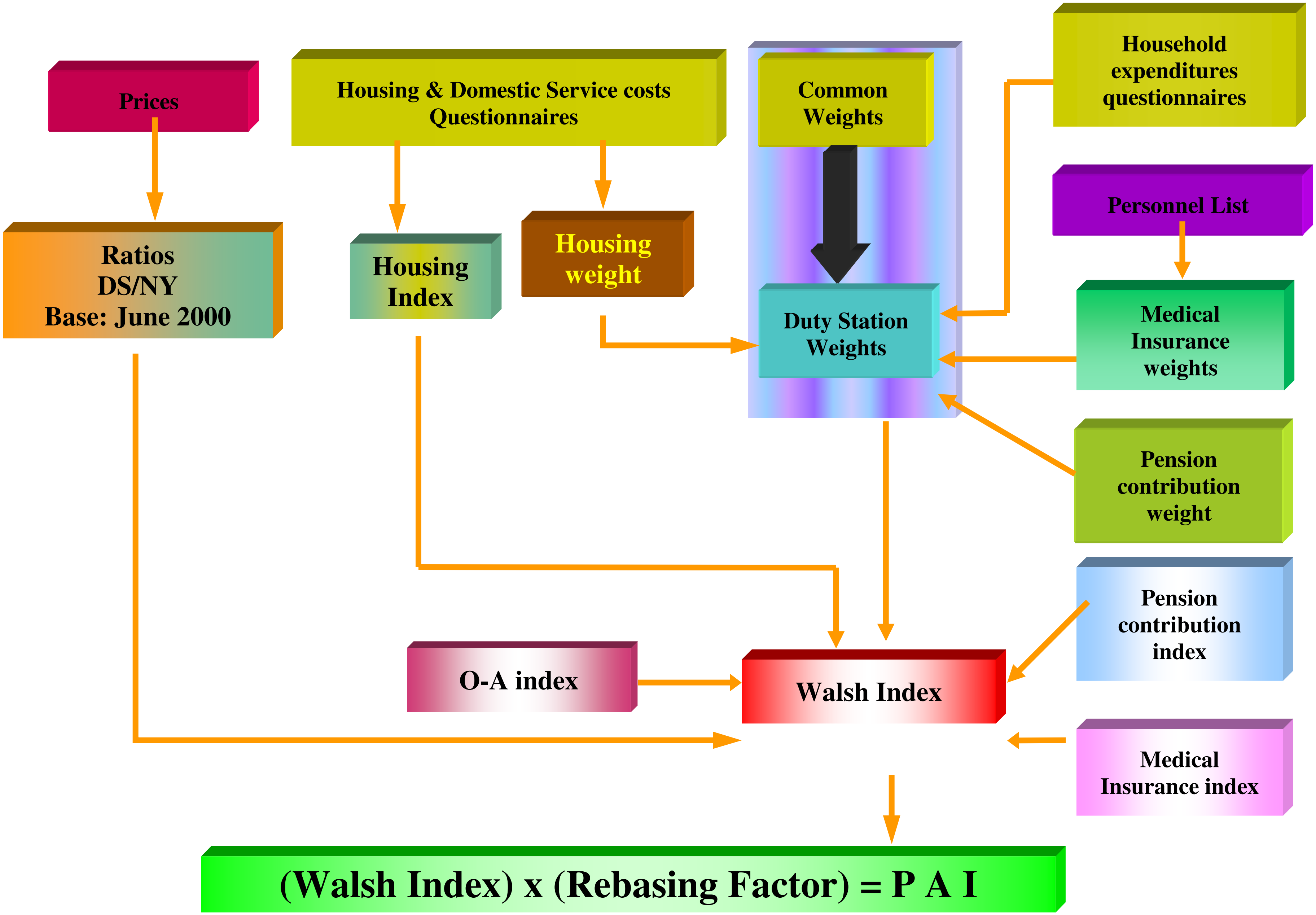
Calculating the post adjustment index

It is useful to have a common base or reference date for all place-to-place comparisons. This base is changed whenever there is a consolidation of part of post adjustment into base salary. The current base is New York, November 1995 = 100. The derived index of 118.44 in Table 3 for duty station "X" in May 2010 over New York, June 2005 would therefore need to be re-based to New York, November 1995. This is done by multiplying the 118.44 index by 144.73, which was the PAI in New York in June 2005, on the base of November 1995 = 100.

Rebased PAI for duty station "X" = 118.44 x 1.4473 = 171.42

This means that the PAI of duty station "X" in May 2010 on the base New York, November 1995 = 100 was 171.42

Construction of the post adjustment index



4. UPDATING THE POST-ADJUSTMENT INDEX

The post-adjustment index is revised periodically as a result of data collected through place-to-place surveys and also to account for fluctuations in consumer price indices and exchange rates.

4.1 Use of Consumer Price Indices

In most duty stations, the in-area component of the post adjustment index is adjusted monthly by using the local consumer price index (CPI), published by the national statistical office but re-weighted (to the extent possible) to reflect the weighting pattern of United Nations staff. When CPI data are not available for a particular period, the review is made on the basis of projections.

4.2 Use of frequent place-to-place surveys

In some countries CPI data are either not available or do not adequately reflect the spending pattern of expatriate staff. In such cases, ICSC conducts an annual place-to-place survey. This survey comprises the price survey and the household expenditure survey, and is normally carried out in conjunction with the annual housing survey. If possible, the same pricing agent used for the previous place-to-place survey is employed to collect price data.

4.3 The relationship with exchange rate movements

Salaries, including post adjustment, are set in US dollars and are generally paid wholly or partly in the currency of the duty station. The updating procedure therefore includes revision of post adjustment indices to reflect changes in the rates of exchange of local currencies against the US dollar. This is done to ensure that staff members do not benefit from windfall gains or suffer sudden losses due only to exchange rate fluctuations. However, it is important to remember that only the in-area component of the post adjustment index is affected by a change in the exchange rate. The out-of-area component, pension contribution and medical insurance expenditures are not adjusted since they are already set in US dollars and are therefore not affected by fluctuations in the currency of the duty station.

Since exchange rate changes are often associated with price changes, up-to-date information on cost-of-living changes is also incorporated in the post adjustment calculations. For field duty stations experiencing abrupt and substantial devaluations of the local currency, post adjustment changes resulting from such devaluations are deferred by four months, following which a downward adjustment of a maximum of 10 multiplier points can be made pending the results of a new place-to-place survey. Place-to-place surveys are carried out promptly after such abrupt devaluations and the results are implemented as soon as they are available. In cases of steady and continuous devaluation of the local currency relative to the US dollar, any lack of up-to-date price data is addressed by projecting the CPI to the current month.

5. REVIEW OF THE POST ADJUSTMENT INDEX

5.1 Group I (hard-currency) duty stations

Changes in post adjustment in respect of cost-of-living are made either after a full 5 per cent movement of the PAI has been measured or after 12 months since the last increase in net take-home pay in local currency, whichever comes first. Changes in post adjustment due solely to currency fluctuations are implemented monthly and in accordance with the 0.5 percent rule (see 5.2).

Maintenance of this system requires the calculation of two separate PAIs that allow the inflation and currency elements to be identified separately:

- PAI at constant exchange rate to measure inflation alone;
- PAI resulting from the combined effect of both inflation and exchange rates.

5.2 Zero point five (0.5) per cent rule

This rule, designed to stabilize salaries in local currency terms between cost-of-living adjustments, limits the changes in local currency pay due to exchange rate fluctuations to plus or minus 0.5 per cent of net take-home pay. Whenever cost-of-living adjustments are made, net take-home pay is calculated on the basis of the new PAI. Floor and ceiling levels of net take-home pay are computed at 0.5 per cent below and 0.5 per cent above the new level of net take-home pay. The actual net take-home pay in local currency has to stay within this range *regardless* of the movement of the PAI. The rule permits, and indeed under some circumstances necessitates, divergences between the PAI and the post-adjustment multiplier (PAM), which are, however, eliminated at subsequent cost-of-living adjustments. This rule is applied until a full 5% movement of PAI has been measured or after 12 months since the last increase in net take home pay in local currency, whichever comes first.

5.3 Group II (soft-currency) duty stations

Post adjustment is reviewed on a four-month cycle (March/July/November) on the basis of the movement of the local CPI and the out-of-area price index, in conjunction with the most recent place-to-place survey results and exchange rate movements. In between reviews, exchange rate changes, CPI and out-of-area index movements do not normally affect the monthly PAM. Survey results are however used for purposes of adjustment as they become available, independent of the review cycle. Furthermore, abrupt and substantial devaluations of the local currency can trigger an immediate place-to-place survey if they result in a movement of 10% or more in the PAM.

5.4 Changes in cost-of-living

The PAI is calculated on the basis of the latest CPI but not older than four months prior to the review month. If the CPI is more than four months old, the CPI is projected up to the fourth month prior to the review month.

5.5 Exchange rate changes

The latest exchange rate is compared to the exchange rate used to establish the existing pay index (100 plus current multiplier). If the exchange rate has been stable, the new PAI is implemented if it exceeds the existing pay index. If there has been a change in exchange rate, two PAIs are calculated at the two exchange rates. The percentage change in the PAIs is then applied to the existing pay index in order to determine the new pay index.

5.6 Implementing place-to-place survey results when PAIs increase

If the new PAI resulting from a place-to-place survey is more than the existing pay index, this PAI becomes the new pay index. Therefore, the multiplier is equal to the new PAI minus 100.

5.7 Implementing place-to-place survey results with PAIs lower than existing pay indices

If the PAI resulting from a place-to-place survey is 5 per cent or less **below** the existing pay index, the existing pay index is maintained.

If the difference between the existing pay index and the new PAI resulting from a place-to-place survey is **more than** five per cent, a revised PAI corresponding to the survey PAI plus 5 per cent is calculated. The post adjustment of all staff members is determined on the basis of the revised PAI but, for staff members already at the duty station on the effective date of the implementation of the survey results, a personal transitional allowance representing the difference between the pre-survey PAI and the revised PAI is calculated. This personal transitional allowance is reduced at the rate of 5 per cent every three months until it is phased out.

6. HOW TO CALCULATE POST ADJUSTMENT & NET REMUNERATION

Table 4 shows three examples of the calculation of post adjustment and net remuneration under different scenarios, using the salary scale that came into effect on 1 January 2011.

Table 4 - Calculation of net base salary plus post adjustment
for a staff member at the level P-4 Step VI dependency rate (all figures in US dollars)

Method	Duty station A	Duty station B	Duty station C 1/
(a) Net base/floor salary (annual)	80,245	80,245	80,245
(b) Post adjustment per multiplier point (1% of base salary)	802.45	802.45	802.45
(c) Post adjustment multiplier	45	26	0
(d) Post adjustment = (b) x (c)	36,110.25	20,863.70	0
(e) Net remuneration = (a) + (d)	116,355.25	101,108.70	80,245.00
(f) Net monthly remuneration = (e) /12	9,696.27	8,425.73	6,687.08

1/ Duty station with post adjustment multiplier of zero.

7. THE RENTAL SUBSIDY SCHEME

In 1978, ICSC introduced a rental subsidy scheme for field duty stations, which is an integral part of the post adjustment system. In 1983 the scheme was extended, with some modifications, to duty stations in Europe and North America. The scheme is designed to cover situations where individual staff members are unable to find acceptable housing at, or near, the levels of rent taken into account in the calculation of post adjustment and who are thus forced to pay rent that is substantially higher than that of their colleagues. The payment of rental subsidies to such staff creates greater equity at a duty station. Subsidies are intended to cover the rent of standard dwellings of reasonable quality, not luxury accommodation. Rental subsidies are not payable to staff on short-term assignments.

7.1 Essential elements of the rental subsidy scheme:

- A "threshold" rent amount below which no subsidy is paid;
- Determination of a reasonable maximum rent beyond which a rental subsidy is not paid;
- Reimbursement of 80 per cent of the amount by which the actual rent exceeds the threshold amount (Group II duty stations). This percentage reduces over time at Group I duty stations; and
- A limit on the total amount of the subsidy paid of 40 per cent of actual rent.

A specific rental subsidy threshold percentage is established for each duty station by averaging gross rent expressed as a percentage of net income for all eligible staff members at the duty station. According to an established rule, two percentage points are added to this average gross rent-to-income ratio to establish the applicable threshold. Separate threshold percentages are established for staff on the single and dependency rates. ICSC regularly publishes and updates the thresholds for each duty station. To calculate the individual threshold rent amount above which a rental subsidy will be payable, net remuneration is multiplied by the applicable threshold percentage for the duty station.

The reasonable maximum rent levels are determined by the lead agency at each duty station.

In field duty stations (Group II), the subsidy is calculated on the basis of 80 per cent of the excess of actual rent over the threshold amount, subject to a $10 minimum monthly payment and an upper limit of 40 per cent of the actual rent. This upper limit can be waived by the ICSC Chairman in exceptional cases.

In Group I duty stations, the subsidy is restricted to newly appointed or reassigned staff for a specific period of time. Under a special category of *force majeure*, other staff members may under certain limited conditions, benefit from the scheme if they are forced to change dwellings due to circumstances beyond their control. The following graduated reimbursement rates apply to staff at these locations subject to a $10 minimum monthly payment:

Year	Staff New to the duty station	Staff members affected by force majeure
	(Percentage)	(Percentage)
1	80	80
2	80	80
3	80	60
4	80	40
5	60	20
6	40	-
7	20	-
8	0	-

Annex III contains an illustration of how rental subsidy is calculated in Group I and Group II duty stations. Note that Group I duty stations include headquarters duty stations.

8. SOME COMMONLY ASKED QUESTIONS ON POST ADJUSTMENT

Question **The local CPI increased by 20 per cent last year, but our post adjustment hardly increased. Is there something wrong?**

Answer It is a common assumption that post adjustment should follow the movement of a local CPI. This assumption is not correct. There are three major aspects that must be considered before a reasonable comparison can be made between the movement of CPI and post adjustment index:

(i) The local CPI relates only to the in-area component of the PAI. The out-of-area expenditures, pension contributions, medical insurance and, in some cases, rents paid in US dollars are not affected by the local CPI movement;

(ii) The local CPI is based on local currency. Post adjustment is, however, based on the US dollar and as such the exchange rate of the local currency relative to the US dollar must also be taken into account;

(iii) There may be a difference in the weighting pattern of the two indices, which reflects different consumption habits of the two groups (national population versus international staff).

Question **The post adjustment in the neighbouring country is much higher than ours, but I know that some items cost less there. Is there an error in our post adjustment?**

Answer The formula for calculating post adjustment is a complex one. Many items are priced in a place-to-place survey and the weight (relative importance) attached to each item could be different from one location to another. One must therefore consider all the facts to determine whether there is an error in the system.

The following are some of the factors that may account for differences in post adjustment between your country and other countries:

- housing types and costs may not be the same;
- the currency in which rents and other housing costs are paid may be different i.e., local currency or US dollars;
- the calculated weight for housing may not be the same across countries;
- local currency movements of the countries against the US dollar may be different;
- consumption items purchased in your country may not be the same

or may not have the same weight as those bought in the other countries;

- there may be differences in the in-area/out-of-area proportions across countries.

All of the above factors and others need to be considered when comparing the post adjustment for two localities.

Question **Petrol doubled in price last month, as did many other items in the shops. Why hasn't the post adjustment increased?**

Answer The PAI is based on a complex formula of weights and average pricing which can dampen the effect of a rise in the price of one particular item. In most post adjustment indices, transportation has a weight of between 5 and 10 per cent. This includes the cost of local transportation, vehicle repairs, etc., as well as the price of fuel, which will probably have a weight of less than 1 per cent. Thus, doubling the price of petrol will only have a very small effect on the total index and this may not be sufficient to trigger an increase in post adjustment. Most individual items have small weights, so the prices of many items will have to rise before the post adjustment rises.

The average price for the group of items as a whole may not necessarily reflect the price movement of any one particular brand. Perhaps only three out of five brands increased in price, as the other two were in greater supply in the country. This, or any combination of reasons, may apply. These price changes do indeed affect your expenditure, but they take some time to have a measurable effect on the index.

Question **The continuous decrease of the post adjustment in the country during the past year(s) is not understood by the UN staff members. Could you kindly explain the reasons for this decrease?**

Answer The decrease in post adjustment at a specific location can be caused by a number of factors, including the following:

(i) Place-to-place and housing surveys conducted at the duty stations, the results of which could lead to a decrease or increase in the post adjustment index.

(ii) Depreciation of the local currency will result in a reduction of local price averages when expressed in US dollars which could push the index downwards;

(iii) Regular reviews of post adjustment can result in the decrease of the amount of post adjustment. These reviews take into account exchange rate changes and movement in the local CPI;

(iv) Post adjustment is occasionally consolidated into the net base salary on a "no-gain, no-loss basis", which means that a certain number of multiplier points of the post adjustment index are removed and added to the net base salary. In this case, although the post adjustment is reduced, net take-home pay pre- and post-consolidation should be approximately equal;

Question **Under what circumstances does the Post Adjustment index (PAI) differ from the Post Adjustment Multiplier (PAM)?**

Answer The PAI is the result of a place-to-place survey, a housing survey or the continuous updating of the results of one of these two surveys. The PAM should normally reflect the PAI at the time of implementation of place-to-place survey results except that, as explained in section 5.7, a reduction in PAM of less than 5% will not be implemented. This immediately creates a situation where the PAM will be retained at a higher level than the PAI. Another reason is that for Group II duty stations, the PAM is usually adjusted 3 times a year (see paragraph 5.3) while the PAI is recalculated every month. The general system of adjustments to the PAM is designed to reduce the frequency of changes in PAM for Group II duty stations. In these duty stations the discrepancy between PAI and PAM usually favours the PAM and, therefore, staff members. For Group I duty stations the application of the 0.5% rule (section 5.2) minimizes the differences between PAI and PAM but these still do occur.

ANNEX I - GLOSSARY

Accuracy	A measure, in the general statistical sense, of how close estimates are to the true values.
Common weights	Represent the average consumption patterns of staff in the eight headquarters duty stations and Washington, D.C., and are applied to all duty stations.
Headquarters duty stations	Locations at which one or more organizations of the United Nations common system have their headquarters. The recognized headquarters duty stations are: Geneva, London, Madrid, Montreal, New York, Paris, Rome and Vienna. For post adjustment purposes, Washington D.C. is also treated as a Headquarters duty station.
Housing costs	Rents* and other related costs paid by international civil servants. These include rent, apportioned costs, electricity, gas, water charges, heating, garbage collection, prorated cost of a cooking stove, refrigerator, cupboards and wardrobes when not provided, mandatory taxes paid by tenants, repairs and repainting, improvements when necessary to make the dwelling habitable (generally included in government provided housing), security devices, security guard (less any reimbursement made by the agency in places where necessary), according to codification of the United Nations Security Unit. In Group II duty stations, housing costs also include domestic service costs.
Housing weights	Average housing costs including net rent, cost of utilities and other housing related costs reported by staff expressed as a percentage of the net remuneration of a staff member at P-4/step VI with dependants, calculated individually for each duty station.
Modified Walsh index	The Walsh index is a multilateral index of comparison of prices among duty stations. One duty station is selected as a base. The original formula is a geometric average of price ratios between each duty station and the base, weighted by the average weights of all countries involved in the exercise. The modified Walsh index approved for the calculation of new place-to-place cost-of-living indices uses, for weighting purposes, average expenditure weights of headquarters duty stations and Washington, D.C.
Net Remuneration	Net base salary plus post adjustment.
Net take-home pay	Net base salary plus post adjustment less pension contribution.

* The term "rents" includes imputed rents in the case of home-owners.

Out-of-area Price index	The out-of-area price index, which is dollar-based, is an average of price movements and exchange rate changes in 26 selected countries and is calculated on the basis of simple averaging of the consumer price indices (CPI) in these countries. The countries are: Australia, Austria, Belgium, Brazil, Canada, China, Denmark, France, Germany, Ghana, India, Italy, Japan, Kenya, Netherlands, Nigeria, Philippines, Russia, Senegal, South Africa, Spain, Sweden, Switzerland, Thailand, United Kingdom and United States of America.
Pay index	The existing multiplier for the duty station plus 100. Also known as the "notional index".
Place-to-place Survey	A statistical activity used to obtain and process benchmark data for establishing the post adjustment index.
Post adjustment index	A measurement of the living costs of international staff members in the professional and higher categories living at a given location, compared with such costs in New York at a specific date.
Post adjustment multiplier	The difference between the post adjustment index and 100. For instance, a post adjustment index of 100 corresponds to multiplier 0; an index of 105 corresponds to multiplier 5; an index of 110 corresponds to multiplier 10, etc. This figure multiplied by the value of 1% of base salary for a given grade and step, determines the actual dollar post adjustment payment for the duty station concerned. There are no negative multipliers.
Rent:	
Gross	Actual rents paid by international civil servants without adjustment for any rental subsidy received.
Net	Actual rents paid by international civil servants less any rental subsidy received.
Rental Subsidy	Payment to a staff member of a portion of actual rent when that rent exceeds the rental threshold at the duty station. A portion of the difference between an established percentage of a staff member's take-home pay and a reasonable maximum rent for accommodation suitable to his/her family size (or the actual rent, if it is less) is paid as a rental subsidy.
Rental subsidy threshold	The threshold is the average ratio of gross rent to net income at a duty station, increased by a margin of two percentage points. Rental subsidy thresholds are calculated at both the single and the dependency rate. No rental subsidy may be paid for rents that fall below the threshold level.
Standard list of items	Consists of items of goods and services for which prices are collected in full place-to-place surveys. The list is recommended by ACPAQ and approved by

the Commission.

Weight	An indicator of the importance of an expenditure item in a basket of goods and services, and is usually expressed in percentages.
Index number	A ratio of two numbers usually expressed as a percentage. An average of two or more ratios is also an index number.
Price survey	A survey of prices covering goods and services at a duty station. A standard list of items is used in a price survey.
Household Expenditure Survey	A survey of actual expenditures on consumption items by households, incurred at the duty station and also outside the duty station for use at the duty station.
Housing survey	A survey of actual housing and domestic service costs, including rent, of international staff members.

ANNEX II - Group I Duty Stations

North America
- United States
  - New York
  - Washington D.C.
  - El Paso
  - Miami
  - San Franciso
- Canada
  - Montreal
  - Toronto
  - Ottowa

South America
- French Guiana

Asia/Pacific
- Australia
- China, Hong Kong
- Japan

Europe
- Austria
- Belgium
- Bulgaria
- Cyprus
- Czech Republic
- Denmark
- Finland
- France
  - Paris
  - Lyon
- Germany
  - Berlin
  - Bon
  - Hamburg
- Gibraltar
- Greece
- Hungary
- Iceland
- Ireland
- Italy
  - Rome
  - Brindisi
- Luxembourg
- Malta
- Monaco
- Netherlands
- Norway
- Poland
- Portugal
- Romania
- Slovak Republic
- Slovenia
- Spain
- Sweden
- Switzerland
- United Kingdom

ANNEX III - Example of rental subsidy calculation

A. Parameters:

- Percentage threshold for duty station: **16 %**
- Reimbursement level (i.e. staff member is in the field, or, if in a European or North American location, a newcomer in his first 4 years at the duty station) **80 %**
- Monthly rent paid by staff member **$1,164**
- Monthly staff member's salary **$5,500**
- Maximum subsidy (40 per cent of monthly rent) **$466**
- Maximum reasonable rent **$1,200**

B. Determination of whether subsidy is payable:

1. Determine threshold rent = Salary **x** threshold percentage **$5,500 x 0.16 = $880**

2. Compare monthly rent to maximum reasonable rent and take the lower of two **{$1,200; $1,164} => $1,164**

3. Compare rent from (step 2 of B) with threshold rent
   If the difference is negative then - no subsidy
   If it is positive then use the difference to calculate subsidy **$1,164 - $880 = $284**

C. Calculation of rental subsidy:

1. Apply the applicable reimbursement level to the excess: **$284 x 0.80 = $227.20**

2. Compare this amount with the maximum subsidy payable:
   Subsidy is calculated as **Min {$227.20, $ 466} = $227.20**
   Min (subsidy from step 1 of C, maximum subsidy payable)

3. The rental subsidy per month is: **$227.20**