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**REPORT ON THE HARMONIZATION OF
THE REMUNERATION POLICY**

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I. INTRODUCTION

1. Following the Maputo Decision (Dec. EX/CL/Dec. 34 (III)) adopted in July 2003 to retain the SADC Secretariat Salary Scale as the reference to determine the salary scale of the Commission, a subsequent salary scale was implemented with effect from 1st January 2004. Due to the difficulties faced by the Commission to fairly implement this scale, the Executive Council requested it to undertake a study and to come up with appropriate recommendations.

2. The Commission is currently encountering the following problems:

- (i) Existence of two (2) different scales running concurrently for staff in the General service Category;
- (ii) Difficulty in alignment of posts between SADC and AUC due to the different nature of jobs between the SADC and the AUC;
- (iii) Inexistence in the SADC structure of grades P3 and P6 which exist in the AUC Structure;
- (iv) Lack of flexibility in interpolation to determine salaries for P3 and P6 bands, resulting in serious salary compressions, both vertically and horizontally;
- (v) Serious overlaps between grades.

3. Based on the above constraints and in compliance with other legal instruments such as the Decision on the Vision, Mission and Strategic Framework of the African Union, the recommendations of the Permanent Representatives' Committee in Khartoum, January 2006 to undertake a study across the board on Post Adjustment Allowance and Housing Allowance, the need to comply with national laws in some duty stations, as well as the relevant provisions of the Staff Regulations and Rules, in particular Article 17 ©, which authorizes the Chief Executive of the Commission to submit for approval by the Executive Council proposals on improvement of the conditions of service of staff, the Commission appointed a Consultancy Firm, Birches Group to undertake a Study on the Harmonization of the remuneration Policy.

4. The Objectives of the study were to:

- i. Address the anomalies in the existing AU Commission remuneration policy and salary structure;
- ii. Update the salary scales in line with movements in the relevant labour market(s) as well as in comparison with the salary scale in the SADC

Secretariat, which has traditionally been used as the labour market proxy to the AU Commission;

- iii. Propose and recommend an integrated remuneration policy and salary structure for the Commission, covering: the elected officials, the Professional staff, the General Service/Support staff, Short term contract staff and Experts and Consultants, working with the AU Commission

II. FINDINGS OF THE STUDY

A. *Professional Category*

5. The study undertaken by Birches Group revealed the following issues in the remuneration package:

1. *Structural problems of the AUC salary scale as a result of comparison with SADC Secretariat*

6. The following situations illustrated the structural problems identified:

- i. Serious salary compression within the professional scale;
- ii. Variable spans and inconsistent treatment of years of experience;
- iii. Limited use of Grades P1, P4 and P6;
- iv. Serious/artificial bottlenecks at P3 and P5;
- v. Undue salary overlaps between the grades. This resulted in relative under evaluation of higher level responsibilities;
- vi. The comparison AUC/SADC adjustment for cost of living poses the issue of the relevance/utility of SADC as a comparator due to its limited size, incomplete job and grade reference for AU and poor competitive position in the African market

2. *Comparisons of the AU remuneration package and other international Organisations indicated the following:*

- i. The Comparison with the United Nations in Addis Ababa shows that the AU scale is less than the UN scale by 64.60% in the professional category;
- ii. The comparison with the African Development Bank (AfDB) revealed that the AfDB is higher than the AUC by 107.30% in the professional category in Addis Ababa;

- iii. The comparison with the World Bank indicates that the AUC is less than the World Bank by 136.30% in the professional category in Addis Ababa.

3. Comparison with selected national markets' executive comparison

7. Birches Group compared AUC salaries to eight (8) national markets, namely: Egypt, Namibia, Gabon, South Africa, Nigeria, Senegal, Kenya, and Botswana. It has been observed that AUC remuneration was behind the average of the eight (8) markets by 47.40%.

8. The conclusions of the above comparisons, therefore put the Commission in a very challenging position in terms of recruitment, attraction and retention of the best competences from some countries. This situation is also the cause of the many challenges the Commission is facing and which lead to:

- (i) Frequent readvertisement of positions because of lack of strong applicants;
- (ii) High labour turnover due to resignations and hence more vacant positions and delays in recruitment;
- (iii) Some Member states subsidizing salaries for their nationals within the Commission in order to retain them, hence, raising the issue of total loyalty of staff to the AU;
- (iv) Wide spread low motivation/moral and apathy among staff.

III. Recommendations of the study

9. From the above findings, the Consultants made a number of recommendations with regard to the professional category. These included:

- i. The need to **change the reference to SADC** and to move towards a bigger market reference. In this regard, the UN has been targeted to be the better reference. It should be recalled that at inception, the OAU salary scale was set at 75% of that of the UNECA in Addis Ababa. This relationship has been lost. The study recommended that this relationship be reinstated. However, the proposed UN ratio of 75% should be set as a goal that has to be achieved in phases, preferably over 2 years. Should the Policy Organs adopt this proposal, this would require an increase of 23.50% on average in current salaries with effect from 2007 Financial Year;
- ii. The need to consolidate grades and steps. This recommendation would result in the reduction of the current grades and steps and opening and widening ranges;

- iii. Consolidate the current Housing and the Post Adjustment into a single base salary at Headquarters. Post Adjustment would then be determined by Addis Ababa base in the other duty stations. In this regard, the study proposed three salary scale options. Option 3, was recommended to be the best strategy, i.e. a salary scale that consolidates the Housing and Post Adjustment, with an improved integrate relationship. According to the study, this option would appropriately and adequately address the issue of overlap and would significantly reward responsibilities. The recommended option 3 would result in a non-uniform distribution of salary increase within grades and between grades, with lower percentage increases in the lower grades and higher rates in the higher grades (See annex 1) and thereby iron out the discrepancies and anomalies. The increase would be 11.70% on average in the professional category during the first phase;
- iv. To address the issue of progression of staff who are stagnant at the ceiling of their grade for many years;
- v. To maintain the current relationships between the D1-step 10 and the salaries of the Elected Officials at their current level;
- vi. To develop Cost of living relativities for duty stations outside Ethiopia and review them on a yearly basis and update whenever there is a significant shift in the market forces;
- vii. To consider introducing Hardship Allowance in the pay structure of the Commission. The United Nations for example uses the following six (6) criteria for Hardship classifications: Health, Security, Climate, Isolation, Housing and other local conditions. A five level rating scale has been established. For locations found to be difficult, payments up to 30% of base salary are made.
- viii. The inclusion of a component of pay that is performance –based.
- ix. To consider introducing performance bonuses as part of the compensation structure. In this regard, the study proposed that one per cent (1%) of the payroll could be set aside to reward performance. This portion should be non pensionable.

10. The study further proposed that the Commission should consider introducing Broadbanding system. The proposed new approach requires a totally new culture and would necessitate the introduction of a Pay For Performance system. In addition, Birches group recommended other compensation issues that the Commission may consider, mainly: improvement in the management of Education Allowance, introduction of a non-career framework and the introduction of a time-bound relationship.

B. General Service/Support Staff Category

Findings

11. The following were the findings of the Study:
- i. General Service/Support Staff comprises two sub groups, namely, the General internationally recruited and the General Service Staff locally recruited. General Service/Support Staff of the Commission recruited locally are paid in United States Dollar. This is contrary to the principle generally accepted in many international organisations;
 - ii. Remuneration of General Service Staff (Sub Group A) – GSA Staff of the AUC exceeds by 50.60% Addis Ababa local market;
 - iii. Remuneration of General Service (Sub Group B) GSB staff of the AUC exceeded by 49.80% Addis Ababa local market;
 - iv. Salaries of the GSA and GSB staff of the AUC exceeded the United Nations General Service staff salaries in Addis Ababa by 20.30% and 25.20% respectively;
 - v. GSA and GSB staff of the AUC exceed the World Bank Support Staff salaries in Addis Ababa by 30.40% and 16.90% respectively;

Recommendations

12. The Consultants recommended as follows:
- (i) That, the distortion observed in the General Staff salaries should no longer be maintained. Increments should be frozen until the salary scale for this category is adjusted to the levels of the local market;
 - (ii) That the Commission should apply a single salary scale to each sub group of the General Service category staff, i.e. the scale adopted in 2004. To this effect, the Commission should introduce a Personal Transitional Allowance (PTA) where the 2004 salaries were lower than salaries earned previously by staff members who were at post before the SADC Scale came into force.
 - (iii) That the Commission should consider implementing a salary scale that is compatible with the local conditions in each of the AUC duty stations;
 - (iv) That internationally recruited General Service staff (Expatriate staff) who are not normally recruited by reference to the market of their duty station should be treated using one of the following formula:

- a) Creation of a dedicated international General Service/Support Staff salary scale or
- b) Payment of a non Resident's Allowance including expatriation.

13. With regard to General Service Staff outside the Headquarters, the study recommended:

- i. To discontinue the use of a uniform salary scale applicable across the board in all duty stations as this revealed significant differences and did not reflect local market situations in the various duty stations; and to adopt adequate salary scales for each duty station that reflects the Cost of Living;
- ii. To consider adopting the principle of using 75% of the UN scale for General Service Staff/Support staff as well

IV. EVALUATION OF THE PROPOSALS BY THE COMMISSION

14. In a document Ref. ADM.HRD/30A/2834 circulated to Member States in January 2007, the Commission examined the proposals made by the Consultant and indicated that it fully supports the recommendations. However, the Commission acknowledges that these recommendations cannot be implemented at once but in phases over a period of time. As a first step towards the implementation of the proposals, the commission therefore wishes to request that the Executive Council, through the Permanent Representatives' Committee to take the following decisions with regard to the Harmonization of the Remuneration Policy during the financial year 2007,:

A. For the Professional Category

- 1. To abolish the reference to SADC as a proxy as it is not a proper market reference for the Commission;
- 2. In order to solve the current structural problems in the Salaries:
 - (a) Abolish the current Post Adjustment Allowance for Headquarters, Addis Ababa;
 - (b) Factor in the current basic salary with Housing Allowance and Post Adjustment Allowance into a single base salary for Addis Ababa;
 - (c) Determine Post Adjustment for other duty stations by reference to Addis Ababa, being the base;
 - (d) Tagger increments, based on responsibilities in order to eliminate overlapping. This has been achieved by allocating different percentage

increases within grades as per table in annex 1. This would result in an overall increase in salary of 11.70% in Financial Year 2007;

- This would address the issue of salary compression
- This would address the issue of overlap
- This would reward responsibilities

(e) Launch a pilot project in order to achieve broadbanding salary structure based on performance;

3. One of the objectives in the remuneration of staff is to fix the salaries at 75% of the UNECA. In order to address the problems in remuneration of the AUC, the Commission again wishes to recommend that the remuneration be set at 75% of the UN remuneration as is used to be at inception in 1963. This recommendation is based on the fact that the salaries are set for African working in Africa for an African Institution. If this proposal was accepted, it would result in a total increase of 23.50%, which would be implemented in phases. Should the 11.70% increase as the result of the adjustment to the current scale be accepted, the difference would be implemented in the second phase in 2008.

B. Elected Officials

Decision EX.CL/Dec. 342 (X) of the Executive Council adopted in Addis Ababa in January 2007 requested the Commission to undertake a study on the remuneration options for the Elected Officials, the Heads of the other Organs of the AU as well as Special Representatives and Special Envoys. The Commission is of the view that pending the conclusion of the study, the current relationships of the remuneration between the Professional Category Scale and the Elected Official be maintained, i.e.:

- Chairperson: D1-10 with an increase of 50%
- Deputy Chairperson: D1-10 with an increase of 32.50%
- Commissioner: D1-10 with an increase of 15%

C. General Service/Support Staff

15. The Commission recommends as follows:

- i. To integrate all GS category staff salaries into one single scale, that is the scale implemented with effect from 1st January 2004;
- ii. To introduce a Personal Transitional Allowance (PTA) that should be payable to staff where the 2004 salaries are lower than their salaries prior to the entry into force of the 2004 salary scale;

- iii. To consider implementing a salary scale compatible with the local conditions in each of the AUC duty stations;
- iv. To create a dedicated international General Service/Support Staff Salary Scale or consider payment of a Non-resident Allowance that would be paid in addition to the other benefits;
- v. To implement 75% of the UN scale as proposed for the professional category above.

V. FINANCIAL IMPLICATIONS OF THE FIRST STEP OF THE HARMONIZATION OF THE REMUNERATION POLICY

16. From the number of professional staff in each step of each grade, the financial implications of the first phase have been estimated at US\$1,892,592.00. The breakdown of the financial implications is presented in table Annex 1. These financial implications took into consideration the distribution of staff in grades at the time of the study, i.e. September 2006.

17. While using the current data on staff, as of 31 May 2007, the financial implications would be US\$1,971,023.00 as in table annex 2.

VI. CONSIDERATION OF THE REPORT BY THE ADVISORY SUB-COMMITTEE ON ADMINISTRATIVE, BUDGETARY AND FINANCIAL MATTERS

18. The Advisory Sub-Committee on Administrative, Budgetary and Financial Matters met to discuss the issue of Harmonization of Remuneration on 27 and 28 March 2007. The Deputy Chairperson of the Commission made a presentation, which was followed by a presentation by Mr. Gary McGillicuddy from Birches Group.

19. In his presentation, Mr. Gary McGillicuddy highlighted the salient points of his report as enumerated in paragraphs 5 and 6 above, and then updated the Sub-Committee on the key recommendations of the study. Members of the Advisory Sub-Committee recognized the need for African Union to pay its staff competitive salaries. Most of the delegations drew attention to the considerable reluctance on the part of skilled Africans in some regions of the continent to agree to work for the Union, and the numerous departures that occurred in the Commission due, to a large extent, to poor remuneration. They raised a lot of issues particularly in relation to the need to incorporate into the study all salary components for possible use in the calculations, the structural gaps in the Commission and the financial implications of the proposed measures.

20. The Sub-Committee also underscored the principle of merit-based remuneration, stressing that it was vital for the Commission to devise innovative solutions to the salary compression at the tip of the salary pyramid. The Advisory Sub-Committee put forward the following recommendations for consideration by the PRC :

- i) The Sub-Committee members are aware that there are several gaps and weaknesses in the existing salary structure for the professional staff category. For instance, with respect to the traditional factors that define the remuneration system in the African Union, the Sub-Committee is of the view that the SADC comparator has shown its limitations and should therefore no longer be retained as a reference. A remuneration scale equivalent to 75% of United Nations salaries could be adopted. However, a study should be conducted on the problems and challenges that that could generate;
- ii) The Advisory Sub-Committee reaffirms its will to transform the African Union into a competitive organization. To this end, the comparison of remunerations should be extended to other organizations outside Africa ;
- iii) The existing performance appraisal process in the Commission is fraught with shortcomings. The Sub-Committee therefore recommends that the Commission should pay special attention to this issue. It calls upon the Commission to introduce appropriate corrective measures in stages and based on realistic deadlines ;
- iv) The Sub-Committee recognizes that, generally, the Commission is under pressure. However, Member States should agree on set deadlines and obtain further statistical data to enable them to address the challenges involved. Thus, while recognizing the importance of contacting their respective governments, members of the Sub-Committee agree to submit the following recommendations to the PRC for consideration :
 - a) The Commission to obtain further costed data on staff and the elements for calculation of the remunerations ;
 - b) The Commission to introduce a credible staff performance appraisal system ;
 - c) The Commission to link the remuneration system to performance ;
 - d) Regarding the problem of overlapping and the observed compression in the salary structure for the professional staff category, the Advisory Sub-Committee agreed to adopt the proposed 75% of the United Nations salary as contained in the report, for all staff categories and implement the first phase thereof (that is, option 3 immediately for the professionals, with financial implications estimated at US\$1,892,592.00. This amount should be charged to arrears of contribution. The necessary adjustments should be carried out with immediate effect. The amount required for the necessary adjustments to the salary scale of the professional staff should take into account, the ability of Member States to pay ; and

- e) The Sub-Committee recommended gradual implementation of the other recommendations contained in the study, it being understood at the process as proposed in the report should be completed by 2008.

21. The Advisory Sub Committee resumed its work on 15 June 2007. The representative of the Commission introduced the report on the Harmonization of the Remuneration Policy and recalled the main recommendations made by the Advisory Sub Committee on Administrative, Budgetary and Financial Matters during its meeting held on 27 and 28 March 2007. The Commission indicated that during the said meeting, **the Sub Committee had agreed and pronounced itself that the Commission should harmonize its salary scale and had authorized the required financial resources amounting to US\$1,982,592.00 which was necessary to undertake the adjustment to the scale and which was to be charged to arrears.** She indicated that, in accordance with the Sub-Committee's recommendation, the Commission had prepared the detailed financial implications, which were then distributed for consideration. The Commission finally expressed its high appreciation for the recommendations made earlier but invited the Sub Committee to consider the other related proposals submitted by the Commission with a view to covering all relevant aspects on the whole issue of remuneration policy.

22. Some delegations referred to the Decision of the recent extraordinary session of the Executive Council held in Durban (South Africa) on the institutional audit of the Union. While recognizing the importance of establishing a sound Remuneration Policy for the Commission, these delegations held the view that such a Decision implied that the consideration of the issues of Remuneration Policy should be deferred until the audit is completed. However, some other delegations were of the view that the consideration of the reports on the Remuneration Policy was not in contradiction with the institutional audit. At this juncture, some members of the Advisory Sub Committee requested to know whether it was a financial audit or an audit of the structures of the Union.

23. The Commission provided the necessary clarifications to the questions raised. It emphasized that there was need for the Sub Committee to differentiate between the issue of improvement of conditions of service of staff, including the issue of remuneration, which are within the purview of the normal and peculiar management norms of any Organization whether going through an audit or not. According to the Commission, the institutional Audit which is intended to review the competences and organizational structures, their efficiency and effectiveness and the delivery levels as well as the required transformation measures that are expected to enable those structures to fulfill the goals for which they were established to achieve but not all activities can be halted because of the pending Audit.

24. Following these explanations, the Advisory Sub-Committee, while stressing the importance of the projected audit, confirmed its earlier recommendations contained in paragraph 19 above and agreed to submit them for consideration by the PRC. The summary of the recommendations are as follows:

- i. That the PRC should recommended to the Executive Council Option 3 of the salary scale and authorize the Commission to adjust the salary scale by an average increase of 23.50% in two phases in the Professional Category with effect from 2007;*
- ii. That the Permanent Representatives' Committee should grant approval the Commission of US\$1,892,592.00 to carry out the adjustments;*
- iii. That the Commission should utilize the above financial implications from the collection of arrears. And that the necessary adjustments should start with immediate effect;*
- iv. That Commission should undertake a complementary study on the proposed salary scale at 75% of that of the United Nations in order to identify the problems and challenges that the Commission might face by adopting such alignment;*
- v. That the Commission should provide the member states with more data. In this regard, the Commission should extend its comparisons to other Organisations including organisations outside the African Continent;*
- vi. That the Commission should accord the greatest importance to the issue of performance of Staff and introduce within reasonable deadlines, a new Performance Appraisal System and link Pay to Performance;*
- vii. That the other recommendations of the study should be examined gradually and in this regard, the Commission should submit them to the Permanent Representatives' Committee for consideration in due course. In any case, the project should be completed by the end of 2008 while the entire process should be interfacing these recommendations with the outcomes of the Institutional audit if need be.*

**DISTRIBUTION OF SALARY INCREASE IN THE PROFESSIONAL CATEGORY
(IN PERCENTAGES)**

The proposed option 3 i.e. a Consolidated base salary, including the current basic salary, Post adjustment and Housing Allowance for Staff in the professional category, is the preferred option. In order to adjust the salary Scale and address particularly the issue of overlap, option 3 recommended non-uniform increases by step over current compensation as follows (in percentage)

	I	II	III	IV	V	Vi	VII	VIII	IX	X
P1	16.80%	15.10%	13.50%	12.00%	10.60%	9.30%	8.10%	7.00 %	5.90%	4.90%
P2	13.30%	11.60%	10.10%	8.70%	7.40%	6.10%	4.90%	3.80%	2.80%	1.80%
P3	12.70%	11.40%	10.20%	9.00%	7.90%	6.90%	6.00%	5.10%	3.20%	2.40%
P4	10.00 %	9.1%0	8.20%	7.40%	6.60%	5.90%	5.20%	4.60%	3.90%	3.30%
P5	15.70%	14.90%	14.10%	13.30%	12.70%	12.00%	11.40%	10.80%	10.20%	9.70%
P6	27.30%	26.50%	25.70%	25.00%	24.30%	23.60%	23.00%	22.40%	21.80%	21.30%
D1	50.20%	49.30%	48.50%	47.70%	46.90%	46.20%	45.50%	44.80%	44.20%	43.60%

**FINANCIAL IMPLICATIONS OF THE ADJUSTMENTS USING
THE DATA OF SEPTEMBER 2006**

Grade	Number of Staff	Recommended percentage Increase Range	Average percentage Increase	Average Salary increase USD	Total Cost (USD)
D1	15	43.6% -50.2%	48.8%	32,670	490,057
P6	8	21.3% - 27.3%	26.2%	16,703	133,626
P5	51	9.7% - 15.7%	14.6%	8,683	452,580
P4	36	3.3% - 10.00%	6.2%	3,683	132,574
P3	83	2.4% - 12.7%	10%	4,707	390,640
P2	62	1.8% - 13.3%	10.6%	4,279	265,310
P1	5	4.9% - 16.8%	16.8%	5,561	27,805
Total increase in base salary: 1,892,592					

**FINANCIAL IMPLICATIONS OF THE ADJUSTMENTS USING
CURRENT DATA AS OF 31 MAY 2007**

Grade	Number of Staff	Recommended percentage Increase Range	Average percentage Increase	Average Salary increase USD	Total Cost (USD)
D1	13	43.6% -50.2%	48.8%	32,670	424,710
P6	9	21.3% - 27.3%	26.2%	16,703	150,327
P5	54	9.7% - 15.7%	14.6%	8,683	468,882
P4	34	3.3% - 10.00%	6.2%	3,683	125,222
P3	93	2.4% - 12.7%	10%	4,707	437,751
P2	76	1.8% - 13.3%	10.6%	4,279	325,204
P1	7	4.9% - 16.8%	16.8%	5,561	38,927
Total increase in base salary:					1,971,023

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