Chapter 1: Tax exemptions, or the realities of the ILO fellowship

My first late-night chat with the elf of the ILO, ILwenn, happened shortly after my son subjected us to four-and-a-half hours of Peter Jackson's special effects-laden New Zealand film 'The Lord of the Rings'. For those who haven't seen it, it's an endless marathon in which various heroes, brought together by circumstance, spend their time fleeing from various creatures…

Exhausted by this digital logorrhea, I discreetly closed my eyes in front of the screen that was captivating the little one, and took the opportunity to think about the strangeness that was gnawing at me at the time, the tax status of ILO officials: how, indeed, can we claim universal citizenship if we do not contribute to it according to our means? As a political science buff, I had so thoroughly assimilated citizenship with taxation that I could not conceive of one without the other.

'*What grace has given me, let it pass to him*,' I heard, and she appeared to me: in all her glory: immaculate in blue and white, ILwenn spoke to me for the first time.

'But how', asked I of the lady, '*can this be: we ourselves are civil servants, devoted to the common good, to social progress, to fiscal justice, and yet this burden we avoid for ourselves, which weighs upon us*?'

And she was surprised: '*Must I explain everything to you? Or find you a footstool? What do you believe in? There is good in this world, you must fight for it. Which is what you are already* doing.'

- *'Through my work, certainly, but not through sharing', I replied boldly [because I was impressed].*
- *'What do you know, young Filhon?'* [Thank you for calling me young] '*Because I tell you, you contribute too…'*
- *'But how? Not at all!'*
- '*Yes indeed, and this will explain: every month you receive a respectable sum, but this sum is already taxed, and from the amount you ultimately receive, a portion is deducted for the good of all. If, without knowing it, you have contributed, it is because you are part of the fellowship.'*

I then opened my eyes to the end credits: my son, delighted, told me that 'it was good'.

Still taken aback by this post-prandial revelation, I didn't wait a day to investigate…

And that is how I finally obtained official confirmation, dear colleagues, that although we do not contribute to national solidarity systems, we are, on the other hand, the financiers of three major redistributive solidarity systems:

1. <u>*The first of these systems is our health insurance fund*</u>, the SHIF, to which everyone contributes according to their means and from which they receive benefits according to their needs. In this mutualist system, people contribute according to

their salary and the composition of their family, and receive benefits according to their state of health or that of their relatives. This results in a redistribution whose details are now familiar to me: young people and single professionals, especially in rich countries, largely finance the healthcare of large families, which are more common in developing countries, and of pensioners, who are more frequent users of healthcare services. It is also in countries where public healthcare systems are the least structured that healthcare is the most expensive, as people have to resort to the private sector, which is inevitably costly. Finally, medical evacuations are more common in emerging and tropical countries than in OECD countries.

2. <u>*The second of these systems is our pension fund*</u>. This may seem surprising at first glance, as we tend to think of it as individual savings, but this is not the case… Firstly, as it is a **defined benefit** system, the commitment to pay a pension calculated on the basis of final salary means that the risk to it is borne not by the individual but by the community. In the United States, for example, there has been much talk about '401K' funds, which are supplementary pension savings schemes with **defined contributions**: market losses result in a direct loss for the amount of pension savings of the individuals who participate in them, and therefore for their pension. None of this happens with our system, which must therefore be governed by higher prudential standards, because the money managed is pooled, and the resources derived from it must provide for each individual pension in accordance with a pre-established calculation formula, which grants a percentage of the 'pensionable' salary per year of service (1.5% for the first 5 years, 1.75% for the next 5 years, 2% for the following 25 years, before falling back to 1% for the last years beyond 35 years of contributions). The risk is therefore managed collectively, and rather in favour of employees with long careers, with the peak of individual 'profitability' set at around 25 years of service for retirement at 65 with a life expectancy of 80. In this regard, given that life expectancy varies according to gender, generation and country, it is better in this context to be a French civil servant born in the 1970s than an American civil servant born in the 1960s… Finally, we must not forget a redistribution element that I personally find counterintuitive: before five years of service, civil servants pay full contributions (salary and employer contributions) into the pension fund, just like everyone else. **However, if they leave the fund before the end of these five years, they will not be entitled to a pension and will only be reimbursed for their salary contributions**, with their employer contributions being definitively acquired for the benefit of those who have remained.

3. <u>*The third of these systems is similar to an income tax*</u>. *It is the most hidden*. It took me a long time to discover this, but did you know that we actually cost 20% more than what we are paid? This amount is deducted at source, before it even appears on our pay slips. In other words, as far as we are concerned, they do not exist: and yet they keep the wheels turning! They are called 'staff assessments' and are deducted for the benefit of the entire organization. I have been able to verify that this flat-rate deduction, calculated on our gross income, is in fact higher than what I would have had to pay in France with this level of salary, since I would then have reached the ***marginal*** tax rate of 45% (the highest) of my net income, which is

actually slightly less than the ***flat-rate*** taxes deducted here on my ***total*** income. These sums are used to finance part of the 'extras' of our care, depending on our family profiles, our return home when we are posted far from home, the dangerous nature of the post, our children's education, housing or security assistance, etc. They can also be used to launch emergency programmes, such as the one launched against Ebola. Finally, any unused funds are returned to the Member States according to their share. We therefore pay a quasi-tax on our income.

Ilwenn was right: by helping the large families of my colleagues who have more responsibilities than I do, those who are in dangerous positions far from home, or our elders who necessarily have greater need of medical care, by ensuring the financing of any medical repatriation or expensive care provided by private medicine in areas less protected than mine, by sharing the retirement pensions of our elders, and by contributing to the functioning of our organization, particularly for its emergency plans, I am truly part of 'the fellowship of working'.