

1.5.5 POST INDEX AND SALARY EQUALIZATION

Before you review FSD 55, take a moment or two and try the following mini-quiz. Look at each statement and circle what you believe to be the correct choice:

1. Salary equalization is an allowance designed to keep my purchasing power constant in the country where I am posted TRUE FALSE
2. The Post Index is an incentive to serve abroad and to maintain my personal standard of living TRUE FALSE
3. Cost of Living Surveys and patterns of purchasing at the post do not affect the calculation of the Post Index TRUE FALSE
4. Devaluations or revaluations of local currency are always matched by increases or decreases in the Post Index TRUE FALSE
5. Our post index system is probably the most responsive of any foreign service in the world. TRUE FALSE

If you answered "TRUE" to any of items 1-4 you might find it valuable to consult Circular Document Admin. No. 26/79 entitled The Post Index and the Cost of Living at Home and Abroad. This document, while somewhat complex, is available from your post administrative officer or from APRA.

Now have a good look at FSD 55. Do you see any reference to the terms "allowance", "incentive" or "constant purchasing power"? The commonest misconception about this Directive is that Salary Equalization is an allowance like the Foreign Service Premium or the Post Differential Allowance. In reality, it is an adjustment to your disposable income designed to maintain your purchasing power at more or less the same level as that of your counterpart in Ottawa. It is not intended to shelter you from the effects of inflation in Canada or to keep your purchasing power at the same level as when you arrived at the post.

The Post Index is simply a number which indicates the relationship between retail prices paid by an "average" employee at a post abroad for a specific basket of goods and services relative to retail prices for the same goods and services in Ottawa. Price levels in Ottawa are deemed to be constant at 100. Therefore, if the post index is 120,