19 December 2011

Line to take

on

Review of Staff Regulations

and

Annual adjustment of salaries and pensions of EU staff

Main line on Staff Regulations changes

- **Recent events in the global economy as well as the subsequent need to consolidate public finances cannot fail to have an impact on the European civil service and the administrations of all EU institutions, bodies and agencies.**

- **Administrative expenditure of the EU is a mere 5.8% of the multi-annual financial framework for 2007 – 2013 which itself represents around 1% of the EU's GDP.**

- **Nevertheless, it is important to demonstrate that all EU institutions and their staff continue their drive for efficiency and economy and to reflect the fiscal constraints which many public administrations in Europe experience.**

- **It is important that the Commission shows leadership on this issue and demonstrates solidarity with member states and European citizens.**

- **At the same time, working conditions must remain attractive to attract and retain highly qualified staff from all 27 Member States. The proposal requests sacrifices from everyone, but strikes the balance between the need for economies and the ability of the institutions and their staff to deliver the policies and results which are expected of them.**

- **The proposal takes into account developments in national administrations, policy recommendations made by the Commission and analysis by the Commission of the current Staff Regulations, e.g. the report on the equivalence of career structure before and after 2004.**

Main line on annual adjustment of salaries and pensions

- **The adjustment of salaries and pension is the result of the application of law (a Council regulation). There is no political discretion.**
- **The so called exception clause - which would allow derogating from these rules under a co-decision procedure - is subject to legal criteria. These legal criteria are not fulfilled.**
- **The Commission cannot breach the law but can propose to EP and Council to change the law.**
- **Therefore, the Commission is putting on the table a proposal for significant savings and efficiency gains in all EU institutions and agencies.**
- **This proposal would bring € 1 billion of savings until 2020 and in the long run - given that measures related to careers and pension need time to reach their full impact - nearly € 1 billion per year.**
- **This comes in addition to a complete overhaul of the EU civil service and the EU administration in 2004 which brought savings of € 3 billion until today and another € 5 billion until 2020.**
- **The EU spends ca. 6% of its budget on administration including buildings, salaries, pensions, IT etc.**

1. Line to take on the review of the Staff Regulations (SR)

- On 13 December the Commission adopted the proposal for the review of the Staff Regulations. This proposal was partially amended to take into account the views of staff representatives, the Member States and the administrations of other Institutions. The proposal is well balanced and would result in significant savings (over 1 billion Euros during the next MFF) without harming the EU Institutions' ability to recruit and to retain highly qualified staff.

- Recent events in the global economy as well as the subsequent need to consolidate public finances cannot fail to have an impact on the European civil service and the administrations of all EU institutions, bodies and agencies.

- Administrative expenditure of the EU is a mere 5.8% of the multi-annual financial framework for 2007 – 2013 which itself represents around 1% of the EU's GDP.

- Nevertheless, it is important to demonstrate that all EU institutions and their staff continue their drive for efficiency and economy and to reflect the fiscal constraints which many public administrations in Europe experience.

- In the light of upcoming retirements in EU institutions, which will mainly affect staff from the 15 Member States of the Union before 2004, it will be a particular challenge to maintain the geographical balance of all Member States among staff.

- In 2004, a major reform of the SR took place which overhauled the entire EU civil service law. It has produced significant savings (3 billion Euros so far) and will continue to produce them in the future. By 2020, they will have reached 8 billion Euros. This year's Commission proposal to review the SR will build on the achievements of the 2004 reform and will set the EU institutions in line and sometimes even well ahead the Member States in terms of modernisation and efficiency.

- The measures proposed:

- There will be a general across-the-board staff cut of 5% in all EU Institutions. It will be implemented by not replacing retiring staff or expiring contracts.

- The minimum weekly working time will be increased to 40 hours without a compensatory wage adjustment. This will partially compensate for the staff cut.

- The Commission proposes to extend the method for adjusting pay and pensions by 10 years, however with changes to solve the problems at the origin of the 2009 inter-institutional clash over the pay adjustment. The new method will also be more representative and based on all 27 Member States of the Union, instead of using just a sample.

- The new exception clause will allow a better reaction to economic crises. It will be automatically triggered in case the EU GDP is forecasted to decrease that year and the increase in salaries exceeds the EU GDP rate by 2%. If this is the case, half of the adjustment would be postponed to the next year. For instance, this new clause would have been triggered in 2009.

- In order to take account of the difficult economic situation and the austerity measures in the Member States, the special levy, which is about to expire, will be extended for the duration of the method and in addition be raised to 6%. It will be renamed as "the solidarity levy".

- The Commission proposes to introduce the possibility to publish competitions for under-represented nationalities in order to ensure geographical balance in the EU Institutions, which becomes more and more difficult to achieve due to more competitive working conditions in some Member States.

- Retirement age will be increased from 63 to 65 and staff will be encouraged to work even longer, until 67, if it is in the interest of the service. A transitional period based on age will apply to staff already in service. Access to the early retirement scheme will be significantly restricted.

- Certain allowances and leave entitlements will be adapted (modernisation of the rules for the annual trip home: the basis for calculating the distance between the place of employment and the place of origin in the home country will change from railway kilometres to geographical distance. The new basis will be used to fix the travel time and the travel expenses. The consequence is of course a shorter distance. In addition, the number of leave days granted to staff for their annual trip to their home country will be limited to a maximum of 3 days (250 km to 600 km: 1 day; 601 km to 1200 km: 2 days and over 1200 km: 3 days).

- As requested by the Council, the career of officials in the category "Assistants" will be closely linked to the responsibilities they carry. The two highest grades will be reserved for senior assistants with significant responsibilities for staff management, budgetary implementation or coordination, appointed via a selection procedure.

- A new type of career (AST/SC) will be introduced for officials carrying out secretarial and clerical tasks, with salaries and career perspectives corresponding to the level of responsibilities. The maximum duration of employment of contract agents in the EU Institutions will be increased from three to six years.

- The management and mobility of staff in Agencies will be facilitated by introducing a new category of temporary staff. In addition, implementing provisions of agencies will be more harmonised.

- The proposal is now with the EP and the Council. The Commission will keep staff and staff representatives informed about the evolution of the procedure. First reactions from the EP were positive and encouraging.

2. Line to take on the exception clause

- At the request of the Council, the Commission carefully analysed the economic and social situation in the Union in order to assess whether the exception clause of the method can be applied.

- There are a number of legal conditions which need to be fulfilled to use the clause: the deterioration has to be both serious and sudden; it must affect the economic and social

situation at Union level; and it must be assessed in the light of objective data provided by the Commission. In addition, the Court of Justice in last year's judgment pointed out that the exception clause can be applied only "in an extraordinary situation", where, under the 'normal method', "the remuneration of officials would not be adjusted quickly enough". e.g., due to a sudden and serious deterioration, Member States cut salaries and the Commission has to act without waiting until the next adjustment one year later.

- If the clause is used although the criteria are not fulfilled, each staff member can challenge the decision in court. The consequences of such a case would be more costly for the EU budget.

- The 2011 Autumn European Economic Forecast describes a clearly less favourable economic and social context compared to the Spring Forecast: GDP is forecasted to continue to grow in 2011 along a trend at around 1.6% similar to the level of 2010 (2.0%), while stalling in the last quarter. The unemployment rate remains stable at a high level (9.7%) and public finances of the Member States remain a constant concern of the EU.

- Nominal salaries in the total economy in 2011 are forecasted to increase by 3.0%, while the increase in the public sector is expected to be much lower (0.6%). The change in *real* salaries in public sector is in line with the loss of purchasing power for EU officials as calculated by the method (-1.8% in 2011).

- Although the economic and social situation in the EU looks clearly less favourable, there is no possibility to trigger the exception clause without breaching the regulation, especially with respect to the 2010 Court judgment. The 1.8% loss in purchasing power of national and EU officials appears in line with the current economic and social situation. This situation does not justify additional measures based on the clause going beyond that loss in purchasing power.

- The Commission is committed to trigger the exception clause right from the beginning of 2012 if the situation deteriorates further and if MS take measures with regard to the salaries of national civil servants.

- **However**, structural reforms in the European civil service directly based on Article 336 TFEU are possible.

- This is why the Commission is proposing a 5% reduction of staff in all institutions and agencies, an increase in the minimum working week to 40 hours without compensatory wage adjustments, an increase of the normal retirement age from 63 to 65, a significant restriction of early retirement rules as well as measures related to rules on careers, like a significant lowering of salaries for certain functions.

- This would generate considerable savings of more than €1 billion during the next MFF, and close to €1 billion every year in the long run given that measures related to career and pensions only have a long-term impact.

- In addition, in order to address the recent financial turmoil and the ongoing concerns of realising savings in national administrations and cutting national budgets, the Commission has decided not only to maintain a special tax which is due to expire in 2013, but also to increase this solidarity levy (which is applied in addition to income tax) from 5.5% to 6%.

- These proposed structural reforms include changes to the Method. If accepted, the proposals would see the Method simplified and extended for ten years. The representativeness of the basket of Member States would be broadened to include all Member States. A new exception clause would allow an appropriate reaction to an economic crisis when considering the annual adjustment.

3. Line to take on the annual adjustment of remuneration and pensions

- The Council Regulation on Staff Regulations lays down clear and binding rules on annual adjustment of remuneration and pensions. It does not give any political discretion to the Commission or the Council. Their role is in particular to examine the accuracy of the figures. The rules link the adjustment to evolution of civil service salaries in eight reference Member States representing 76% of the Unions' GDP. EU civil servants thus share in gain and suffer the pain of national civil servants in those countries (DE, FR, UK, IT, ES, NL, BE, LU).

- In other words, the method takes into account the political decisions taken by the eight reference Member States for their national civil servants and transposes them to the EU level.

- This year, while there were wide variations between the countries concerned, the combined change in purchasing power of national civil servants in the basket of Member States is -1.8%. Exactly the same loss is applied to EU civil servants, wherever they are based in the EU and whatever EU institution or agency they work for. This is then adjusted (not compensated) by the cost of living in the country in which the official is based.

- High inflation in Belgium (3.6%) means the nominal pay adjustment for EU officials in Brussels will be 1.7% (compared to +3.6% for the Belgian civil servants) so that EU staff in Brussels loses 1.8% of purchasing power. EU officials based in Germany (Commission, EP and agency staff) will see their pay adjusted by 0.6% (compared to +1.3% for German civil servants; additional information: the German federal government decided last month an additional increase for the end of the year of up to 2.4%), 0.4% in the Netherlands (2% for Dutch civil servants) and 1.9% in France (2% for French civil servants).

- Many EU officials working in other Member States will see a nominal pay cut, for example in Prague (-2.7%), Ljubljana (-2.2%), Sofia (-1.7%), Athens (-1.1%) and Rome (-0.1%).

- At the same time, in its proposal for the review of the Staff Regulations the Commission suggests a revised Method. If this method were already in place, it would have delivered a nominal pay adjustment of 1.1% for EU officials this year, rather than 1.7%.

	Salary change	*Inflation*	*Purchasing power*
Belgium	**3.6%**	**3.4%**	**0.2%**
Germany	**1.3%**	**2.4%**	**-1.1%**
Spain	**-0.6%**	**3.0%**	**-3.5%**
France	**2.0%**	**2.3%**	**-0.3%**
Italy	**-0.2%**	**3.0%**	**-3.1%**
Luxembourg	**-0.8%**	**3.8%**	**-4.4%**
The Netherlands	**2.0%**	**2.5%**	**-0.5%**
UK	**1.3%**	**4.2%**	**-2.8%**
Average MS	**1.1%**	**2.9%**	**-1.8%**
EU (Brus/Lux)	**1.7%**	**3.6%**	**-1.8%**

4. Line to take on the pension contribution rate

- The pension scheme of EU Institutions has to be in actuarial balance and this balance is ensured by adjusting the pension contribution rate when necessary. According to the assessment of Eurostat, which was certified by an independent actuarial expert, the pension contribution rate this year has to be 11.0%, thus 0.6 percentage points lower than in 2010.
- This decrease in the pension contribution rate is due to the salary freeze last year, which is taken into account in the calculation (the gross salaries in the EU institutions increased by only 0.1%, while there was a cut of net salaries).
- Until now the pension contribution rate has been constantly increasing. Since 2003 it increased from 8.25% to 11.6%, which is the rate currently in force.