

COMMISSION OF THE EUROPEAN COMMUNITIES

ANNEX - PAPER 7
SEC(90) 1836 final

Brussels, 23 January 1991

EUROSTAT REPORT

Comparison between the trend in total emoluments in central administrations and the trend in the gross specific indicator.

(point 11.1.2 of Council Decision
81/1061/Euratom, ECSC, EEC of 15 December 1981)

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Comparison between the trend in total emoluments in central administrations and the trend in the gross specific indicator.

(point 11.1.2 of Council Decision
81/1061/Euratom, ECSC, EEC of 15 December 1981)

- I. TERMS OF REFERENCE.
- II. ANALYSIS OF THE PROBLEM.
- III. CONCLUSIONS AND RECOMMENDATIONS.

ANNEXES

1. Comparison of trends in the indicators for the various countries (meeting held on 9 March 1990 by the Working Party on Article 65 of the Staff Regulations)*
2. Memorandum prepared for the meeting held on 7 June 1990 by the Working Party on Article 65 of the Staff Regulations.

* documents updated to take account of data available in December 1990.

1. TERMS OF REFERENCE

1. The Council Decision of 15 December 1981 amending the method of adjusting the remuneration of officials and other servants of the Communities (the "method") laid down the procedures for calculating the specific indicator and the control indicator. The specific indicator is one of the components of the method for adjusting the salaries of the Community civil service. It is the composite indicator which measures the average trend in the purchasing power of salaries in the national civil services of the Twelve. The control indicator is used to check the validity of the specific indicator.
2. The method requires the Statistical Office of the European Communities (Eurostat) to carry out various checks. The means at Eurostat's disposal include the possibility of asking the national authorities for additional information and of reporting to the Commission if need be. Such is the context of the present report.
3. In its annual report to the Council for 1989, the Commission expressed surprise at the steadily increasing divergence (particularly in 1989) between the trend in the specific indicator and that in the control indicator. The administration accordingly requested Eurostat to look into this matter.
4. Eurostat placed this question on the agenda for the annual meeting of the Working Party on Article 65 of the Staff Regulations, which was held on 9 March 1990, and prepared some relevant facts and figures for the meeting (see Annex 1: Comparison of the trends in the specific indicator and the control indicator). The object of this meeting was to define the problem and to obtain the initial views of the national experts, with a view to explaining at least why there was a divergence. A further meeting of the Working Party was held on 7 June 1990 to investigate the matter more closely on the basis of a second working paper (see Annex 2) and to obtain some figures from the national experts.

Neither of these meetings achieved any significant breakthrough towards an understanding of the problem. A different approach should therefore be considered.

11. ANALYSIS OF THE PROBLEM

5. Although constructed in different ways, both indicators reflect closely related phenomena.

The purpose of the specific indicator is to take account of general trends in salaries (particularly any changes in salary scales). It is geared to the salaries of a sample of typical civil servants (in terms of family status, each typical official consists of two halves: an unmarried official and a married official with two dependent children). These typical officials do not qualify for any individual payments and represent grades characteristic of the actual population.

On the basis of the sample given for the central government departments of each Member State, an indicator is calculated to reflect any changes in salary scales, assuming constant staff numbers (special reference being made to staff numbers in the previous year).

The overall specific indicator for the Community is obtained by weighting each national specific indicator by a percentage representing the total emoluments of the respective civil service in relation to the Twelve as a whole.

6. The national control indicators, on the other hand, reflect the trend in the average actual emoluments paid by central government departments. They thus take account of all the components of such emoluments, including both the remuneration paid to employees (salaries, bonuses, benefits, etc.) and the social contributions paid by the employer.

The emoluments in question may be influenced by a large number of factors, which may take the form of actual cash increases:

- changes in salary scales overall or for particular categories;
- individual increases obtained as a result of promotion or a change of grade;
- individual arrangements (including bonuses, merit awards, overtime payments, etc.),

or may be structural effects due to the numbers entering or leaving the service.

7. The design and components of the two indicators tend to produce divergences between them. These may arise, for example, from the structural effect, the different reference period used for each indicator or the individual cash increases affecting only the total emoluments actually paid.

An analysis of the factors making for divergence should, however, make it possible to assess whether the specific indicator is a true reflection of the various salary adjustments at national level.

8. The fact that a very sharp divergence occurs in certain countries, sometimes after several years of parallel trends, may be attributable to new salary policies not fully reflected in the specific indicators.

In other countries the permanent divergence between the two indicators could be interpreted as meaning that only one of these indicators is taking account of some substantial and highly variable individual salary components.

Apart from the figures as such, these divergent trends are an interesting indication of any structural changes and deserve closer examination in this context.

III. RECOMMENDATIONS

9. For the purposes of assessing the divergence between the specific and the control indicators, the indicators for total emoluments should be supplemented by a more precise determination of changes in the actual emoluments paid by central government departments. This could be done:

(a) as regards the numbers employed,

- by selecting the population so that it coincides more closely with that covered by the specific indicator;
- by determining with great accuracy the numbers employed in each category and grade;
- by breaking down these numbers by type of employment (part-time or full-time);

(b) as regards salaries,

- by describing and quantifying the components of total emoluments, and in particular the main and subsidiary forms of remuneration, and the ways in which each of these components may be adjusted.

10. The data available from national sources should be analysed in depth to assess how far the national specific indicators are a true reflection of changes in the purchasing power of national civil servants.

11. The competent authorities in the Member States should also:
- outline the general philosophy behind their system of remuneration (whether based on across-the-board increases or individual increases);
 - specify the dates and the size of any increases obtained, in whatever form, over the past ten years by the national civil servants who make up the reference population for the specific indicator;
 - provide additional indicators (if available) which reflect the changes in the salaries of national civil servants in their country: these should be indicators appearing regularly in official publications and forming part of series which are sufficiently long to provide a basis for assessment;
 - give details of the procedures for deriving net salary from the gross salary.

IV. CONCLUSIONS

12. The action recommended will represent a sizeable task and should therefore be concentrated on those countries which have most influence on the overall divergence. Eurostat considers that the four countries which have a preponderant influence in the Community as a whole (United Kingdom, France, Italy and Germany) and which account for 80% of the weighting applied to the indicators are responsible for 70% of the divergence between the indicators. Consequently, and given the resources available, the investigation should primarily concern itself with these countries. The other countries showing substantial divergence should not be neglected, however, and could be examined at a later date.

In the near future, therefore, Eurostat will be conducting a series of investigations within the competent bodies of the Member States concerned.

ART. 65/4

Working Party on
Article 65 of the Staff Regulations
Meeting of 9 March 1990
Luxembourg - Jean Monnet Building
Room M4 - 1000 hours

Comparison between the trend in emoluments
in central administrations
and the trend in the gross specific indicator

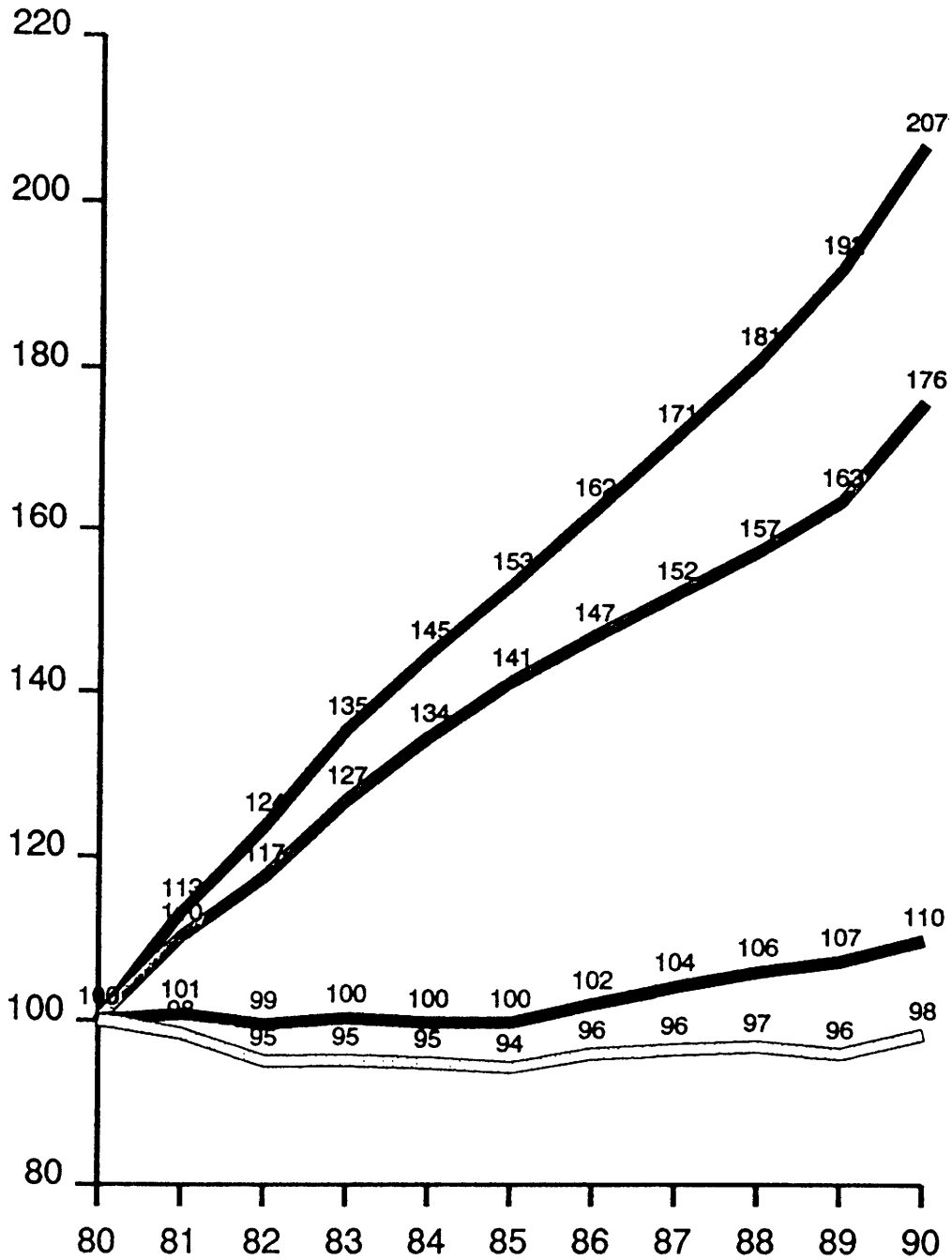
1. The method for adjusting the remuneration of Community officials and other servants provides for adjustments to be made in net terms with the help of a specific indicator. This specific indicator is intended to measure the average change in the purchasing power of salaries in the national civil services of the Member States. It is currently produced by reference to the salary scales in the various civil services, using a model based 50% on unmarried officials and 50% on married officials with two dependent children.
2. The method also makes provision for a control indicator based on per capita emoluments in national central administrations and calculated in accordance with the definitions given by the SEA under headings 406 to 413 (gross wages and salaries, employers' actual social contributions and imputed social contributions). The indicator is shown in table S61 of the annual Eurostat report on trends in public service remuneration.
3. These two indicators should move in parallel and any divergences between them, especially when they occur unexpectedly, must be explained. Such divergences may for example reflect changes in the structure of the civil service concerned, in which case the scale and significance of these changes should be ascertained.

The text of the method stipulates that any problems which arise in calculating the specific indicators are to be examined by the "Article 65" working party, which is therefore responsible for looking into and explaining on a case-by-case basis any divergences between the two indicators.

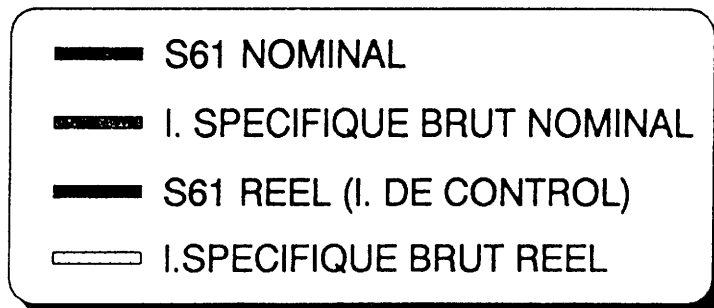
4. In the interests of clarification, Eurostat has drawn up graphs showing the changes in the gross specific indicator and the indicator of emoluments (S61) since the present method was introduced. The gross specific indicator represents gross changes in the salaries of national civil servants after the deduction of social contributions but before tax.

The indicators are shown in real terms, taking into account national cost-of-living indexes in the case of the gross specific indicator and other appropriate deflators in the case of S61; they are also shown in nominal terms to eliminate the influence of these deflators on any divergences.

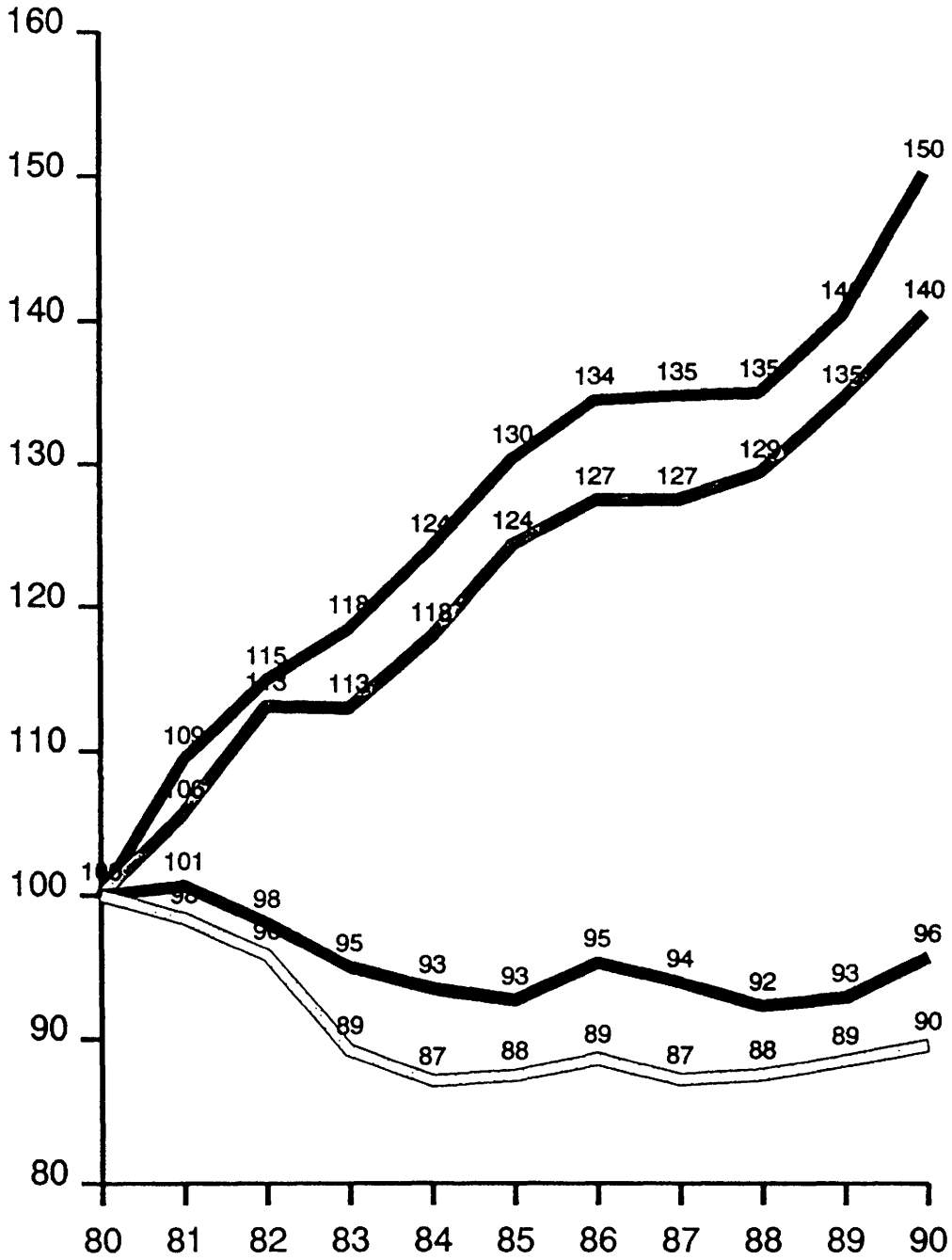
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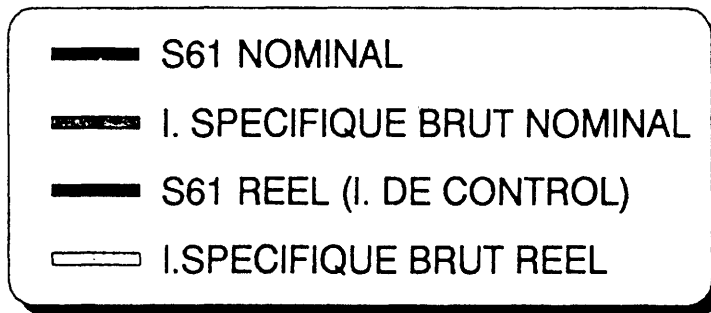
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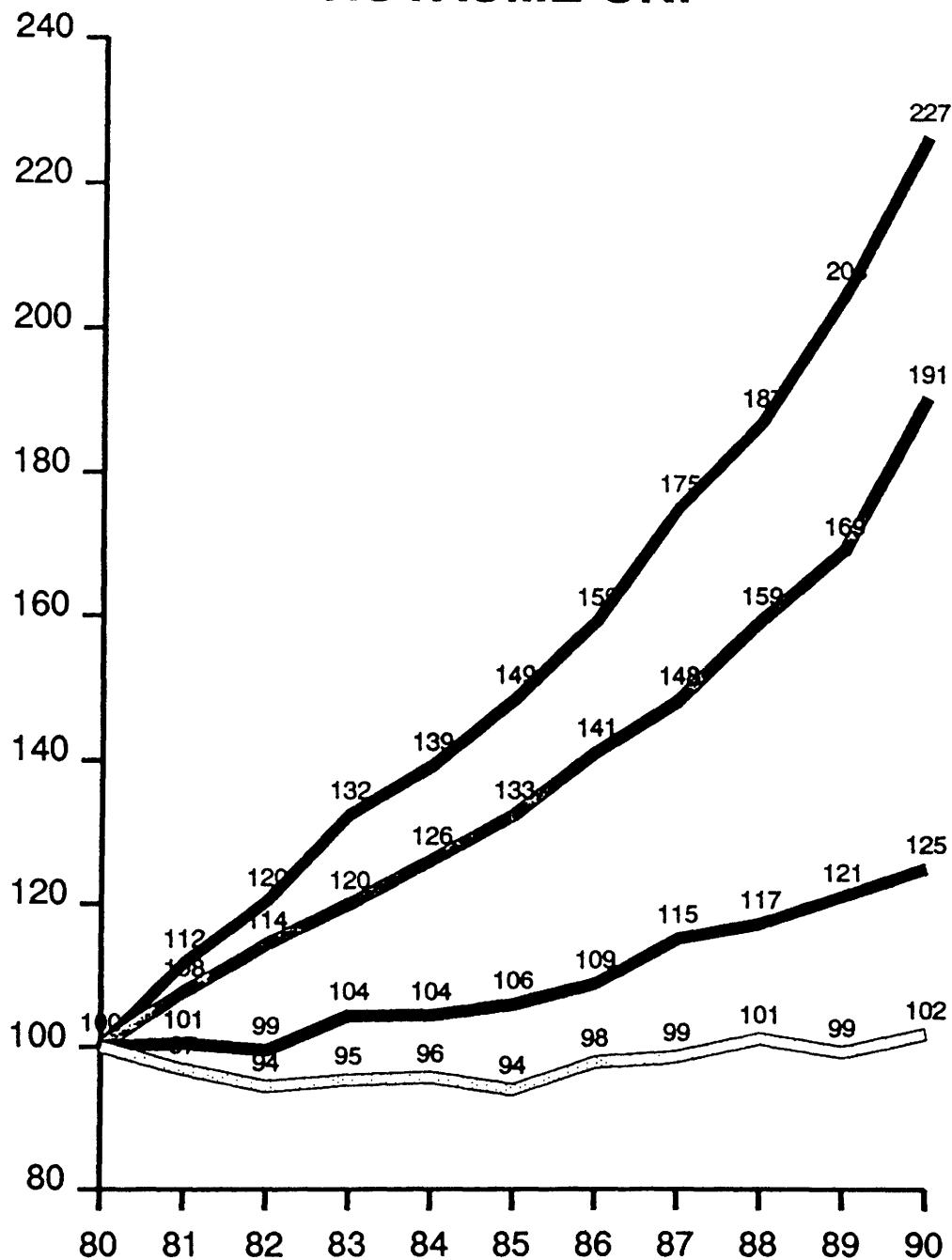
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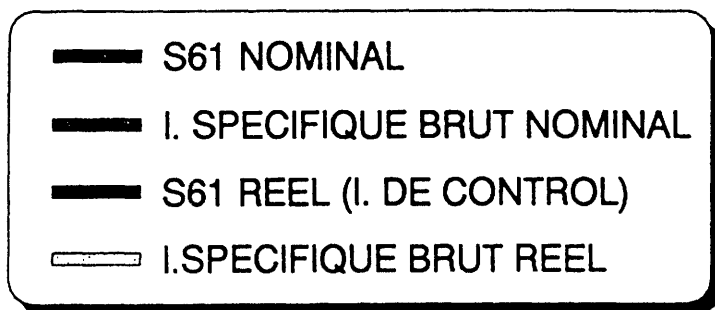
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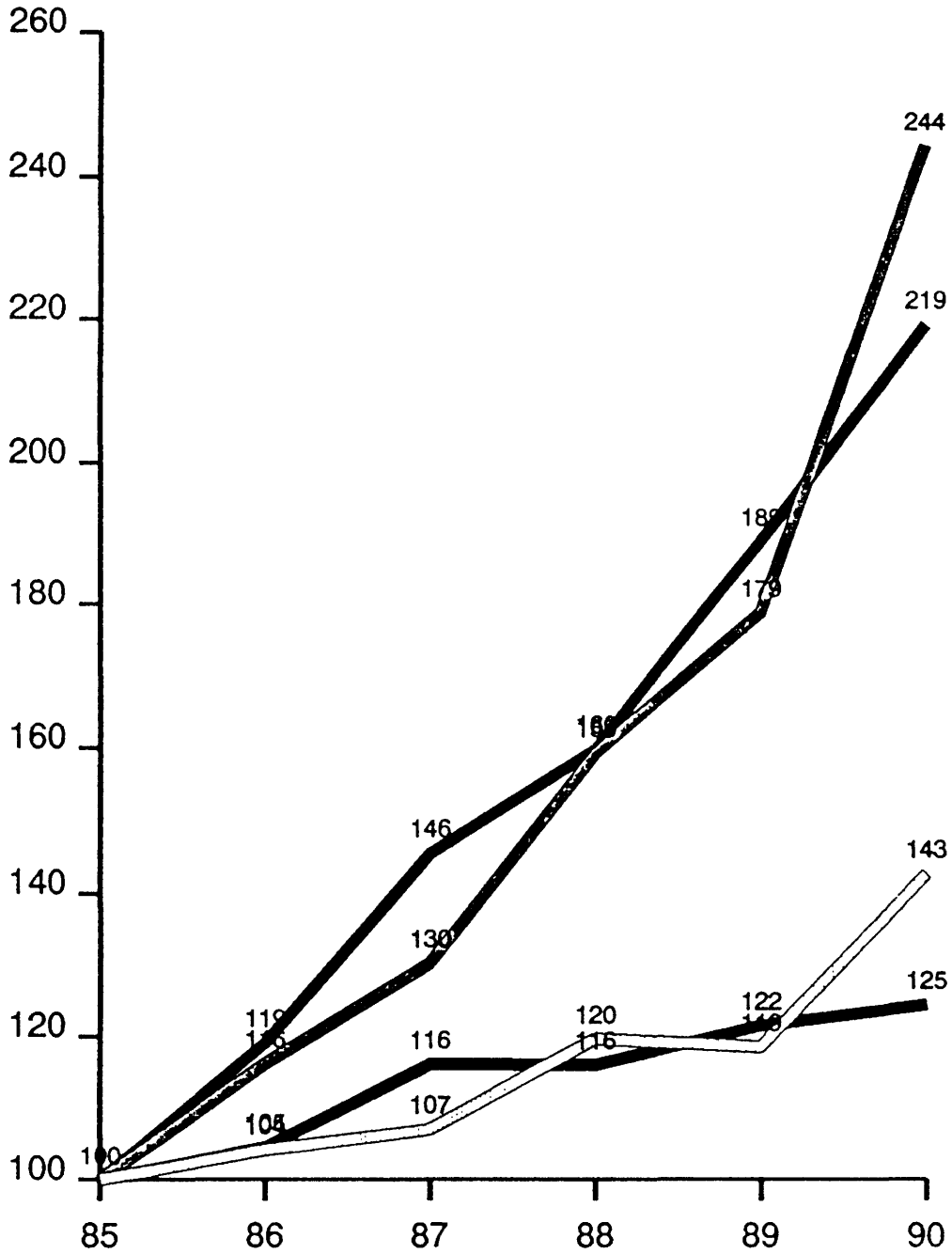
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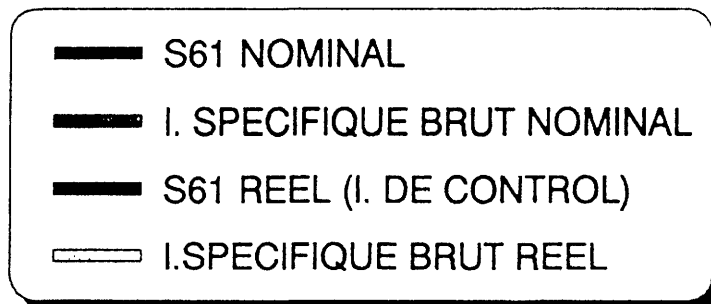
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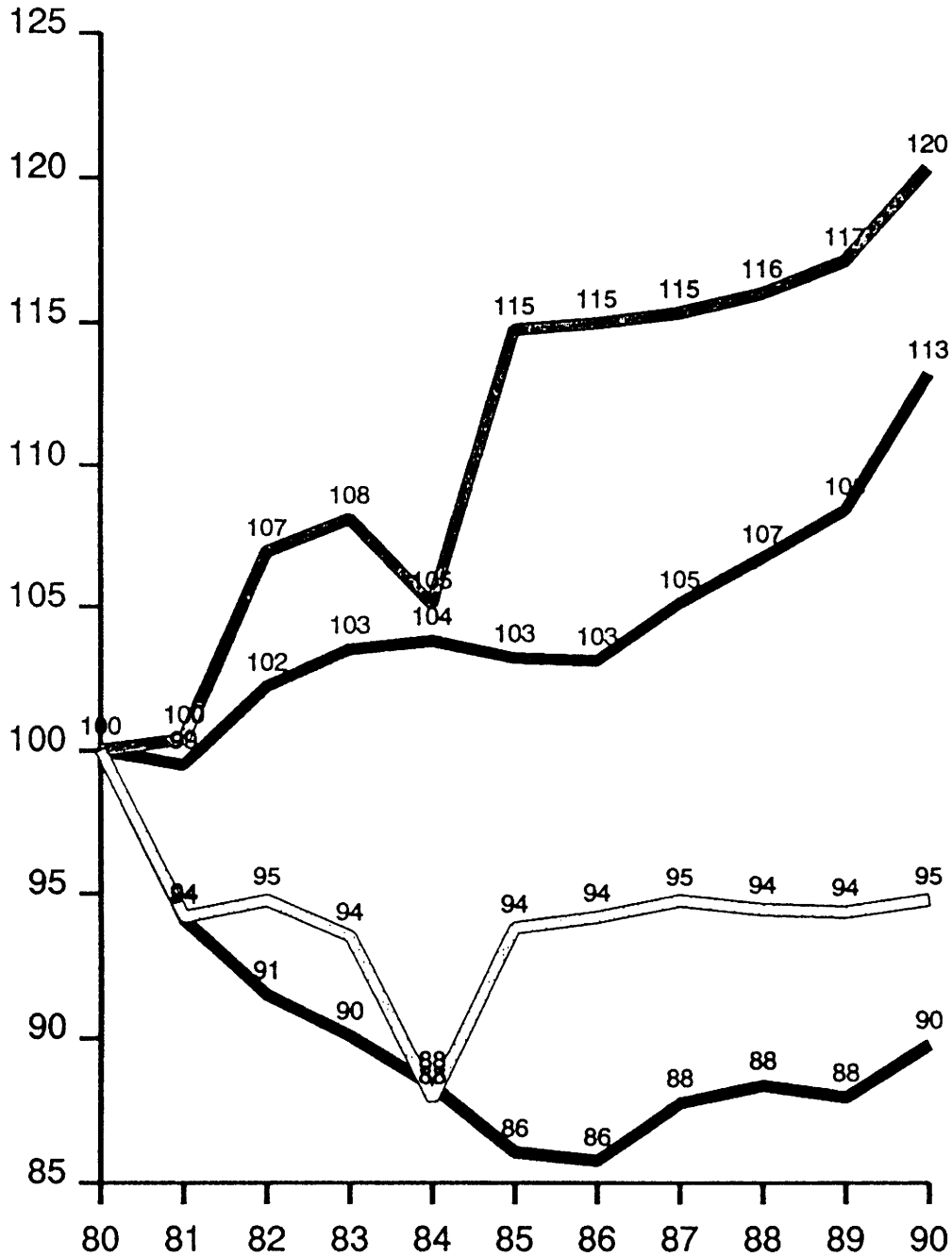
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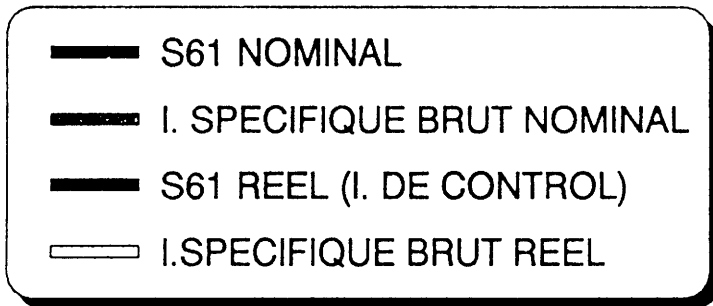
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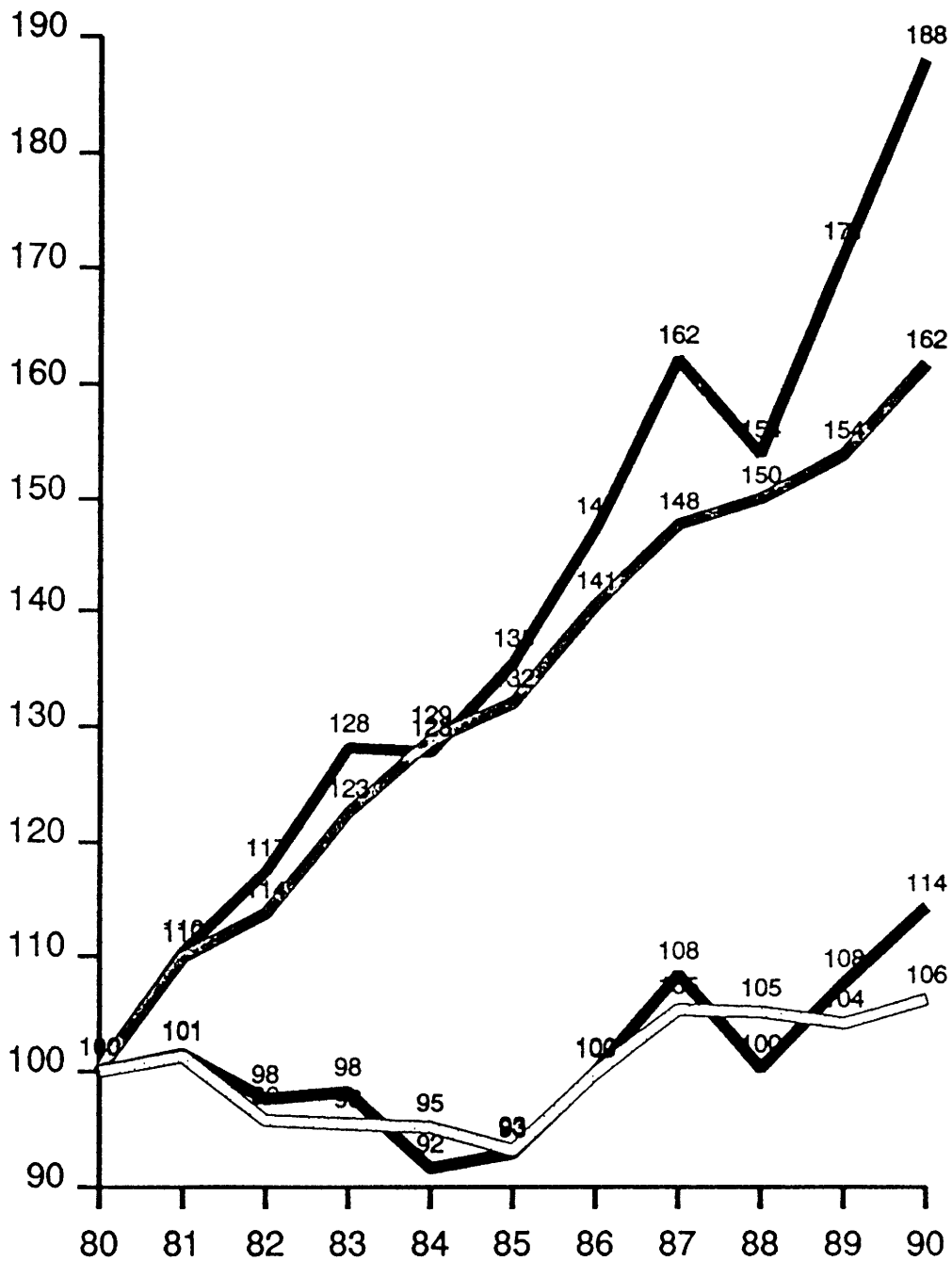
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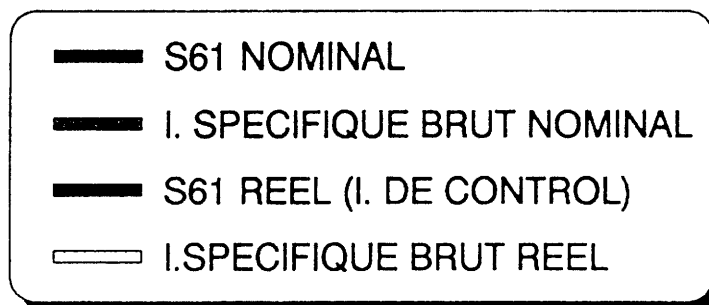
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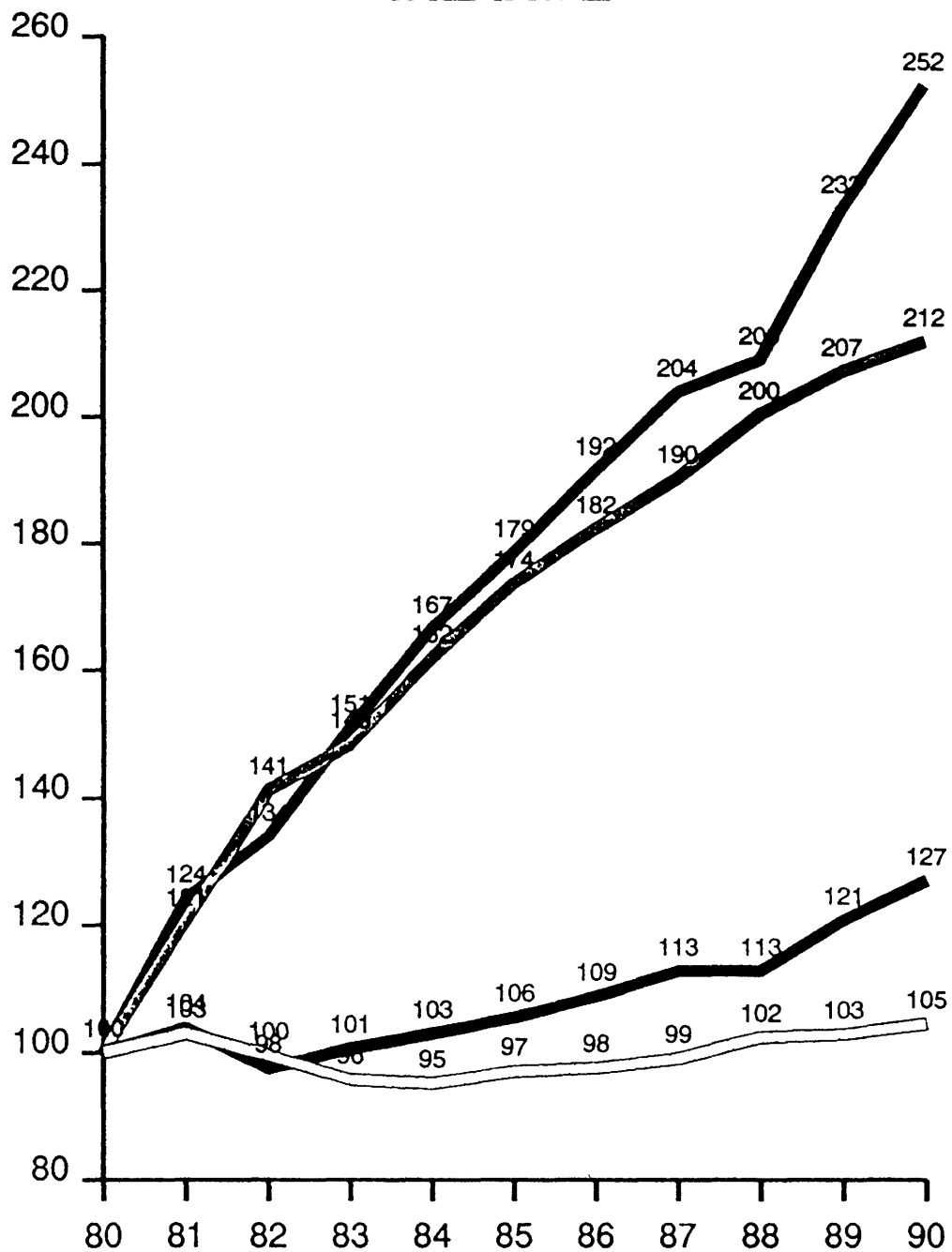
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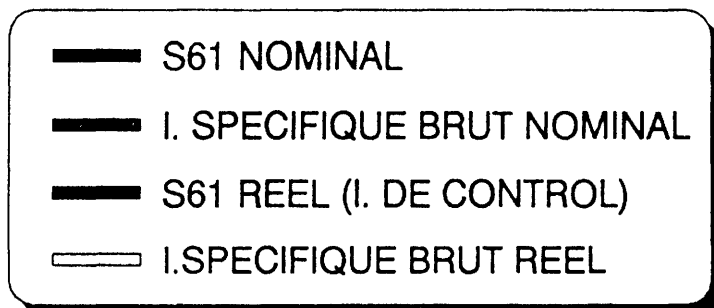
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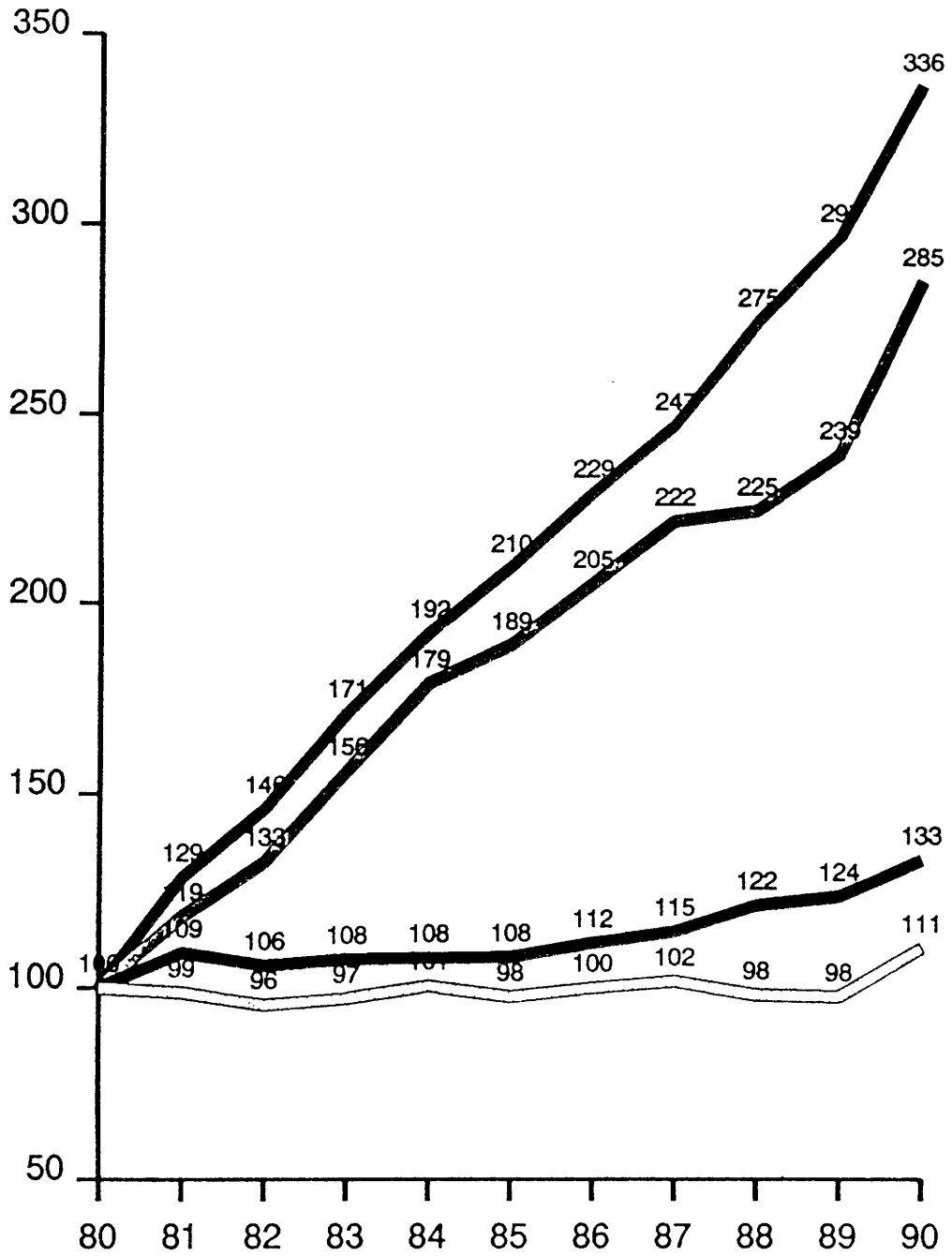
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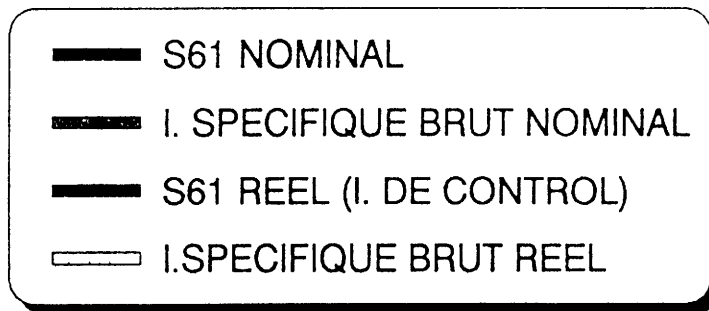
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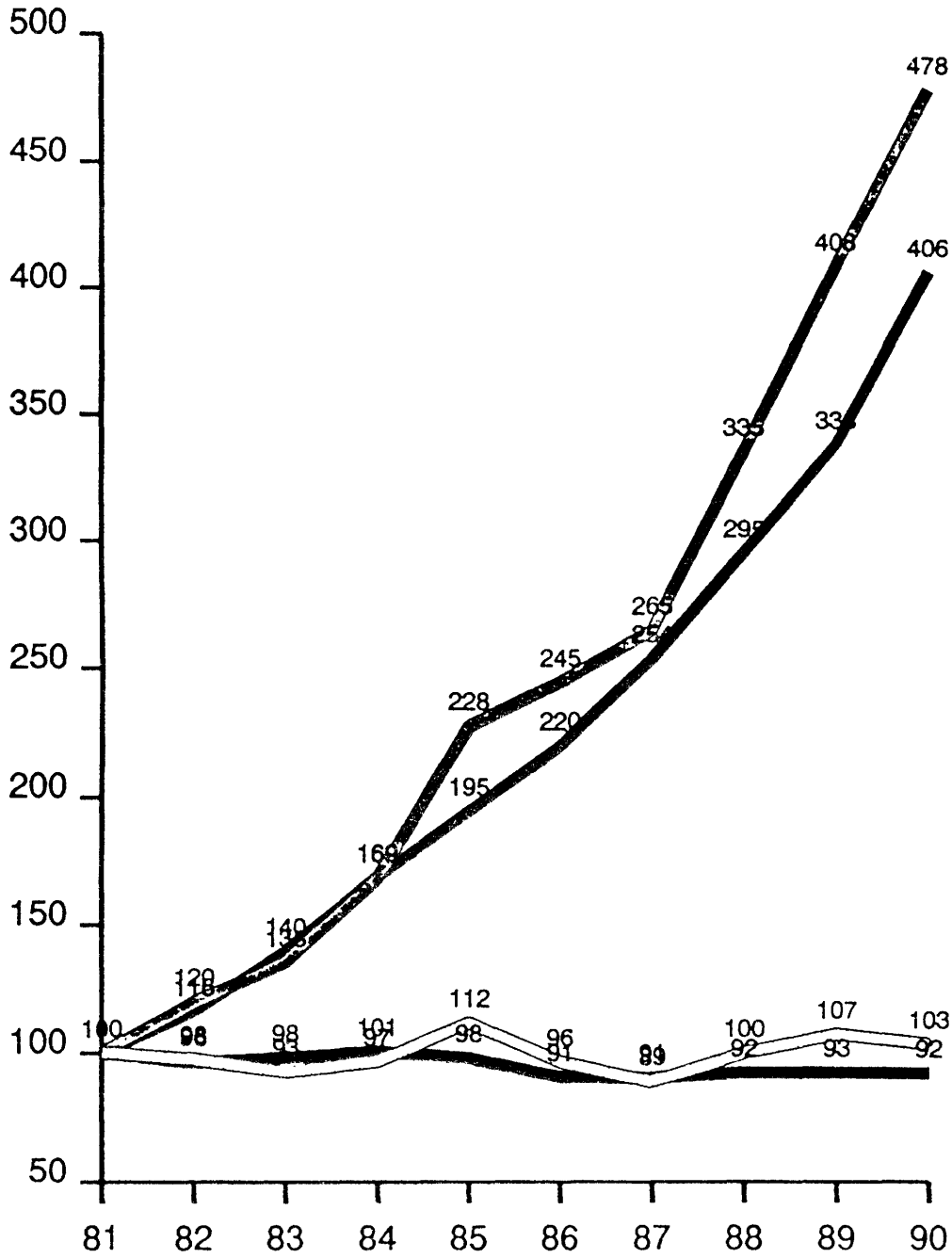
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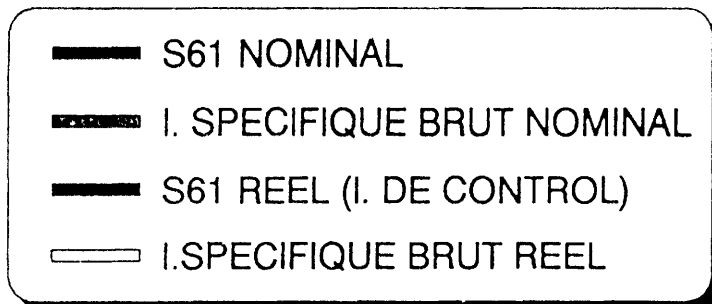
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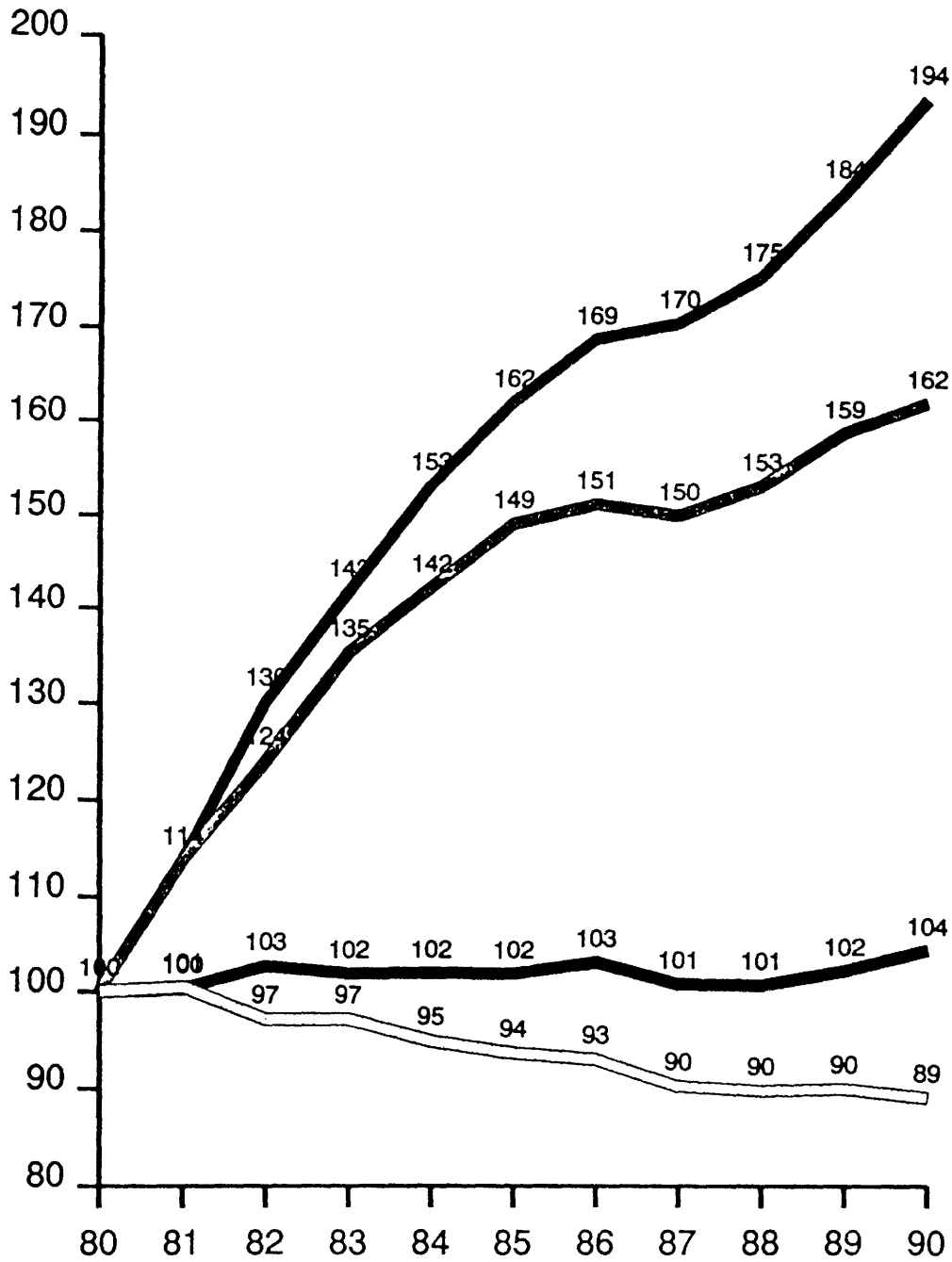
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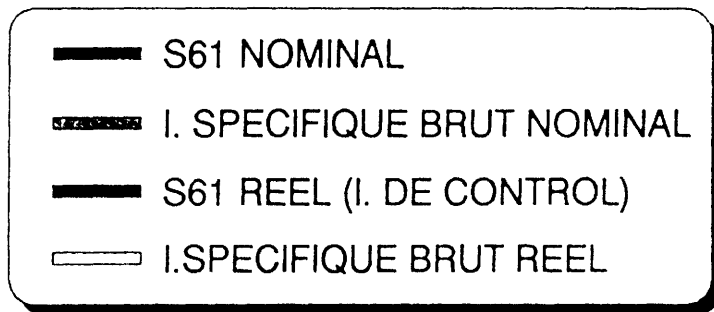
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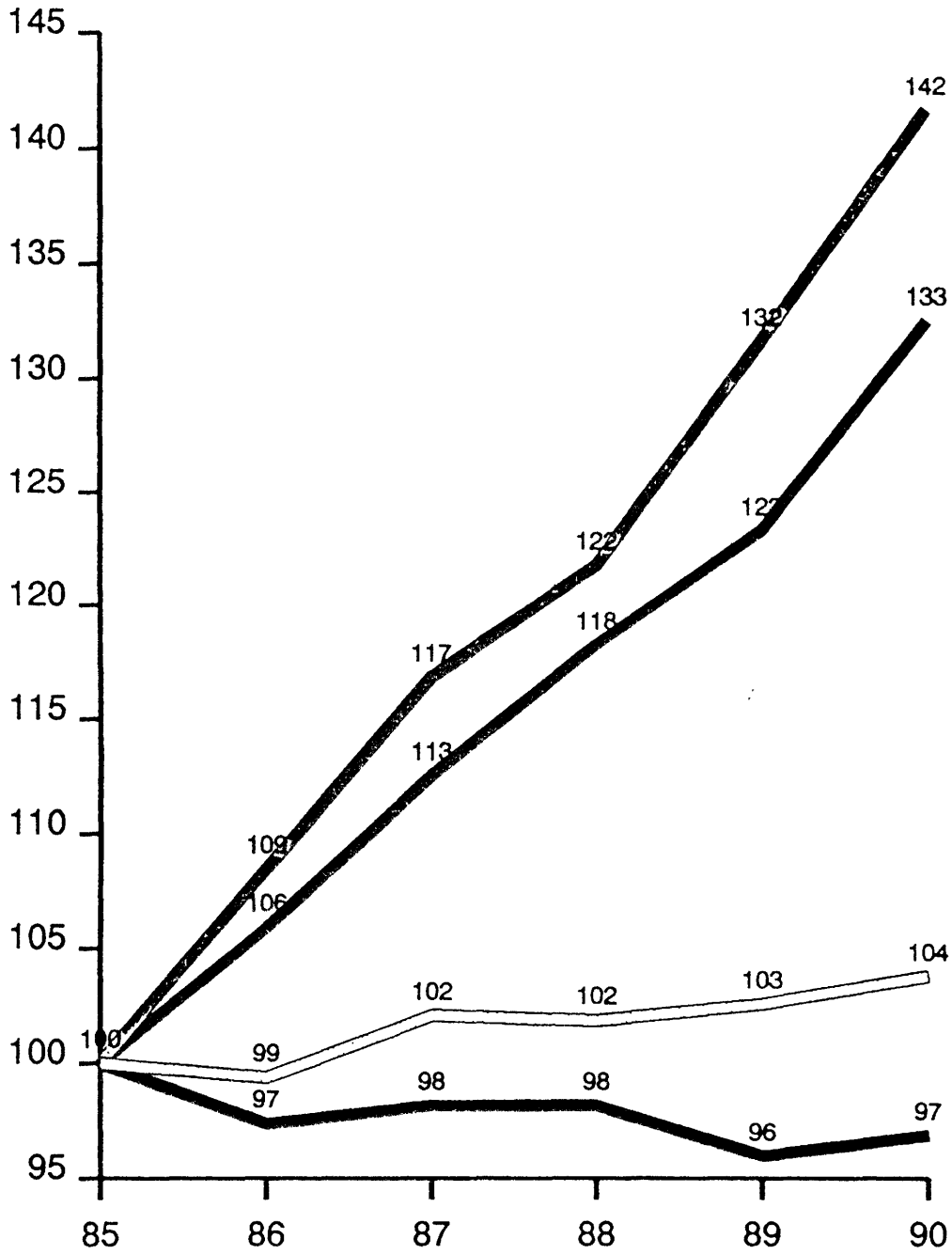
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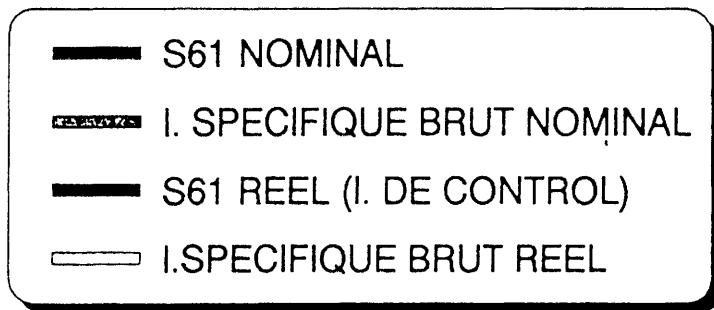
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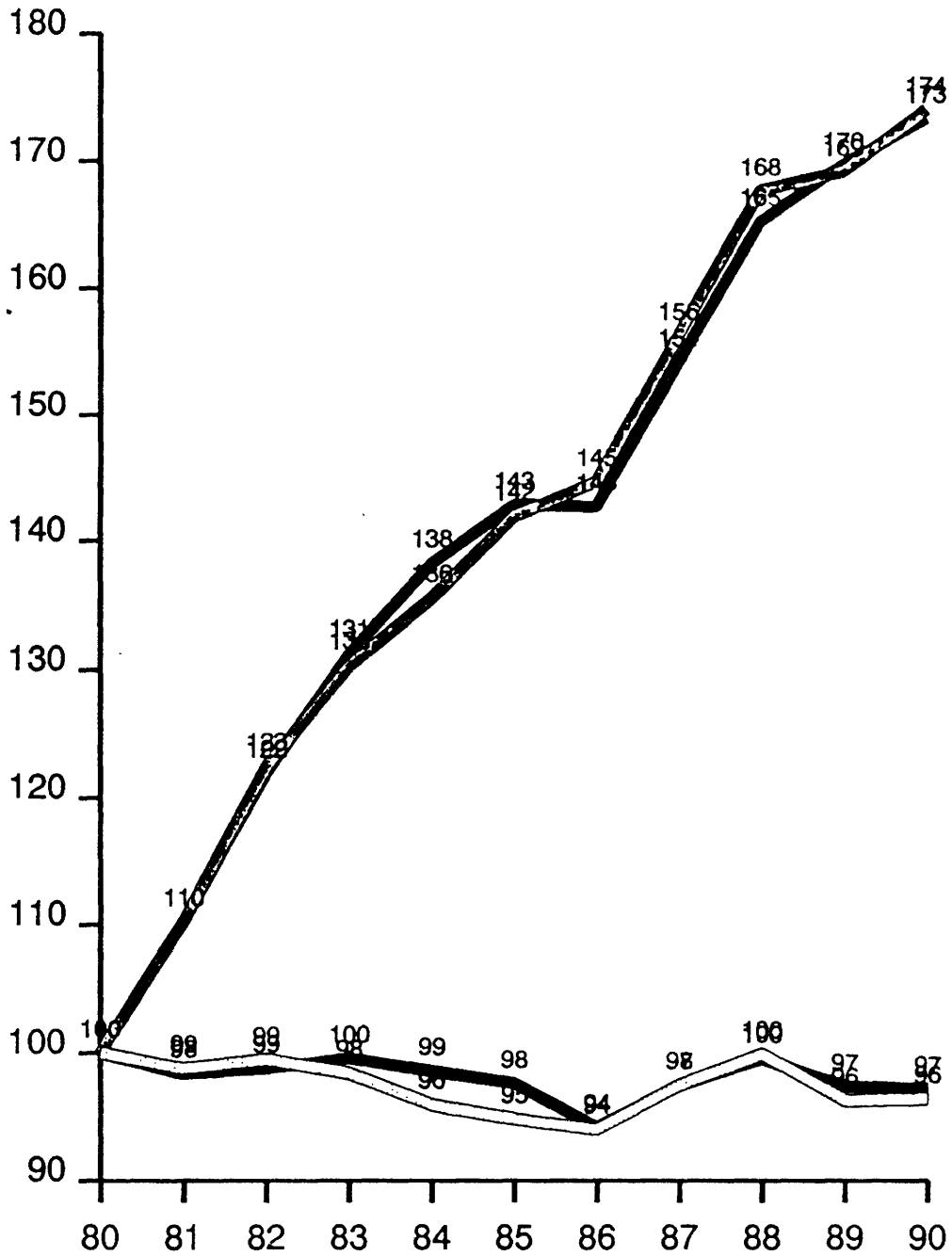
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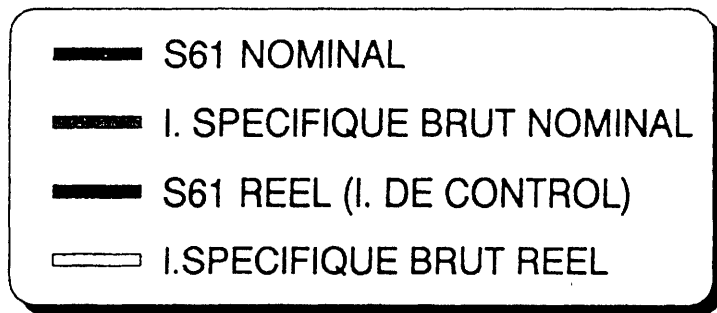
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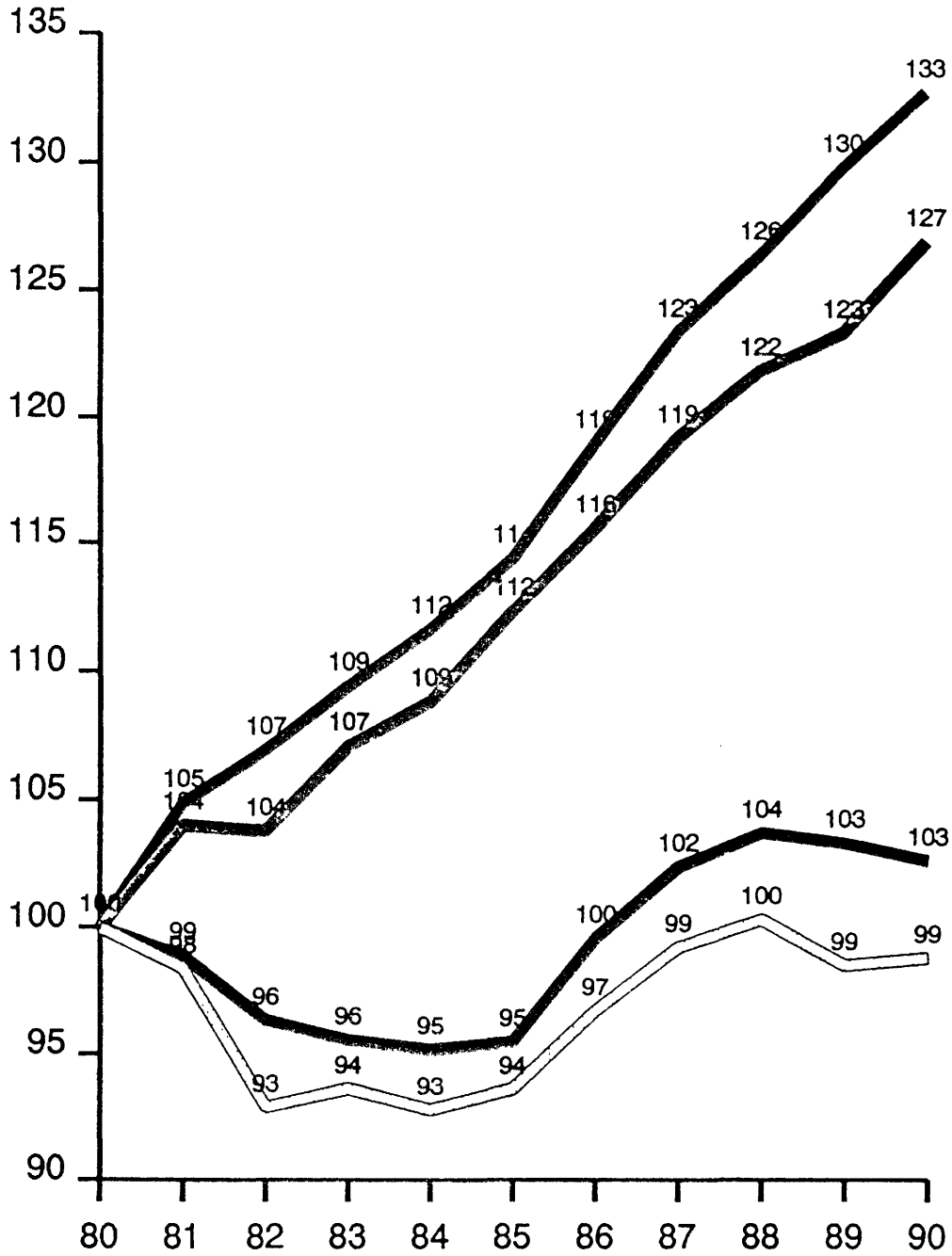
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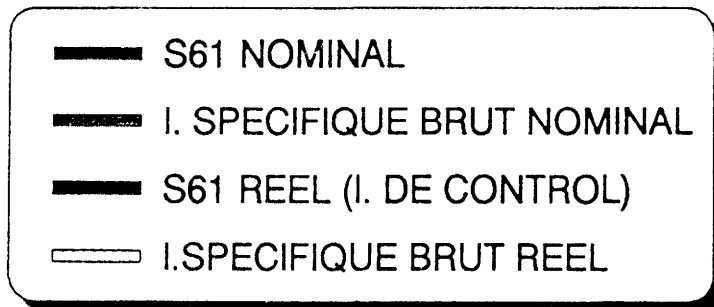
REMUNERATION DES FONCTIONNAIRES



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REMUNERATION DES FONCTIONNAIRES



ART. 65/6

Meeting of the Working Party
on Article 65 of the Staff Regulations

Brussels, 7 June 1990

Comparison between the trend in total emoluments in central
administrations and the trend in the gross specific indicator

MEMORANDUM

Comparison between the trend in total emoluments in central administrations and the trend in the gross specific indicator

Background

1. Salary adjustments in the Community civil service are governed legally inter alia by the Staff Regulations and by the method for adjusting remuneration (Council Decision of 15 December 1981). The two texts establish the principle that remuneration in the Community civil service must move in parallel with that in national civil services.
2. This principle of parallelism is applied in practice by means of a specific indicator, which measures the average trend in the purchasing power of salaries in the national civil services of the Member States. For each Member State, a national specific indicator is produced each year by reference to the trend observed for a range of functions and for two typical officials in terms of civil status: an unmarried official and a married official with two dependent children. Grades are then weighted by their respective populations in order to calculate the annual change over the reference period. To calculate the total indicator national specific indicators are weighted by the total emoluments of the respective civil services in relation to the Twelve as a whole.
3. As the specific indicator takes account only of general increases in remuneration obtained on a statutory basis and therefore excludes any individual measures, it should therefore reflect changes in real net terms. It is applied to the salary scales in the Community civil service.

The use of this indicator is therefore altogether consistent with the objective of parallelism, provided, of course, that the indicator accurately reflects the general trends in remuneration.

4. The method also provides for a control indicator based on per capita emoluments in national central administrations and calculated in accordance with the definitions given by the European System of Integrated Economic Accounts (ESA) under headings 406 to 413 (see Annex). It includes gross wages and salaries, employers' actual social contributions and imputed social contributions and is shown in Table S61 of the Statistical Office's annual report on trends in public service remuneration.
5. In its gross term form (before deduction of tax) the specific indicator may therefore be considered as showing salary trends rather more in salary-scale terms seen from the angle of employee income. By contrast, the control indicator reflects all changes in salary (inclusive of employers' social contributions) regardless of source (individual or general) seen from the angle of cost to the employer.

The two indicators thus present differing approaches in terms of both design and components. It can be assumed that over a sufficiently long observation period, provided there is no element disrupting the system (such as reorganizations, changes in salary policy, etc.), the two indicators should move at the same pace.

6. The Statistical Office has therefore attempted to compare the changes in these indicators both in real terms, and in nominal terms to eliminate the effect of deflators on any divergences. In an attempt to understand the technical reasons for the divergences, graphs were drawn up showing the changes in the indicators since the method was introduced (base 1980 = 100). Figures for all the Member States were circulated to all those attending the Article 65 meeting on 9 March.

Comparing the trends in the indicators for all the countries, several patterns emerged, in particular:

- periods with parallel trends;
- periods with (slightly or widely) divergent trends;
- ups or downs occurring before or after long periods of parallel trends.

The discussion in brief

7. Various points were made by different speakers. These are listed overleaf more to fill in on the discussion. There is no need at this stage to specify individual positions.

8. Some speakers first pointed out that it would in fact be surprising if the indicators did move in parallel and did coincide. They gave various reasons for the divergences:
- S61¹ covered a much bigger population than SI,² and was therefore very different;
 - privatization of certain sectors of the administration had resulted in job losses, possibly affecting S61;
 - there could be increases without the salary scales necessarily being adjusted (advancements in step, regrading);
 - salary scales did not invariably show changes in remuneration (e.g. bonuses);
 - the elimination of categories of official at the lower end of the salary scale as a result of computerization produced a 'natural' increase in total emoluments, as the new more-highly qualified staff were recruited at higher salary levels;
 - one of the logical explanations of the change in S61 was therefore to be sought in the effects of staffing structure;
 - the different nature of the two indicators meant that some groups of officials might be less well represented or not represented at all in the specific indicator; this did not cover (sometimes rightly) the population covered by S61; nor did it cover everyone in the ministries sector, which should nevertheless be the key component;
 - any change in the processing of data on total emoluments could produce sudden variations;
 - indicators more appropriate than the total emolument indicator might well also exist and be published by national statistics departments; these might not differ that much from the national S61, thereby highlighting the problem of their divergence from the specific indicator;
 - the effect of part-time working and the way in which it was reflected in S61 might also have an impact (at present S61 took account of each individual as working full-time: the counting of actual hours worked could therefore affect S61);
 - the freezing of recruitment could also have an impact as this helped produce an ageing population and therefore increase average total emoluments;
 - changes in the components making up S61 but not included in the specific indicator (e.g. employers' social contributions) could possibly be one of the reasons for the divergence.

All these factors could well explain the differences between changes in the control indicator and changes in the specific indicator. However, what was somewhat surprising was that, with only a very few exceptions, it was always S61 which moved faster. This could suggest a systematic bias.

1 Control indicator.

2 Specific indicator (or parallelism indicator).

9. In answer to some of those criticizing the use of S61 as being theoretically incomparable with the specific indicator, it was pointed out that it was not a case of apples and pears and that like could be compared with like. Some speakers also noted that there had been greater parallelism before 1980, or in other words a more homogeneous development of S61 and the specific indicator, which led one logically to ask why the divergences after 1980. What is more, these trends were more homogeneous for some countries than for others, raising even more questions.
10. Some more detailed theories were advanced by some delegates to account for the variations:
 - for Italy, the more pronounced variation in 1987 could have been caused by implementation of the new agreement approved in 1986; remuneration components not covered by the agreement and not taken into account in the specific indicator had produced an increase in emoluments; moreover, generally speaking, restrictions on recruitment meant an ageing of the population and therefore an increase in total emoluments;
 - for the Netherlands, an increase in gross remuneration in 1985 had not affected total emoluments but had substantially altered the gross specific indicator (in which employers' social contributions are not deducted). The operation had actually consisted of transferring a contribution paid by the employer to the employee's salary, increasing the gross salary accordingly.

Work to be done

11. As indicated above, the immediate object of the exercise was to explain the divergences which had appeared in a few countries between the two indicators. For this purpose further data covering the period 1980 to 1989 were to be sent in by the departments responsible in the Member States to enable the working party to gauge the effect of the various factors mentioned at 8.
12. It emerged during the discussions that one reason for the divergences might lie in the fact that the total emoluments S61 was not restricted to the ministries. To eliminate this possible source of variation, the departments responsible were to provide the following figures for 1989:
 - total emoluments corresponding exactly to the population of the national ministries;
 - a detailed breakdown of the components of the above emoluments (with particular reference to employers' social contributions);
 - the staff complement corresponding to these total emoluments, by category and grade, including a breakdown for those on part- and full-time working (or the complement in man/years);
 - where possible, a breakdown by category and grade.

13. It also emerged that another reason for the variations could be that the population used to calculate the specific indicator was insufficient. This meant that a different line of inquiry was called for and the departments responsible were therefore, where possible, to supplement the information transmitted each year. It was agreed that it would be useful to have figures, especially for 1989, showing not only the staff complement of the national ministries by category and grade but also the corresponding salaries.
14. By the same token, it would be useful to have detailed lists of the types of salary adjustment effected since 1980; this would make it possible to see for each public service exactly how these increases were made and to extrapolate the divergence factor attributable to the non-general increases.
15. Finally, it was decided that the statistical departments could, if they so wished, propose any regularly published national indicator which might throw some light on the problem under discussion.