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**REVIEW OF THE METHOD
FOR ADJUSTING REMUNERATION**

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1. INTRODUCTION

1.1. Terms of reference

Article 15(2) of Annex XI to the Staff Regulations provides that the provisions of the Annex «shall be reviewed at the end of the fifth year and revised, if appropriate, on the basis of a report transmitted to the European Parliament and the Council and a proposal from the Commission after consulting the other institutions within the framework of the Staff Regulations».

1.2. Background: the need to adjust remuneration

The need to recruit from a wide geographical base and to preserve the quality and independence of the European public service calls for competitive remuneration with regular adjustments to keep pace with trends in the purchasing power of remuneration on the labour market.

In order to maintain harmonious staff relations, the general principles applied must be established by consensus.

The Council has long favoured the principle of parallel development with remuneration in the national public services. This calls for a rigorous procedure. Hence the adoption by the Council of a method based on detailed and binding principles (Annex XI to the Staff Regulations) which has the advantage of not requiring annual negotiations and of avoiding the risk of dispute.

The Council decision combines a negotiated approach and a procedural approach with a view to limiting conflict. Periodic negotiations since 1971 have produced a series of agreements spelling out the rules for implementing Articles 64 and 65 of the Staff Regulations:

- the **1971 and 1976 agreements**;
- the **1981 method** adopted for a period of 10 years, introducing a **crisis levy**;
- the **1991 method** adopted for a period of 10 years, introducing a **temporary contribution**; **staff contributions** to the pension scheme were also increased.

1.3. Remuneration: the underlying principles

Remuneration, legally grounded exclusively in the Staff Regulations of Officials of the European Communities, comprises basic salary, and family and other allowances, from which are deducted social security contributions, tax and the temporary contribution.

Adjustments are governed by a system based on two principles:

- parallel development of the remuneration of officials of the European institutions and that of civil servants in the Member States of the European Union;
- purchasing power parity for the remuneration paid in the various places of employment and in Brussels.

1.4. The 1991 method

The 1991 method was adopted following lengthy negotiations involving both the trade unions and staff associations representing the staff of the Community institutions (also consulted by referendum) and the institutions themselves. At its 1528th meeting, the Council endorsed the compromise produced by the Concertation Committee, subsequently confirming its agreement by adopting the corresponding regulations on 19 December 1991.

The note transmitted by Coreper to the Council prior to its decision describes the compromise as a comprehensive solution comprising several interdependent components: the method, applying from 1 July 1991 to 30 June 2001; and its «quid pro quo», namely the temporary contribution and the increase in staff contributions to the pension scheme.

In other words, the final compromise not only introduced a procedure for adjusting remuneration but also had an impact on its level through these two additional components which have reduced purchasing power.

The method negotiated with the Council and adopted by it in December 1991 is valid for ten years (till 2001) with provision for a review in 1996 and, if appropriate, revision on a proposal from the Commission.

The Staff Regulations also had to be amended to make provision for the temporary contribution; it too is payable until 30 June 2001 and is equivalent to a gross rate of 5.83% of the base to which it is applied.

In addition, staff contributions to the pension scheme were increased from 6.75% to 8.25% of basic salary.

1.5. Results

Since 1991 civil servants in the Member States - and consequently the officials of the European Communities - have suffered a 3.1% loss in purchasing power, a 13.8% rise in the cost of living in Brussels producing a 10.4%¹ increase in the salary scale.

The two binding measures introduced as the quid pro quo for the method have led to an additional 4.2% reduction in purchasing power: 2.9% as a result of the temporary contribution and 1.3% as a result of the increase in staff contributions to the pension scheme.

So, if the impact of this quid pro quo is added to the above, the result is a 5.7% increase in net remuneration, which actually represents a 7.1% loss in purchasing power for officials of the European institutions over five years, 4.2% more than for national civil servants.

¹ $96,9/100 \times 113,8/100 = 110,4/100 = +10,4$

2. COMPONENTS OF THE METHOD

Article 1(1) of Annex XI provides that each year Eurostat «shall draw up ... a report on changes in the cost of living in Brussels, the economic parities between Brussels and the other places of employment in the Member States, and changes in the purchasing power of salaries in the national civil services».

2.1. Changes in the purchasing power of remuneration in the national civil services

2.1.1. The specific indicator measures changes in the purchasing power (increase minus inflation) of the remuneration of national civil servants in the Member States of the European Union. Table 1 shows that between 1991 and 1995 they suffered an average loss in purchasing power of 3.1%.

Table 1

SPECIFIC INDICATOR						
Average change in the purchasing power of remuneration in the national civil services of the Member States of the European Union						
(1)	(2)		(4)		(6)	
Date	Adjustment of remuneration		Consumer price index		Purchasing power (specific indicator)	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+4,1	+4,1	+4,8	+4,8	-0,7	-0,7
1.7.92	+4,8	+9,1	+4,2	+9,2	+0,6	-0,1
1.7.93	+1,9	+11,2	+3,2	+12,8	-1,3	-1,4
1.7.94	+1,0	+12,3	+3,0	+16,1	-1,9	-3,3
1.7.95	+3,1	+15,8	+2,9	+19,4	+0,2	-3,1

% t/t-1: percentage change year on year
cumulative %: cumulative values are calculated by multiplying the year-on-year changes

Date	Consumer price index	Adjustment of remuneration	Purchasing power (specific indicator)
1.7.91	+4,8	+4,1	-0,7
1.7.92	+9,2	+9,1	-0,1
1.7.93	+12,8	+11,2	-1,4
1.7.94	+16,1	+12,3	-3,3
1.7.95	+19,4	+15,8	-3,1

The method for calculating the specific indicator derives essentially from decisions taken by the Council (Annex XI to the Staff Regulations). The rules for its practical application are laid down by the Article 65 Working Party, chaired by Eurostat.

All calculations are based on the data sent to Eurostat by the national administrations in the Member States relating to the remuneration of central government staff on 1 July of the current year.

The data are for a sample population, relating as a rule to the first and last steps of the main grades. Figures are provided for unmarried staff and married staff with two dependent children.

The 1994-95 specific indicator already takes account of changes in Finland, Austria and Sweden but with a weighting of only 50% (membership of the European Union from 1 January 1995).

Table 2 shows the changes in purchasing power by country.

Table 2

SPECIFIC INDICATOR BY MEMBER STATE (1.7.90 - 1.7.95)				
Change in the purchasing power of remuneration in the national civil services of the Member States of the European Union				
(1)	(2)	(3)	(4)	(5)
Country	Nominal change in net remuneration (%)	Change in consumer price index (%)	Real change in net remuneration (%)	Weighting factor 95 (%)
B	+17,7	+13,6	+3,8	4,1
DK	+12,7	+10,9	+1,6	1,7
D	+13,5	+18,1	-3,8	26,3
GR	+44,9	+90,3	-23,8	0,8
E	+21,7	+29,5	-5,8	5,0
F	+13,8	+12,2	+1,5	24,6
IRL	+26,7	+13,6	+11,5	0,7
I	+13,5	+28,7	-11,9	16,1
L	+35,6	+15,8	+17,1	0,2
NL	+10,8	+15,7	-4,3	3,0
P	+46,9	+42,6	+3,0	2,3
UK	+19,1	+18,0	+1,0	13,2
SPECIFIC INDICATOR (1.7.94 - 1.7.95)				
A	+2,3	+2,6	-0,3	1,2
FIN	+1,4	+1,0	+0,4	0,4
S	+1,3	+3,0	-1,7	0,7
SPECIFIC INDICATOR				
EU	+15,8	+19,4	-3,1	100,0
EUR12 until 1.1.1995 then EUR 15				
<i>Cumulative real values (4) are calculated by multiplying the year-on-year changes</i>				
<i>Rounding can produce discrepancies between these cumulative values and the relationship (2)/(3).</i>				

2.1.2. Control indicator

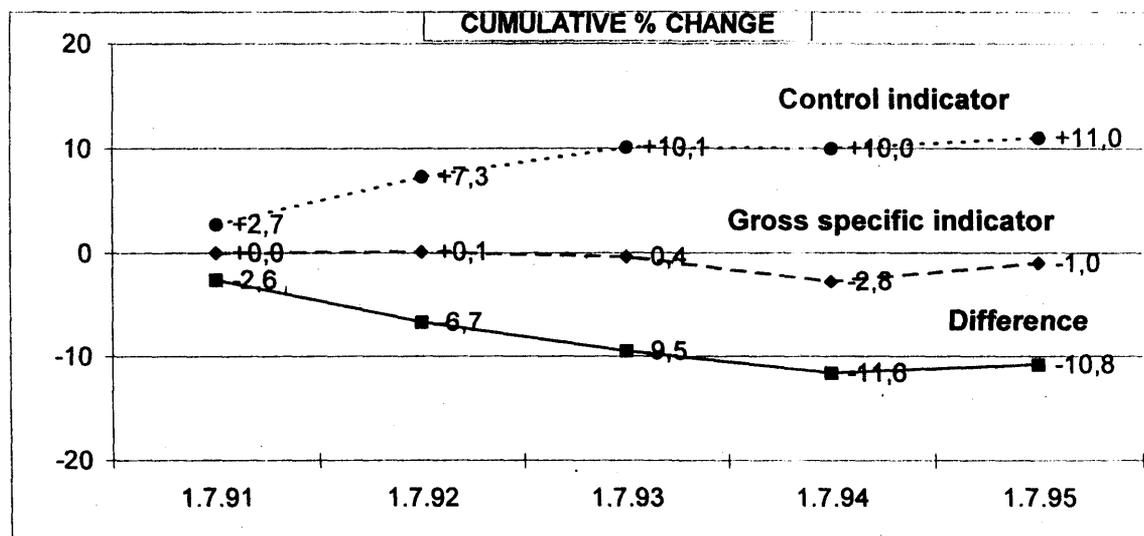
Annex XI provides for the year-on-year change in real *per capita* emoluments in the national civil services to be used as a control indicator to check the gross specific indicator.

Table 3 compares the changes in the two indicators.

Table 3

CONTROL INDICATOR						
Change in the purchasing power of gross remuneration in the national civil services of the Member States of the European Union						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Date	Gross specific indicator		Control indicator		Difference	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+0,0	+0,0	+2,7	+2,7	-2,6	-2,6
1.7.92	+0,1	+0,1	+4,5	+7,3	-4,2	-6,7
1.7.93	-0,5	-0,4	+2,6	+10,1	-3,0	-9,5
1.7.94	-2,4	-2,8	-0,1	+10,0	-2,3	-11,6
1.7.95	+1,8	-1,0	+0,9	+11,0	+0,9	-10,8

Cumulative values are calculated by multiplying the year-on-year changes



2.2. Change in the cost of living in Brussels

Changes in the cost of living in Brussels are measured by the composite index, which is constituted as follows:

- 75% by the joint index for European officials in Brussels;
- 25% by the Brussels consumer price index.

Table 4

CHANGE IN THE COST OF LIVING IN BRUSSELS						
(1)	(2)		(4)		(6)	
Date	Brussels joint index		Brussels consumer price index		Brussels composite index	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+4,2	+4,2	+3,9	+3,9	+4,1	+4,1
1.7.92	+3,6	+8,0	+3,3	+7,3	+3,5	+7,7
1.7.93	+2,1	+10,2	+2,4	+9,9	+2,2	+10,1
1.7.94	+2,3	+12,8	+2,7	+12,9	+2,4	+12,8
1.7.95	+0,8	+13,7	+1,3	+14,3	+0,9	+13,8

Brussels composite index(6) = 75% Brussels joint index(2) + 25% Brussels CPI(4)
 Cumulative values are calculated by multiplying the year-on-year changes

Year	Brussels joint index	Brussels consumer price index	Brussels composite index
1.7.91	+4,1	+4,1	+4,1
1.7.92	+7,7	+7,7	+7,7
1.7.93	+10,1	+10,1	+10,1
1.7.94	+12,8	+12,8	+12,8
1.7.95	+13,8	+13,8	+13,8

These two indices are calculated in agreement with the Belgian Ministry of Economic Affairs. The joint index measures the change in the cost of living for officials of the European institutions in Brussels, while the consumer price index measures the overall cost of living in the Belgian capital.

The weighting used to aggregate the 173 basic indices into the joint index is obtained from a survey of the family budgets of Community officials in Brussels, while the weightings used for the Belgian index are derived from a sample survey of Belgian family budgets conducted by the Belgian National Statistical Institute.

And, for the purposes of calculating the joint index, the rent index is replaced by a corresponding index calculated by Eurostat on the basis of an annual survey of Community officials employed in Brussels.

2.3. Changes in the cost of living in other places in relation to Brussels

2.3.1. Economic parities

Article 1(3)(a) of Annex XI provides that «*the Statistical Office, in agreement with the national institutes, shall calculate the economic parities which establish the equivalence of purchasing power of the salaries of European officials serving in the capitals of the Member States and in certain other places of employment specified in Article 9 with reference to Brussels*».

The **economic parity** is thus the amount in national currency needed to purchase in the place of residence the equivalent in goods and services to what could be purchased in Brussels with 1 Belgian franc.

Table 5 shows the change in economic parities.

Table 5

ECONOMIC PARITIES						
(1) COUNTRY/PLACE	(2) 1.7.91	(3) 1.7.92	(4) 1.7.93	(5) 1.7.94	(6) 1.7.95	(7) % 95/91
B	1	1	1	1	1	
DK	0,23145	0,22602	0,23175	0,22931	0,23354	+0,9
D(Berlin)	0,051095 *	0,052053 *	0,054986 *	0,054036	0,053954	+5,6
Bonn	0,045743	0,046686	0,048548	0,049267	0,049032	+7,2
Kalsruhe	0,044747 *	0,045974 *	0,048764 *	0,048398	0,048641	+8,7
Munich	0,050291	0,051495	0,053788	0,053520	0,053612	+6,6
GR	4,1453	4,7891	5,5159	5,8780	6,3003	+52,0
E	3,1897	3,3062	3,4770	3,5112	3,6192	+13,5
F	0,18617	0,18703	0,19031	0,18840	0,18894	+1,5
IR	0,017600	0,017838	0,018256	0,018464	0,018926	+7,5
I	40,556	41,694	44,756	45,218	46,671	+15,1
Varese	37,424	38,893	41,709	43,315	44,812	+19,7
NL	0,053563	0,055358	0,055442	0,056037	0,056253	+5,0
A				0,37963	0,38860	
P	3,6093	3,8702	4,1109	4,0149	4,1809	+15,8
FIN				0,17527	0,17760	
S				0,24010	0,24490	
UK	0,019399	0,020171	0,020582	0,021103	0,022178	+14,3
Culham	0,016929	0,017241	0,018072	0,018030	0,018502	+9,3

* Commission proposal not adopted by the Council; Bonn parity is applied

Article 1(3)(b) provides that «*the economic parities shall be calculated in such a way that each basic component can be checked by a direct survey at least once every five years*».

In practice:

- one third of the basic parities are checked each year and replaced by the new parities produced by the latest price survey;
- the basic parities are then updated using detailed indices.

The **economic parity** determines remuneration in national currency arrived at by updating the following two components:

- the **annual exchange rate applied to remuneration** (July exchange rate);
- the **weighting** (ratio economic parity/exchange rate).

2.3.2. Exchange rates

Table 6 shows that certain currencies fluctuated strongly against the Belgian franc during the period under consideration.

Table 6

REMUNERATION EXCHANGE RATE*						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
1FB=	1.7.91	1.7.92	1.7.93	1.7.94	1.7.95	% 95/91
FB	1	1	1	1	1	
DKR	0,18774	0,18665	0,18699	0,19059	0,18984	+1,1
DM	0,048544	0,048593	0,048650	0,048515	0,048638	+0,2
DRA	5,3189	5,9133	6,6260	7,3282	7,9001	+48,5
PTA	3,0482	3,0703	3,7205	3,9920	4,2517	+39,5
FF	0,16479	0,16337	0,16389	0,16642	0,17057	+3,5
IRL	0,018151	0,018230	0,019945	0,020048	0,021333	+17,5
LIT	36,148	36,767	44,236	47,987	57,113	+58,0
HFL	0,054692	0,054765	0,054558	0,054413	0,054490	-0,4
OS				0,34123	0,34204	
ESC	4,2335	4,0512	4,6281	4,9903	5,13901023	+21,4
FMK				0,16114	0,14923	
SKR				0,23386	0,25372	
UKL	0,016567	0,016756	0,019187	0,019784	0,022033	+33,0

*Article 63 of the Staff Regulations: exchange rate used for the implementation of the EC general budget on 1 July**

2.3.3. Weighting

The **weighting** equals the ratio economic **parity/exchange rate**. In other words, it is the amount in Belgian francs at the July remuneration exchange rate needed in another place of employment to purchase articles which would cost Bfrs 100 in Brussels.

The weightings set out in Table 7 show the relationship in July of each year between the salaries paid in the other places of employment and those paid in Brussels.

Table 7

WEIGHTINGS						
(1)	(2)	(3)	(4)	(5)	(6)	(7)
COUNTRY/PLACE	1.7.91	1.7.92	1.7.93	1.7.94	1.7.95	% 95/91
B / L	100,0	100,0	100,0	100,0	100,0	
DK	123,3	121,1	123,9	120,3	123,0	-0,2
D(Berlin)	105,3 *	107,1 *	113,0 *	111,4	110,9	+5,3
Bonn	94,2	96,1	99,8	101,6	100,8	+7,0
Kalsruhe	92,2 *	94,6 *	100,2 *	99,8	100,0	+8,5
Munich	103,6	106,0	110,6	110,3	110,2	+6,4
GR	77,9	81,0	83,2	80,2	79,7	+2,3
E	104,6	107,7	93,5	88,0	85,1	-18,6
F	113,0	114,5	116,1	113,2	110,8	-1,9
IR	97,0	97,8	91,5	92,1	88,7	-8,6
I	112,2	113,4	101,2	94,2	81,7	-27,2
Varese	103,5	105,8	94,3	90,3	78,5	-24,2
NL	97,9	101,1	101,6	103,0	103,2	+5,4
A				111,3	113,6	
P	85,3	95,5	88,8	80,5	81,4	-4,6
FIN				108,8	119,0	
S				102,7	96,5	
UK	117,1	120,4	107,3	106,7	100,7	-14,0
Culham	102,2	102,9	94,2	91,1	84,0	-17,8

* Commission proposal not adopted by the Council; Bonn weighting is applied

With effect from 1 July 1994, the Berlin weighting became the weighting for Germany; this led to the introduction of weightings for Karlsruhe and Bonn.

As of 1 January 1995, the weightings for Finland, Austria and Sweden were calculated in accordance with Annex XI.

The substantial reductions in a number of weightings were basically caused by increases in the exchange rates (national currency/Belgian franc).

3. APPLICATION OF THE METHOD

3.1. Annual review

Article 3(1) of Annex XI provides that *«with effect from 1 July and pursuant to Article 65(3) of the Staff Regulations, the Council, acting on the Commission proposal and on the basis of the criteria set out in Section I, shall take a decision before the end of each year adjusting remunerations»*.

These adjustments (see 3.6) were generally made in December.

3.2. Arrangements for recovering overpayments

The establishment of new weightings at the end of the year effective from 1 July can lead to retroactive upward or downward adjustments to remuneration and pensions. Hence the inclusion in regulations adjusting remuneration, from 1994 onwards, of a provision for the payment of arrears in the event of an increase and for the recovery of sums overpaid in the event of a reduction.

The institutions have introduced the necessary implementing measures.

3.3. Interim review

Article 4(1) of Annex XI provides that *«interim adjustments of remuneration pursuant to Article 65(2) of the Staff Regulations, taking effect on 1 January, shall be made in the event of a substantial change in the cost of living if the sensitivity threshold is reached and with due allowance being made for the forecast of the change in purchasing power during the current annual reference period»*.

During the period under consideration interim adjustments were made for Italy, Greece, Spain and Portugal.

3.4. Recruitment requirements

Article 2 of Annex XI provides that *«the Commission shall produce, before the end of 1992 and every three years thereafter, a comprehensive report on the recruitment requirements of the institutions and transmit it to the European Parliament and the Council. On the basis of this report the Commission shall, if necessary, present proposals based on all relevant factors to the Council after consulting the other institutions within the framework of the Staff Regulations»*.

The second report (SEC(95)2298) was transmitted to the Council and Parliament on 27 December 1995.

3.5. Exception clause

Article 10 of Annex XI provides that *«if there is a serious and sudden deterioration in the economic and social situation within the Community, assessed in the light of objective data supplied for this purpose by the Commission, the Commission shall submit appropriate proposals on which the Council shall act by qualified majority after consulting the other institutions concerned in accordance with the procedure laid down in the second subparagraph of Article 24(1) of the Treaty establishing a Single Council and a Single Commission of the European Communities»*.

In its report (SEC(94)1027) transmitted to the Council on 27 June 1994, the Commission concluded that the economic situation had already impacted on the remuneration of national civil servants and, through the specific indicator, on the remuneration of Community officials.

3.6. Results of the application of the 1991 method

3.6.1. The purpose of the adjustment of the basic salary table is to ensure that the purchasing power of Community officials develops in parallel with that of national civil servants.

- The change in the cost of living in Brussels as measured by the composite index was **+13.8%**.
- The average change in the purchasing power of the national civil services in the European Union as measured by the specific indicator was **-3.1%**.

The resulting adjustment to the basic salary table (in Belgian francs) was **+10.4%**.

Table 8 shows the year-on-year calculations as well as the cumulative results.

Table 8

Adjustment of the table of basic salaries of officials of the EU institutions (7)						
(1)	(2)		(4)		(6)	
Date	Brussels composite index		Specific indicator		Adjustment of basic salary table	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+4,1	+4,1	-0,7	-0,7	+3,4	+3,4
1.7.92	+3,5	+7,7	+0,6	-0,1	+4,1	+7,6
1.7.93	+2,2	+10,1	-1,3	-1,4	+0,9	+8,6
1.7.94	+2,4	+12,8	-1,9	-3,3	+0,5	+9,2
1.7.95	+0,9	+13,8	+0,2	-3,1	+1,1	+10,4

(7) Basic salary adjustment = $(100 + \text{Brussels composite index (2)}) \times (100 + \text{specific indicator (4)}) / 100 - 100$
 (3) (5) (7) Cumulative values are calculated by multiplying the year-on-year changes

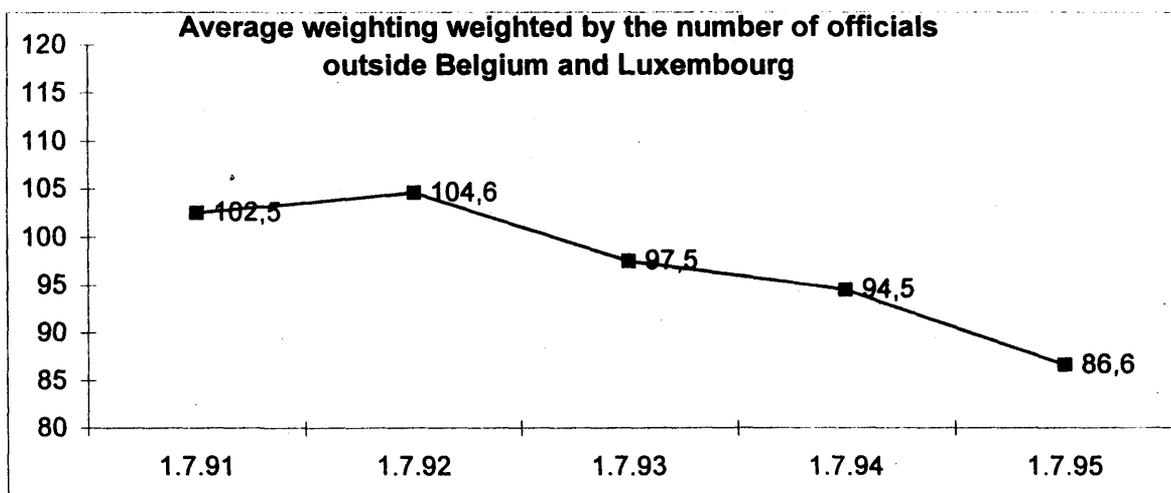
Year	Brussels composite index	Adjustment of basic salary table	Specific indicator
1.7.91	+3,4	+3,4	-0,7
1.7.92	+7,7	+7,6	-0,1
1.7.93	+10,1	+8,6	-1,4
1.7.94	+12,8	+9,2	-3,3
1.7.95	+13,8	+10,4	-3,1

3.6.2. The adjustments in national currency made it possible to guarantee the principle of purchasing power parity with Brussels.

- In most countries devaluation against the Belgian franc was greater than the inflation differential with Belgium (see Tables 5 and 6).
- The result was a reduction in the price ratio between the other places of employment and Brussels, reflected in the 102.5% to 86.6% reduction in the average weighting for the other places of employment.
- In order to ensure the principle of purchasing power parity, this reduction also has to be reflected in the relationship between remuneration paid in the other places of employment and that paid in Brussels.

This is shown in Table 9.

Table 9



4. QUID PRO QUO FOR THE METHOD

4.1. Temporary contribution

When it adopted the method, the Council introduced a temporary contribution as one of the interdependent components of a comprehensive solution. The level of the contribution, the rules for its application, and its commencement and expiry dates were negotiated in this context. The temporary contribution was introduced by inserting Article 66a into the Staff Regulations (Council Regulation (ECSC, EEC, Euratom) No 3831/91 of 19 December 1991) and terminates at the same time as the method.

Article 66a(1) and (2) provides that:

«1. By way of derogation from Article 3(1) of Regulation (EEC, Euratom, ECSC) No 260/68, a temporary measure regarding remuneration paid by the Communities to staff in active employment, to be known as the "temporary contribution", shall be applied for a period running from 1 January 1992 to 1 July 2001.

2. (a) *The rate of this temporary contribution, which shall apply to the base defined in paragraph 3, shall be 5.8%.*
- (b) *The Council, acting in accordance with the procedure laid down in Article 24(1) of the Treaty establishing a Single Council and a Single Commission of the European Communities after consulting the other institutions concerned, may, if appropriate, in the context of the review provided for in Article 15(2) of Annex XI to the Staff Regulations, alter the rate of the temporary contribution referred to in point (a) on the basis of a report and proposal from the Commission».*

This measure resulted in an average loss in purchasing power of approximately 2.9%.

4.2. Increase in pension contributions

The Council considered it advisable, in the course of negotiations for a comprehensive solution, in the interests of longer-term stability of the pension scheme to raise the rate of staff contributions to the scheme. In Article 83(2) of the Staff Regulations, the rate of 6.75% was accordingly replaced by 8.25% by Council Regulation (ECSC, EEC, Euratom) No 3832/91 of 19 December 1991.

This measure resulted in an average loss in purchasing power of approximately 1.3%.

5. CHANGES IN REMUNERATION 1991 TO 1995

5.1. Changes in remuneration in Brussels and Luxembourg

The economic situation has impacted on the salaries of national civil servants in the Member States of the European Union and consequently, through the parallel development principle, on the salaries of officials of the European institutions.

Moreover, the purchasing power of officials has been reduced beyond what would be required by this principle, as a result of the supplementary measures (temporary contribution, increased pension contributions).

The change in the remuneration in Belgian francs of officials in Brussels and Luxembourg was therefore as follows:

Change in the remuneration of officials of the EU institutions						
(1)	(2)		(4)		(6)	
Date	Adjustment of basic salary table		Change in deductions		Adjustment of remuneration	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+3,4	+3,4			+3,4	+3,4
1.7.92	+4,1	+7,6	-2,9	-2,9	+1,1	+4,5
1.7.93	+0,9	+8,6	-1,3	-4,2	-0,5	+4,0
1.7.94	+0,5	+9,2		-4,2	+0,5	+4,5
1.7.95	+1,1	+10,4		-4,2	+1,1	+5,7

(4) Temporary contribution: payable from 1.1.92
Increased pension contributions: payable from 1.1.93
(6) Adjustment of remuneration = $((100 + \text{basic salary adjustment (2)}) \times (100 + \text{adjustment of deductions (4)}) / 100) - 100$
(3) (5) (7) Cumulative values are calculated by multiplying the year-on-year changes

Date	Adjustment of basic salary table	Adjustment of remuneration	Change in deductions
1.7.91	+3,4	+0,0	+0,0
1.7.92	+7,6	+4,5	-2,9
1.7.93	+8,6	+4,0	-4,2
1.7.94	+9,2	+4,5	-4,2
1.7.95	+10,4	+5,7	-4,2

Table 10

5.2. Remuneration in other places of employment in relation to Brussels

Average remuneration in the other places of employment in relation to Brussels was as follows:

Table 11

Average weighting weighted by the number of officials outside Belgium and Luxembourg					
	1.7.91	1.7.92	1.7.93	1.7.94	1.7.95
	102,5	104,6	97,5	94,5	86,6

5.3. Change in the purchasing power of remuneration

If the change in remuneration of officials in Brussels (+5.7%) is set against the change in the cost of living (+13.8%), the result is a 7.1% reduction in purchasing power.

This is shown in Table 12.

Table 12

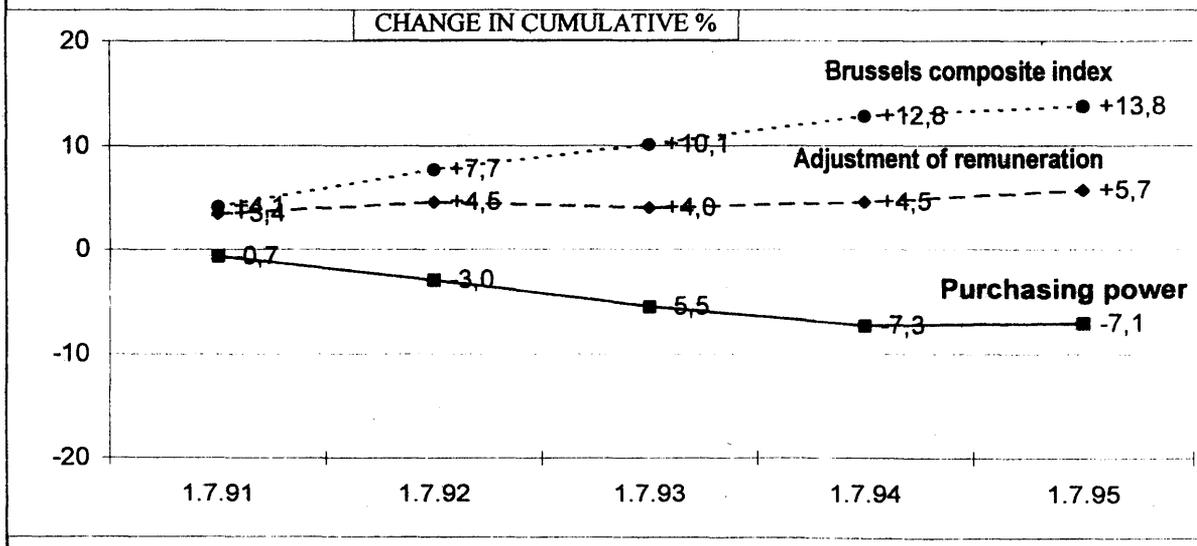
Relative change in the purchasing power of the remuneration of officials of the institutions of the European Union						
(1)	(2)		(4)		(6)	
Date	Adjustment of remuneration		Brussels composite index		Purchasing power	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	+3,4	+3,4	+4,1	+4,1	-0,7	-0,7
1.7.92	+1,1	+4,5	+3,5	+7,7	-2,3	-3,0
1.7.93	-0,5	+4,0	+2,2	+10,1	-2,6	-5,5
1.7.94	+0,5	+4,5	+2,4	+12,8	-1,9	-7,3
1.7.95	+1,1	+5,7	+0,9	+13,8	+0,2	-7,1

(3) Temporary contribution: payable from 1.1.92

Increased pension contributions: payable from 1.1.93

(7) Purchasing power = $100 \times (100 + \text{adjustment (3)}) / (100 + \text{Brussels composite index(5)}) - 100$

(3) (5) (7) Cumulative values are calculated by multiplying the year-on-year changes



5.4. Comparison with the change in purchasing power of national civil servants

Since 1991 there has been a 3.1% loss in the purchasing power of national civil servants in the Member States and, as a result of the method, in that of officials of the European institutions.

If the impact of the temporary contribution (-2.9%) and of the increase in pension contributions (-1.3%) is added to the above, the result is a 7.1% loss in the purchasing power of officials over five years.

These figures show that the remuneration of officials of the European institutions has closely followed trends in the social and economic situation, changing at the same rate as national civil service salaries but with an additional reduction in purchasing power.

Table 13

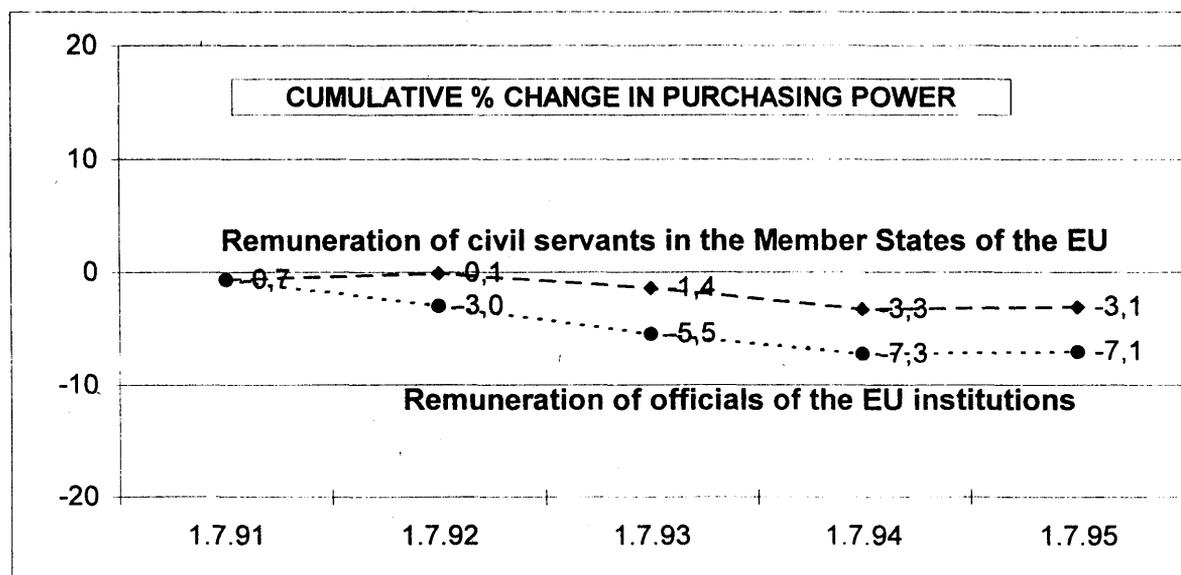
Change in the purchasing power of the remuneration of officials of the Member States and of the EU institutions

(1) Date	(2) Remuneration of civil servants in the Member States of the EU		(4) Remuneration of officials of the EU institutions		(6) Difference	
	% t/t-1	cumulative %	% t/t-1	cumulative %	% t/t-1	cumulative %
1.7.91	-0,7	-0,7	-0,7	-0,7	+0,0	+0,0
1.7.92	+0,6	-0,1	-2,3	-3,0	-2,9	-2,9
1.7.93	-1,3	-1,4	-2,6	-5,5	-1,3	-4,2
1.7.94	-1,9	-3,3	-1,9	-7,3	+0,0	-4,2
1.7.95	+0,2	-3,1	+0,2	-7,1	+0,0	-4,2

(6) Temporary contribution: payable from 1.1.92

Increased pension contributions: payable from 1.1.93

(3) (5) (7) Cumulative values are calculated by multiplying the year-on-year changes



6. CONCLUSION

Annex XI to the Staff Regulations (the method) was adopted by the Council for a period of ten years (until 30 June 2001). As such, in common with all other regulations, it is part of the *acquis communautaire*, with which the Community institutions and all Member States must comply.

There is provision for it to be reviewed after five years - an objective review to check that the principle of parallel development has been properly applied.

Only if it were established that the method had failed to operate properly could the Commission present a proposal for revision of the Staff Regulations to the Council after consulting the other institutions.

The review shows that:

- there has been a reduction (**3.1%**) in the purchasing power of the remuneration of officials of the European institutions, the same as for the salaries of national civil servants;
- there has been a further reduction (**4.2%**) in purchasing power as a result of the temporary contribution and the increase in pension contributions;
- staff relations have remained conflict-free as a result of the introduction of the procedure.

The Commission therefore feels that any proposal to amend the method would affect the very substance of the final compromise resulting from the 1991 negotiations and the commitments entered into by the parties to it.

Any departure from this compromise, which has attained its objectives, would undermine the legitimate expectations of staff as regards the institutions' compliance with the commitments entered into and would have grave consequences for the operation of the institutions.

The Commission consequently considers that there are no grounds for any proposal to amend any of the components of the compromise.

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