

COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 591 final

Brussels, 10 november 1978

PROPOSAL FOR A COUNCIL REGULATION (EURATOM, ECSC, EEC)
CORRECTING THE WEIGHTING APPLIED TO THE REMUNERATION AND PENSIONS
OF OFFICIALS AND OTHER SERVANTS OF THE EUROPEAN COMMUNITY
EMPLOYED OR RESIDENT IN ITALY

(Submitted by the Commission to the Council)

COM(78) 591 final

EXPLANATORY MEMORANDUM

Italian weighting

In addition to the last salary adjustment for the rise in the cost of living in the second half of 1977 the Commission proposed a 5% increase in the weighting for Italy. This figure was put forward provisionally, pending the findings of the statistical surveys to be carried out by the Statistical Office at the Commission's request. However, the Council deferred its decision until the outcome of the surveys was known.

The SCEC's report is now attached.

The Commission would stress that the working party set up by Mr Jenkins agreed that, if the method is to operate satisfactorily, there must be provision for updating the basic statistical material to make periodic checks on weightings. In fact the method chosen will make it possible to draw as much of the information produced by the five-year price survey conducted by the SCEC in connection with national accounts.

In its check on the first application of the method to the Italian weighting the working party used the latest figures available (1975 national accounts survey).

The Commission would also point out that the use of a single weighting for each country of employment, worked out for the capital, places staff working in Ispra at a slight disadvantage. The statistics available show that the cost of living in Rome has risen less rapidly than in the Varese area, from which it may reasonably be assumed that

prices in Rome are now lower than in Varese. This existence of lower prices in the capital than elsewhere is the exception rather than the rule in the Nine. In view of the number of staff employed in Ispra a special local price survey would appear justified. However, the Commission feels that it would be wiser not to innovate in this direction and to abide by the Council Decision of 1968, which provides specifically for the use of the price indexes relating to the capital.

The weighting for Italy (Rome) has therefore been recalculated. The calculations are set out in detail in the SOEC report referred to above.

The result is a weighting of 143.2 as at 1 January 1978 (where Brussels = 100) or 146.4 (where Brussels = 102.3). The figure decided on by the Council with effect from 1 January 1978 was 137.6 (Brussels = 102.3). An increase of 6.4% is therefore called for.

The Commission is accordingly proposing that the Council fix the Italian weighting at 146.4 with effect from 1 January 1978

The Commission must also inform the Council that the staff representatives have asked that the new weighting be applied from a date earlier than 1 January 1978.

STATISTICAL OFFICE OF THE EUROPEAN COMMUNITIES

Calculation of the weighting for Italy (Rome)

1. The current weighting for Italy is worked out on the basis of 1967 calculations updated by means of the joint index.

The inflation in Italy over the last few years has made it necessary to recalculate the weighting.

2. The method used is the same as before, namely the "Fisher" method.
3. Basic material

The working party decided to make use of the basic statistics already available at the Statistical Office.

Price calculations were based on the Community survey conducted in October 1975 and the relevant weights were worked out on the basis of the survey of civil servants' family budgets conducted in Brussels and Ispra in 1967.

4. Use of basic material

Prices

From the list used in the Community survey of October 1975, 601 items were selected in accordance with the following criteria:

- (a) the October 1975 prices had to be available for both capital cities (Brussels and Rome);
- (b) the item had to appear on the nomenclature of weights used in 1967.

Ten new items were added (third-party liability premiums for two cars and eight television sets).

As there were no figures available showing rents for Rome, calculations were based on the national average, likewise used for the Italian national accounts.

Weights

The weights used to produce the 1967 joint cost-of-living index for Brussels and Ispra (Documents 2352/66 and 2353/66) were extrapolated for the period covering 1967 to 1975 taking into account the changes in the relative shares of the function groups (one-digit code) of the national accounts over the reference period.

In order to correlate the 1967 weights nomenclature and the list of items used in the October 1975 survey it was necessary to regroup some headings and break down others.

This produced weights in respect of 156 basic headings for which there are one or more items the prices of which were available for both countries.

5. Calculations

For each product the ratio between the Rome price (p_iR) and the Brussels price (p_iB) was calculated:

$$p_iR/p_iB \quad (i = 1, \dots, 611)$$

The price ratios for products included under a basic heading were aggregated by calculating the non-weighted geometric average.

Where $\mathcal{P}_{R/B}$ represents the parity of the basic heading s and n_s the number of products included under the heading, the formula was as follows:

$$\mathcal{P}_{R/B}^s = \left[\prod_{i=1}^{n_s} \frac{p_iR}{p_iB} \right]^{\frac{1}{n_s}} \quad (s = 1, \dots, 156)$$

The parities of the 156 basic headings were aggregated using the Laspeyres index ($L_{R/B}$) and the Paasche index ($P_{R/B}$).

Where α_R^s and α_B^s represent the weighting coefficients (i.e. the relative spending on heading s in Rome (R) and in Brussels (B), the formulae adopted can be set out as follows:

$$L_{R/B} = \sum_{s=1}^{156} \mathcal{P}_{R/B}^s \alpha_B^s$$

$$P_{R/B} = 1 / \sum_{s=1}^{156} \mathcal{P}_{B/R}^s \alpha_R^s$$

The Fisher index is therefore the geometric average of the two results:

$$F_{R/B} = \sqrt{L_{R/B} \cdot P_{R/B}} = \sqrt{\frac{\sum_{s=1}^{156} \mathcal{P}_{R/B}^s \alpha_B^s}{\sum_{s=1}^{156} \mathcal{P}_{B/R}^s \alpha_R^s}}$$

6. Adjustment

The October 1975 Community price survey was conducted in the capitals of the Nine over a period of two and a half months. The Brussels operation took place in late October and the Rome operation in late November.

In order to work out the October 1975 parity between the two capitals allowance had to be made for the 1.1% rise in prices in Rome between October and November.

7. Updating

The results produced are for October 1975.

In order to obtain the present purchasing power parity between Rome and Brussels it was necessary to extrapolate the October 1975 results using the joint index for the two cities.

Updating will continue along these lines until 1980, when the next five-year Community survey will provide the data to work out the new weighting.

8. Results

Situation as at October 1975

| | |
|--|-------------------|
| Fisher | Lit 14.9 per Bfr |
| Commission rate | Lit 12.50 per Bfr |
| Weighting with effect from July 1975 (Brussels = 100) | 119 |

Price movement between July 1975 and December 1977

| | |
|----------|-------|
| Brussels | 122.5 |
| Rome | 147.2 |

Situation early 1978

| | |
|-------------------------------|-------------------|
| Fisher extrapolated | Lit 17.9 per Bfr |
| Commission rate | Lit 12.50 per Bfr |
| Weighting (Brussels = 100) | 143.2 |

PROPOSAL FOR A
COUNCIL REGULATION (Euratom, ECSC, EEC) No
of
correcting the weighting applied to the remuneration
and pensions of officials and other servants of the
European Communities employed or resident in Italy

THE COUNCIL OF THE EUROPEAN COMMUNITIES,
Having regard to the Treaty establishing a Single Council and a Single
Commission of the European Communities,

Having regard to the Staff Regulations of Officials and the Conditions
of Employment of Other Servants of the European Communities laid down
by Council Regulation (EEC, Euratom, ECSC) No 259/68¹, as last amended
by Regulation (ECSC, EEC, Euratom) No 914/78², and in particular
Articles 64 and 82 of the Staff Regulations and the first paragraph
of Article 20 and Article 64 of the Conditions of Employment,

Having regard to the proposal from the Commission,

Whereas the weighting for Italy should be corrected in line with the
findings of the statistical surveys carried out by the Statistical
Office of the European Communities,

HAS ADOPTED THIS REGULATION:

Article 1

1. With effect from 1 January 1978, the weighting applicable to the
remuneration of officials employed in Italy shall be 146.4.

¹OJ No L 56, 4 March 1968, p.1.

²OJ No L 119, 3 May 1978, p.8.

2. With effect from 1 January 1978 the weighting applicable to pensions in accordance with the second subparagraph of Article 82(1) of the Staff Regulations shall be 146.4 where the person entitled to the pension declares his home to be in Italy.

Article 2

The weighting for Italy in Articles 1 and 2 of Council Regulation (Euratom, ECSC, EEC) No 1461/78¹ is repealed with effect from 1 January 1978.

Article 3

This Regulation shall enter into force on the day following its publication in the Official Journal of the European Communities.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at

For the Council
The President

¹OJ No L 176, 30 June 1978, p.1.

