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COMMISSION OF THE EUROPEAN COMMUNITIES

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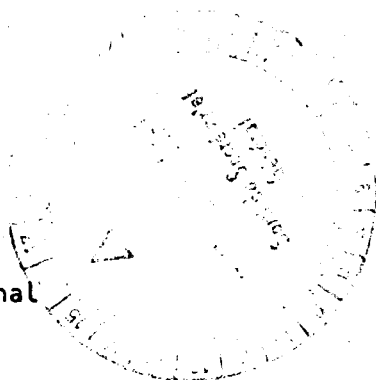
Brussels, 2nd July 1981

PROPOSAL FOR A DECISION

amending the method of adjusting the salaries of officials
and other servants of the Communities

(presented by the Commission to the Council)

COM(81) 345 final



DECISION AMENDING THE METHOD OF ADJUSTING THE
SALARIES OF OFFICIALS AND OTHER SERVANTS OF THE COMMUNITIES

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Staff Regulations of Officials and the Conditions of Employment of Other Servants, and in particular Articles 64 and 65 of the Staff Regulations and Articles 20, 63 and 64 of the Conditions of Employment,

Having regard to the proposal from the Commission,

After consultation with the trade unions and staff associations representing the staff of the Communities;

Whereas it is necessary to lay down the detailed rules according to which the Council, acting on a proposal from the Commission, applies Article 65 of the Staff Regulations, in order to maintain harmonious relations between the Community institutions and their officials and other staff;

Whereas, having regard to the principle of parallel development, salaries should be adjusted on the basis of the results expressed by the joint index and the specific indicators showing the trend of national public service salaries; whereas, however, to avoid distortions, the catching-up element in public service salaries in certain less prosperous Member States should be excluded; whereas, to that end, the only specific indicators to be considered in the annual reviews from 1981 to 1990 should be those relating to trends in the six Member States where per capita public service salaries are the highest;

Whereas it is also necessary to lay down detailed rules according to which the Council takes account of appreciable increases in the cost of living for the purposes of adjusting the weightings pursuant to Article 65(2);

Whereas, however, if the purchasing power forecast for any reference period produces a negative figure, the relevant interim adjustments should be reduced accordingly;

Whereas, in view of the specific difficulties of the economic and social situation, assessed in the light of objective data supplied by the Commission, a special crisis levy should be charged on salaries, pensions and termination-of-service allowances at the same time as adjustments are made under this Method and so long as those difficulties persist; whereas to that end the Commission should submit to the Council a proposal for amending certain provisions of the Staff Regulations and CEOS for the purpose of introducing the levy and determining rules for its application in relation to adjustments made in accordance with this Method,

HAS DECIDED AS FOLLOWS:

Article 1

The Method for adjusting the remuneration of officials and other servants of the European Communities adopted on 26 June 1976 is replaced by the text annexed to this Decision.

This Method shall apply from 1 July 1981 and shall take account, on that date, of the reference period beginning on 1 July 1980.

Article 2

This Decision shall take effect at the same time as the entry into force of the provisions of the Staff Regulations establishing a special crisis levy, except that the provisions governing interim adjustment of salaries shall have immediate effect from the day when this Decision is published.

Done at Brussels,

For the Council

The President

I. BASIC PRINCIPLES

The adjustment of salaries based on Article 65 of the Staff Regulations forms part of a policy which aims to ensure that the remuneration of officials and other servants develops in line with the average increase in the remuneration of the various categories of civil servants in the Member States.

For a period of ten years it takes the following factors into consideration:

- (i) the specific indicator (the change in purchasing power of national civil servants);
- (ii) the joint cost-of-living index as hitherto;
- (iii) the statistics required for interim adjustments (Article 65(2)), which aim to ensure equivalence of purchasing power for all European officials, regardless of their place of employment;
- (iv) the specific difficulties of the economic and social situation, considered in the light of objective data supplied by the Commission;
- (v) recruitment needs.

II. DETAIL RULES FOR APPLICATION

1. ANNUAL SALARY REVIEW

(Article 65(1) of the Staff Regulation)

Each September the Commission shall submit a report on the following factors:

1.1 Cost-of-living trends

The joint index, designed to measure cost-of-living trends in each of the Member States, shall continue to be used in accordance with the procedure applied hitherto.

Every five years, the Statistical Office of the European Communities shall verify whether the ratios between weightings accurately reflect purchasing power equivalents between salaries paid to staff serving in the capitals of the Member States.

A similar check shall be made for other places of employment when objective factors suggest that there is a danger of considerable distortions compared to data for the capital of the country concerned.

1.2 Changes in real income of national civil services - Specific indicators

The aim is to measure the percentage change in purchasing power in national civil services.

For this purpose:

(a) The Statistical Office of the European Communities shall calculate specific indicators for the changes in real salaries and working hours in the civil services of the Member States during the preceding reference period, on the basis of information supplied by the national authorities. The reference period shall be the twelve months preceding 1 July of the year in which the review is carried out.

The Statistical Office shall establish the average of the indicators for all the Member States and for the six Member States which have the highest civil service per capita compensation.¹

At the annual reviews for 1981 to 1990 only the second average will be considered. When the 1991 review takes place the Council shall decide, on a proposal from the Commission, whether this method of calculation is to continue.

¹ Compensation of employees per wage and salary earner in the public administration sector, at current prices and purchasing power parities, expressed in purchasing power standards, for the latest year for which statistics are available.

(See National Accounts ESA - Aggregates 1981, page 163).

These indicators shall take two forms:

- (a) an indicator for each of the four categories A, B, C and D;
- (b) an average indicator weighted to reflect the numbers of national civil servants in these four categories.

Each of these indicators shall be calculated in real gross and real net terms. When the specific indicators are converted from gross to net, account shall be taken of all national taxation factors which reduce the amount of taxable income.

At the request of the Statistical Office, national authorities shall supply any additional information which it may consider necessary.

(b) If the Statistical Office finds statistical anomalies in the information obtained or finds it impossible to calculate indicators which measure with statistical accuracy the changes in the real incomes of civil servants in a given Member State, it shall report to the Commission and provide the Commission with material enabling it to draw up a proposal.

(c) The Statistical Office shall also assess statistically the difference between the gross and net rates of the specific indicators on the basis of national budgetary data and national accounts.

(d) To determine arrangements for implementing the method described above and to minimize the risk of disputes regarding the data for the current financial year, the Statistical Office shall in March each year convene a working party composed of experts from national statistical institutes.

The working party:

- . shall examine all the factors necessary for an accurate measurement of the development in purchasing power in national civil services and the

practical problems involved in calculating the net indicators. This will entail compiling a list of taxes and compulsory contributions and also of flat-rate or individual deductions and abatements which play a part in determining the basic taxable amount;

- shall supply the information required to produce a forecast of changes in purchasing power in national civil services over the reference period.

(e) Besides the specific indicators, the Statistical Office shall submit control indicators in the form of data on real per capita emoluments in public authorities generally and in central administrations, calculated in accordance with national accounts definitions.

Its report on the specific indicators shall be accompanied by explanations of the differences between them and the changes in the control indicators.

The Statistical Office shall make appropriate corrections if necessary.

1.3 The Council, acting on a proposal from the Commission, shall take a decision by 1 December of each year adjusting remuneration on the basis of the criteria at 1 above and activating a portion of the levy provided for at 2 below.

2. THE SPECIFIC DIFFICULTIES OF THE ECONOMIC AND SOCIAL SITUATION

2.1 The specific difficulties of the economic and social situation, assessed on the basis of objective data supplied by the Commission showing the gap between:

- the trend in real per capita wages and salaries and apparent productivity per person employed;
- the trend in real per capita wages and salaries and productivity available for distribution (productivity corrected for the terms of trade);

- and the trend in real per capita wages and salaries and productivity per member of the active population, i.e. including the unemployed,

shall during the first five years be reflected by a crisis levy. The rules for applying this levy shall be laid down in new provisions of the Staff Regulations and the Conditions of Employment of Other Servants*.

2.2 If there is a serious deterioration in the economic and social situation, the Commission, acting on the basis of the objective data referred to at 2.1 above, shall present appropriate proposals for a Council decision.

3. RECRUITMENT NEEDS

(Article 65(1) of the Staff Regulations)

If recruitment needs so require, the Commission shall present appropriate proposals to the Council.

4. PROCEDURE FOR DECIDING ON ADJUSTMENTS TO REMUNERATION

(a) The Council shall determine remuneration adjustments in net terms. Such adjustments may be expressed as an identical, across-the-board percentage or in a non-proportional manner.

The adjustment may therefore be expressed as:

a percentage;

and/or a specific amount.

(b) The net rate of adjustment thus fixed and the weightings applicable to officials in Belgium and Luxembourg shall be incorporated, in accordance with the following method, in the salary scales given in Article 66 of the Staff Regulations and in Articles 20 and 63 of the Conditions of Employment of Other Servants:

- the net remuneration with a weighting of 100 attaching to each step

*The relevant proposal will be forwarded separately, in accordance with the usual procedure.

of each grade of official and to each class in every group of other servants shall be increased by the above weighting and by the net rate of adjustment referred to at (b) above, whether it is given as a percentage or as a specific amount;

the new scale of basic salaries in gross terms shall be drawn up by calculating for each step or class the gross amount which, after deduction of tax (having regard to (c) below) and compulsory deductions, gives the new net amount referred to above;

this conversion of net amounts into gross amounts shall be based on the situation of an unmarried official who does not receive the various allowances;

the weighting for Belgium and Luxembourg shall be fixed at 100; the weightings for other countries of employment shall be adjusted on the basis of the ratio between the cost-of-living index numbers in these countries and the cost-of-living index number in Brussels and Luxembourg.

(c) For the purpose of applying Regulation (EEC, Euratom, ECSC) No 260/68 concerning Community tax to remunerations paid in accordance with the scale of basic salaries worked out as provided by the first indent, the amounts in Article 4 of the Regulation shall be multiplied by a factor composed of:

the weighting applicable before incorporation to the remunerations of officials in Belgium and Luxembourg;

the net adjustment in remunerations referred to at (b) above;

and/or, if the adjustment is made in the form of a specific amount, the equivalent average percentage.

Each time the scale of basic salaries is adjusted, the new multiplier shall be obtained by multiplying the former multiplier by the figures for the new reference period.

(d) The Council decision shall take effect on 1 July of the year in which the end of the reference period used for the pay review falls.

5. INTERIM ADJUSTMENT OF REMUNERATION
(Article 65(2) of the Staff Regulations)

Interim adjustments of remuneration under Article 65(2) shall be decided on in the event of a substantial change in the cost of living, provided a certain threshold is reached, on the basis of a forecast of changes in purchasing power during the current year.

In March each year the Statistical Office shall make a forecast of changes in purchasing power over the period concerned on the basis of the information supplied at the meeting provided for at II, 1.2(d) above.

If this forecast gives a negative percentage, half the amount shall be deducted from the adjustment to be made. A final adjustment shall be made at the annual review.

The threshold shall be 40% of the average change in the cost of living in the Community over the six-month reference period¹ following the last adjustment of remuneration. However, to preclude excessively high or low, and therefore unacceptable, thresholds, upper and lower limits of 4% and 2% respectively shall be fixed.

This threshold shall be applied in accordance with the following procedure:

The Commission's proposal for application of Article 65(2) in respect of the second half of the previous year shall normally be sent to the Council no later than the second half of April.

¹As published by the Statistical Office (Monthly updating of consumer prices - General statistics and National Accounts SOEC).

If the above threshold is reached or exceeded in Belgium, the weightings for all places of employment shall be adjusted on 1 January of the current year by the rate of inflation in each of them, subject to a reduction which may be made proportionally to all the weightings should the forecast show a negative movement in purchasing power.

In addition to this six-monthly adjustment, additional adjustments shall be made in countries with a high rate of inflation. For double the threshold, one half of the rate of adjustment shall be granted and for three times the threshold, one third; in each case the deduction provided for in the third paragraph of this section shall be made from the rate of adjustment. The effective dates shall be either the beginning of the third month in the reference period or the beginning of the second and the fourth months following the start of the reference period. This shall be checked when the Commission makes its proposal in April and rechecked at the annual salary review.

If the threshold is not reached at the provisional seats (Brussels and Luxembourg), the weightings of the countries where inflation has exceeded the threshold shall be adjusted in line with their rate of inflation.

The interim adjustments described above shall be deducted from the annual salary adjustment.

If the measures taken under Article 65(2) lead to a drop at the end of a year in nominal salaries in some places of employment, salaries shall remain at their current level and the full or residual reduction shall be effected at the next adjustment.

Where no joint indices are available for the purposes of applying Article 65(2) of the Staff Regulations, national consumer price indices shall be used; on the occasion of the annual review the joint index shall be used.

III. FINAL PROVISIONS AND REVIEW CLAUSE

1. The salary adjustment method adopted by this Decision shall apply for 10 years from 1 July 1981.
2. The special crisis levy shall apply from the date laid down in the Council Regulation instituting it and shall in particular be levied on arrears of salary due under the annual adjustment of remuneration for 1981, in respect of periods of service after 1 July of that year.
3. Six months before the end of the fifth year, the Commission shall present a report to the Council on the operation of the Method, together with an appropriate proposal, notably as regards the procedure for reflecting the specific difficulties of the economic and social situation from the sixth year onwards. Unless the Council decides otherwise, the implementing rules at II.1 shall continue to apply.
4. On the basis of a Commission proposal, the Council shall examine the results of applying the Method described above at the 1991 review, with an eye to deciding on improvements which might be made and correcting any distortions which have arisen.