



EUROPEAN COMMISSION

## MEMO

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# Commission adopts new rules for funding salaries in Horizon 2020 grants

## How does Horizon 2020 fund the salaries of researchers?

In most cases the Horizon 2020 grant reimburses up to 100% of the personnel costs corresponding to the time each participant works on the project. Personnel costs cover not only salaries but also social security charges and staff taxes. The Horizon 2020 grant also provides an extra 25% to contribute to the indirect costs researchers may incur while working on the project.

In practice, researchers record the hours they work on the project and administrators calculate the hourly rate of the researchers based on a formula defined in the Horizon 2020 [Model Grant Agreement](#). The personnel costs that can be charged to the Horizon 2020 grant are the result of multiplying the number of hours a researcher has worked on the project by the hourly rate of that person.

However, not always the entire remuneration of a researcher is eligible for funding. For example, gifts and remuneration paid via profit distribution are excluded.

The Horizon 2020 [Rules for Participation](#), adopted by the European Parliament and the Council in 2013, also introduced the possibility to fund *additional remuneration*. Such additional remuneration, which is paid on top of the basic salary for work on Horizon 2020 projects, can also be charged to the Horizon 2020 grants but only by non-profit legal entities and subject to some specific conditions. The Rules for Participation set an annual cap of €8000 per person as the maximum amount of additional remuneration that can be charged to Horizon 2020 grants.

## What was the purpose of additional remuneration and what has been its impact in practice?

The concept of additional remuneration was established in the Rules for Participation in order to reduce the salary disparities between researchers working in different Member States.

Research organisations and universities compete in a global market for attracting and retaining the best researchers. If salaries are low and better remuneration packages can be easily obtained elsewhere it is very challenging for the research organisations to preserve their human capital. Additional remuneration was initially designed to support the efforts of Member States that can afford comparatively lower salaries to offer attractive conditions to researchers.

However, in some cases the implementation of the rules on additional remuneration has had an unintended effect. It is because in some Member States the total remuneration of researchers is often extremely dependant on salary complements financed from

externally-funded projects (such external funding can be, for example, the EU's Structural and Cohesion Funds). In these countries, the researchers are entitled to a low guaranteed basic salary which is complemented by large bonuses when they work on national projects receiving external funding. Until now those project-triggered bonuses automatically qualified as additional remuneration under Horizon 2020 and as such were subject to more stringent conditions for funding and an annual cap of €8000 per person.

As a result, research entities with this type of remuneration scheme were able to obtain Horizon 2020 funding only for a limited part of the salary they would normally pay to their researchers. In some extreme cases that limited part was lower than the funding they would receive for work in projects funded under national schemes. Therefore, if the grant beneficiary wanted to pay a competitive salary to its researchers working on Horizon 2020 projects, it had to complement heavily the EU funding received for salaries from its own resources. In many cases the beneficiaries do not have the financial capacity to top-up the salaries. That has deterred some beneficiaries from participating in Horizon 2020.

### **What are the Member States concerned?**

The specific situation may happen in any Member State. Nevertheless, some Member States have remuneration systems traditionally based on project-triggered complements. This is the case in several of the Member States benefiting from the EU's Cohesion Fund; i.e. countries whose gross national income per capita is less than 90% of the EU average.

The Commission gave priority to removing the unintended side-effects of the Horizon 2020 remuneration rules, as the countries most affected by this issue are those that have the most difficulties in paying competitive salaries to top researchers. Two examples where the negative impact of the rules on additional remuneration has been the biggest are Romania and Poland.

### **What has the Commission done to remedy this situation?**

The Commission is empowered to adopt the Horizon 2020 Model Grant Agreements in close collaboration with the Member States. They spell out the rights and obligations of both the Commission and grant beneficiaries. Among others, the Model Grant Agreements outline the conditions for funding the project costs. The Commission cannot set new conditions contrary to those listed in the Horizon 2020 Rules for Participation. However, it can develop the implementing aspects of those rules.

In order to remedy the remuneration issue, the Commission has modified the Horizon 2020 Model Grant Agreements to introduce a new definition of additional remuneration. This new definition qualifies as additional remuneration only that part of a researcher's top-up bonuses that exceeds the overall salary that person would get for work in nationally-funded projects.

### **How will this improve the funding for beneficiaries with project-based remuneration systems?**

Before the change in the Model Grant Agreements, all bonuses paid on top of the basic salary qualified as additional remuneration. After the modification, however, only the part of the bonuses that (together with the basic salary) exceeds what the person would receive for work in national projects, qualifies as additional remuneration. Below that threshold the salary paid will be considered as basic salary and will be used to calculate

the personnel costs eligible for Horizon 2020 grants. The sum exceeding the threshold, if any, may also be eligible for funding but only under the specific conditions applicable to additional remuneration and only up to the €8,000 cap.

This change, in most cases, will significantly increase the amount of eligible costs in low-income member states, thus helping to improve their capacity to attract top researchers with more competitive salaries.

### **Which grants can benefit from the new provisions?**

Following the modification of the Model Grant Agreements, the new definition of additional remuneration is automatically applicable to all on-going and future Horizon 2020 grants. It also applies, therefore, retroactively to all grants that are ongoing at the time of adoption. There is no need for amendments of the individual grants to benefit from the new definition. It is directly applicable.

### **For More Information:**

- [DG RTD News Alert 27/02/2017](#)
- [Horizon 2020 Participant Portal](#)