



**COUNCIL OF
THE EUROPEAN UNION**

**Brussels, 22 November 2004 (24.11)
(OR. fr)**

**14951/04
ADD 1**

**STAT 82
FIN 543**

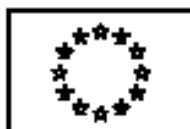
ADDENDUM TO PROPOSAL

from: European Commission
dated: 19 November 2004

Subject: COMMISSION STAFF WORKING DOCUMENT
Eurostat report on annual adjustment of remuneration and pension
Reference Period: June 2003 - June 2004

Delegations will find attached Commission document SEC(2004) 1445.

Encl.: SEC(2004) 1445



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 16.11.2004
SEC(2004) 1445

COMMISSION STAFF WORKING DOCUMENT

**EUROSTAT REPORT ON
ANNUAL ADJUSTMENT OF REMUNERATION AND PENSION**

**Reference Period:
June 2003 – June 2004**

{COM(2004)761 final}

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Executive Summary

The report presents all information required for annual adjustment of remuneration and pension in Belgium/Luxembourg and in other places.

For the period July 2003 – July 2004 the global specific indicator (average change in real net remuneration) is 98.8 and the Brussels International Index (cost of living for the EC officials) is 101.9.

As a consequence the adjustment of the nominal net remuneration and pension of EC officials in Belgium and Luxembourg, necessary to maintain a parallel development of purchasing power with the civil servants in the Member States is equal to 0.7%.

The correction coefficients, which apply to remunerations and pensions outside Belgium and Luxembourg, are given in tables 5 and 7 respectively.

Introduction

In accordance with the Articles 64, 65 and Annex XI of the Staff Regulations applicable to officials and other servants of the European Communities, Eurostat hereby presents its report for the twelve months to July 2004.

Article 64, 65 and Annex XI of the Staff Regulations, which are in force since 1 May 2004 define the method for the annual adjustment of remuneration and pension of Community officials. The annual adjustments shall accordingly be determined by the following factors:

- changes in the purchasing power of salaries of national civil servants in central government (specific indicator);
- changes in the cost of living in Brussels (Brussels International Index);
- economic parities between Brussels and the other places of employment in the Member States (correction coefficients).

The value of the adjustment is equal to the product of the specific indicator and the change in the cost of living index in Brussels. Changes in the cost of living in places of employment other than Brussels and Luxembourg are derived indirectly from the value of the adjustment for Brussels and changes in the economic parities between Brussels and those other places.

Chapters 1 to 4 of this report examine respectively:

- Evolution of the purchasing power of national officials in the central governments,
- Changes in the cost of living in Brussels,
- Adjustment of remuneration and pension in Belgium and Luxembourg, and
- Adjustment of remuneration and pension outside Belgium and Luxembourg.

All figures and calculations contained in this report are based on data supplied by the responsible authorities in the Member States. More information on methodology, detailed results and statistical analysis is available in the annex to this report. For any information concerning this report, please contact Eurostat in Luxembourg:

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1. EVOLUTION OF THE PURCHASING POWER OF NATIONAL OFFICIALS

1.1. Specific Indicator

Article 1.4 of the Annex XI says that to establish a global specific indicator for the European Union Eurostat shall use a sample composed of the following Member States: Belgium, Germany, Spain, France, Italy, Luxembourg, the Netherlands and the UK.

Table 1 shows the changes in the net remuneration, both in nominal and real terms, in each of the above mentioned eight Member States. Changes in the consumer price indices (inflation rates) during the period June 2003 to June 2004 have been used to transform nominal changes in the remunerations to the real ones. In order to get the global specific indicators the results per country have been weighted in proportion to their national GDP for the year 2002 measured by purchasing power parities. The global specific indicator (average change in real net remuneration) for the year 2004 is -1,2%.

Table 1
Change in the net remuneration of central government civil servants
July 2003 - July 2004

Country	Weight ¹		Nominal net specific indicator	Consumer price indices	Real net specific indicator	Effect on the total
	Population / Sample					
	(%)	(%)	(%)	(%)	(%)	
BE	2.6	3.3	1.7	2.3	-0.6	-0.02
DE	19.7	24.7	0.8	1.7	-0.9	-0.22
ES	8.4	10.6	2.5	3.5	-1.0	-0.11
FR	15.4	19.3	1.5	2.4	-0.9	-0.17
IT	13.7	17.2	0.0	2.4	-2.3	-0.40
LU	0.2	0.3	3.1	2.6	0.5	0.00
NL	4.3	5.4	-2.0	1.4	-3.4	-0.18
UK	15.3	19.2	2.4	3.0	-0.6	-0.12
Total	79.6	100.0	1.2		-1.2	-1.2

¹ Basis: GDP expressed in PPP, 2002

1.2. Control Indicator

Following Article 1.4 (c) of Annex XI of the Staff Regulations, Eurostat reports here on data concerning the real per capita emoluments in central government. These data serve as control indicators. As the control indicator is expressed in gross terms, it is compared with the gross specific indicator.

Table 2 compares the changes in real gross per capita remuneration in July 2004 with those of per capita real wage bills for 2004, where the respective values for 2003 are taken as 100. The table also shows the differences (in percent) between these two indicators.

Table 2

**Comparison of the gross specific indicator and the control indicator in real terms
Current reference period (2003 = 100)**

Country	Gross specific indicator	Control indicator *	Difference (%)
	[1]	[2]	[3]
BE	99.6	99.7	0.1
DE	97.2	99.5	2.4
ES	99.5	100.4	0.9
FR	98.9	100.8	1.9
IT	97.7	99.1	1.5
LU	101.5	102.9	1.4
NL	100.1	100.5	0.4
UK	99.4	98.3	-1.1
Total	98.5	99.9	1.5

*Eurostat and DG-ECFIN estimates

Eurostat identifies for some Member States (e.g. Germany) relatively big differences. They result from conceptual and statistical differences between the gross specific indicator and the control indicator.

2. CHANGES IN THE COST OF LIVING IN BRUSSELS

Article 64 and Annex XI of the Staff Regulations state that Eurostat shall draw up an index, based on the data provided by the Belgian authorities, to measure the changes in the cost of living for officials of the Communities in Brussels. This index, known as Brussels International Index, shall take into account the changes between June of the previous year and June of the current year and shall be based on the methodology defined by the Working Group on Article 64 of the Staff Regulations.

The details of the calculation of this index corresponding to the 2004 annual salary adjustment are set out in table 3. The table shows that the cost of living for the EC officials in Brussels during the period June 2003 – June 2004 has increased, on average by 1.9%.

Table 3
Changes in the Brussels International Index
June 2003 - June 2004

Groups of consumption	Weight	Index
1. Food and non-alcoholic beverages	90.9	100.4
2. Alcoholic beverages and tobacco	21.2	105.1
3. Clothing and footwear	54.6	100.8
4. Housing, water, electricity, gas and other fuels	260.7	102.5
5. Furnishings, household equipment and maintenance of house	103.7	101.0
6. Health	17.2	101.7
7. Transport	160.9	102.5
8. Communications	23.3	101.5
9. Recreation and culture	115.5	99.7
10. Education	13.1	100.5
11. Hotels, cafes and restaurants	65.0	102.8
12. Miscellaneous goods and services	73.9	102.3
Global index without rents	774.6	101.5
Rents index	225.4	102.6
Global index	1000.0	101.9

3. ADJUSTMENT OF REMUNERATION AND PENSION IN BELGIUM AND LUXEMBOURG

Taking into account the figures reported in chapter 1 and 2 the adjustment of the nominal net remuneration of EC officials in Belgium and Luxembourg, necessary to maintain a parallel development of purchasing power with the civil servants in the Member States, is equal to:

$$\frac{101.9 \times 98.8}{100} - 100 = 0.7\%$$

4. ADJUSTMENT OF REMUNERATION AND PENSION OUTSIDE BELGIUM AND LUXEMBOURG

4.1. Correction coefficients for staff outside Belgium and Luxembourg

The object of the economic parities is to compare the relative costs of living of European institution officials in Brussels (reference city) with each of the capitals and other places of employment for which a correction coefficient has been set. The method used is to compare the price of a "basket" of goods and services purchased by the average official in Brussels with the prices of the same goods and services in each of the other places of employment. The average of all the price ratios is the "economic parity".

The changes in the cost of living in the places of employment outside Belgium and Luxembourg are measured by the implicit indices which are calculated as the product of the Brussels International Index and the changes in the economic parities between Brussels and those other places. Table 4 shows these changes.

Table 4
Changes in the economic parities in the twelve months to 1st July 2004
(for staff)

Country Place of employment	Parity 1.7.2003	Parity 1.7.2004	Change (%)	Implicit index
BE/LU Brussels/Luxembourg	1	1	0.0%	1.9
CZ Prague	28.062	27.844	-0.8%	1.1
DK Copenhagen	10.081	10.159	0.8%	2.7
DE Berlin	1.017	1.012	-0.5%	1.4
Bonn	0.957	0.962	0.5%	2.4
Karlsruhe	0.950	0.954	0.4%	2.3
Munich	1.073	1.073	0.0%	1.9
EE Tallinn	12.132	12.436	2.5%	4.5
GR Athens	0.914	0.935	2.3%	4.2
ES Madrid	0.985	1.006	2.1%	4.1
FR Paris	1.191	1.202	0.9%	2.8
IE Dublin	1.233	1.223	-0.8%	1.1
IT Rome	1.069	1.098	2.7%	4.7
Varese	0.982	1.006	2.4%	4.4
CY Nicosia	0.516	0.526	1.9%	3.8
LV Riga	0.493	0.512	3.8%	5.8
LT Vilnius	2.678	2.714	1.4%	3.3
HU Budapest	218.0	223.2	2.4%	4.3
MT Valletta	0.375	0.383	2.0%	3.9
NL The Hague *	1.151	1.105	-4.0%	-2.2
AT Vienna	1.070	1.080	0.9%	2.9
PL Warsaw	3.234	3.272	1.2%	3.1
PT Lisbon	0.906	0.918	1.3%	3.2
SI Ljubljana	198.48	202.52	2.0%	4.0
SK Bratislava	34.938	36.331	4.0%	6.0
FI Helsinki	1.206	1.194	-1.0%	0.9
SE Stockholm	10.717	10.720	0.0%	1.9
UK London	0.964	0.953	-1.1%	0.8
Culham	0.769	0.771	0.2%	2.1

*NL: 2003 parities were based on Amsterdam

The correction coefficients applicable to the salaries of the European institution officials working in the capitals and places of employment other than Brussels and

Luxembourg are determined on the basis of the relationships between the economic parities and the exchange rates for the month of July.

The correction coefficient operates as a percentage adjustment to salaries to take account of the cost of living differences between Brussels and the various duty stations. Table 5 shows the calculation of the correction coefficients for July 2004 for places of employment situated in the European Union territory for which correction coefficients have been set.

The value of the adjustment outside Belgium and Luxembourg derives from the value of the adjustment for Belgium/Luxembourg and from the changes in the economic parities between Brussels and those other places.

Table 5
Calculation of correction coefficients at 1st July 2004
(for staff)

Country Place of employment	Parity [1]	Exchange rate [2]	Correction coefficient 100 * [1] / [2]
BE/LU Brussels/Luxembourg	1	1	100.0
CZ Prague	27.844	31.960	87.1
DK Copenhagen	10.159	7.4325	136.7
DE Berlin	1.012	1	101.2
Bonn	0.962	1	96.2
Karlsruhe	0.954	1	95.4
Munich	1.073	1	107.3
EE Tallinn	12.436	15.647	79.5
GR Athens	0.935	1	93.5
ES Madrid	1.006	1	100.6
FR Paris	1.202	1	120.2
IE Dublin	1.223	1	122.3
IT Rome	1.098	1	109.8
Varese	1.006	1	100.6
CY Nicosia	0.526	1	90.4
LV Riga	0.512	1	77.9
LT Vilnius	2.714	3.4527	78.6
HU Budapest	223.2	252.85	88.3
MT Valletta	0.383	0.42600	89.9
NL The Hague	1.105	1	110.5
AT Vienna	1.080	1	108.0
PL Warsaw	3.272	4.5426	72.0
PT Lisbon	0.918	1	91.8
SI Ljubljana	202.52	239.85	84.4
SK Bratislava	36.331	39.965	90.9
FI Helsinki	1.194	1	119.4
SE Stockholm	10.720	9.1275	117.4
UK London	0.953	0.6682	142.7
Culham	0.771	0.6682	115.4

4.2. Correction coefficients for pensioners outside Belgium and Luxembourg

The new Staff Regulations, which are in force since May 1, 2004, stipulate the creation of correction coefficients for pensioners separate from those used for staff remuneration. The difference is that instead of being based on capital city price comparisons they relate to national comparisons, with Belgium as the base country.

This section presents the calculated values of the economic parities and the correction coefficients for pensioners, with a reference date of July 1, 2004. The changes in the cost of living in the places of employment outside Belgium and

Luxembourg are measured by the implicit indices which are calculated as the product of the Brussels International Index and the changes in the economic parities between Brussels and those other places. Table 6 shows these changes.

Table 6
Changes in the economic parities in the twelve months to 1st July 2004
(for pensioners)

Country	Parity 1.7.2003	Parity 1.7.2004	Change (%)	Implicit index
BELU	1	1	0.0%	1.9
CZ	21.910	23.897	9.1%	11.1
DK	9.659	9.779	1.2%	3.2
DE	1.021	1.020	-0.1%	1.8
EE	10.314	11.912	15.5%	17.7
GR	0.895	0.925	3.4%	5.3
ES	0.945	0.955	1.1%	3.0
FR	1.063	1.069	0.6%	2.5
IE	1.121	1.156	3.1%	5.1
IT	1.035	1.060	2.4%	4.4
CY	0.5559	0.5467	-1.7%	0.2
LV	0.3843	0.4892	27.3%	29.7
LT	2.2091	2.596	17.5%	19.8
HU	160.28	179.090	11.7%	13.9
MT	0.350	0.357	2.0%	3.9
NL	1.038	1.036	-0.2%	1.7
AT	1.071	1.080	0.8%	2.8
PL	2.666	2.954	10.8%	12.9
PT	0.898	0.914	1.8%	3.7
SI	187.26	194.940	4.1%	6.1
SK	27.674	31.774	14.8%	17.0
FI	1.150	1.144	-0.5%	1.4
SE	10.010	10.127	1.2%	3.1
UK	0.7768	0.7785	0.2%	2.1

Table 7 shows the correction coefficients for all member States (relative to Belgium) calculated for the pensioners. However, due to specific rules governing the transition phase, these values will not immediately be applied to pensions. The coefficients applied will be a weighted average of those calculated for staff and for pensioners.

Table 7
Calculation of correction coefficients at 1st July 2004
(for pensioners)

Country	Parity [1]	Exchange rate [2]	Correction coefficient 100 * [1] / [2]
BE/LU	1	1	100.0
CZ	23.897	31.960	74.8
DK	9.779	7.4325	131.6
DE	1.020	1	102.0
EE	11.912	15.6466	76.1
GR	0.925	1	92.5
ES	0.955	1	95.5
FR	1.069	1	106.9
IE	1.156	1	115.6
IT	1.060	1	106.0
CY	0.547	0.58150	94.0
LV	0.489	0.65640	74.5
LT	2.596	3.4527	75.2
HU	179.09	252.85	70.8
MT	0.357	0.4260	83.8
NL	1.036	1	103.6
AT	1.080	1	108.0
PL	2.954	4.5426	65.0
PT	0.914	1	91.4
SI	194.94	239.850	81.3
SK	31.774	39.9650	79.5
FI	1.144	1	114.4
SE	10.127	9.1275	111.0
UK	0.7785	0.6682	116.5