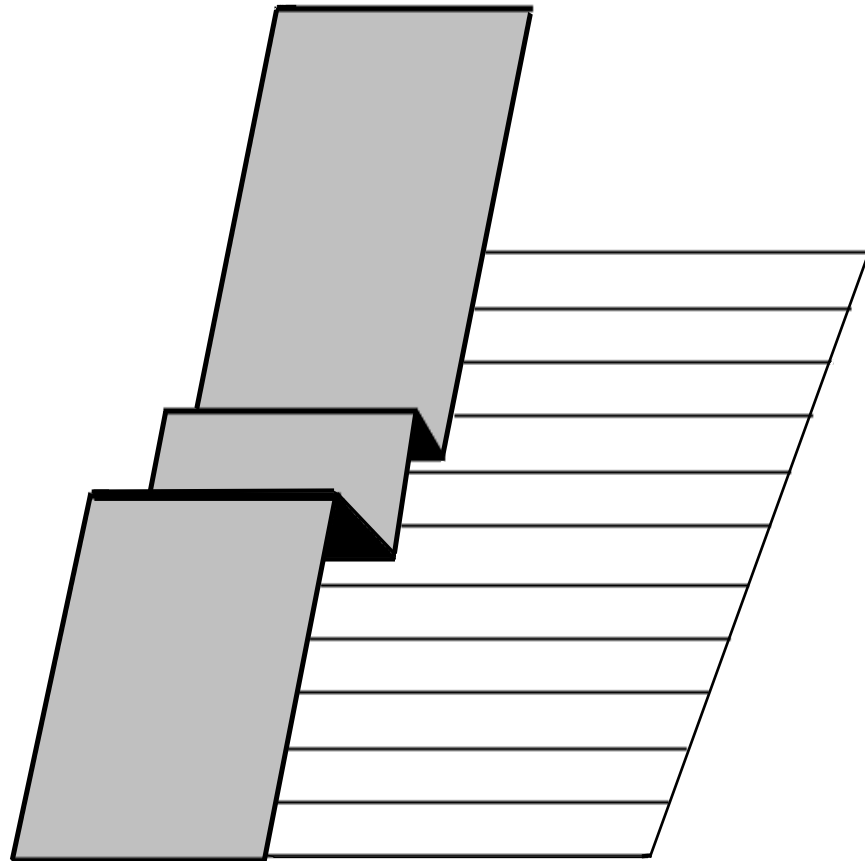


Main text

**Supplement to
Eurostat Report on the Annual Adjustment of
Remuneration and Pensions of EU officials**

**Global specific indicator; control indicators;
changes in the cost of living in Brussels**

**Reference period:
Year to 1 July 2014**



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EXECUTIVE SUMMARY

Annex XI of the Staff Regulations sets out rules for implementing Articles 64 and 65 of the Staff regulations. These are supplemented by procedural manuals adopted by the Working Group on Articles 64 & 65 of the Staff Regulations which meet periodically in Luxembourg, and other applicable legislation and international agreements.

The version of Annex XI adopted in May 2004 expired with effect from 31 December 2012, although Articles 64 and 65 continued to apply. Owing to the legislative void, the modalities to be followed for the Eurostat report covering the period July 2012 – July 2013 were agreed at the meeting of the Article 65 Working Group held in Luxembourg in March 2013 and at the joint meeting of the Articles 64 & 65 Working Group held in Luxembourg in September 2013.

A new version of Annex XI was subsequently adopted in October 2013. This took effect from 1 January 2014, however the annual adjustment of remuneration and pensions in Belgium and Luxembourg is temporarily suspended by Article 65(3) of the Staff Regulations which introduced a two-year pay freeze. Procedural and methodological manuals were adopted at the meeting of the Articles 64 & 65 Working Group held in Luxembourg in March 2014.

In these circumstances, the Eurostat report for the period July 2013 – July 2014¹ presented only the information required for the annual adjustment of remuneration and pensions outside Belgium and Luxembourg, namely:

- correction coefficients for staff working outside Brussels (intra-EU and extra-EU);
- correction coefficients for pensioners living outside Belgium.

However there is an interest in making available the other information compiled by Eurostat relating to the period. The current document therefore presents the following information for the period July 2013 – July 2014:

- specific indicators of the evolution of the purchasing power of national officials;
- control indicators, for comparative purposes;
- change in the cost of living in Belgium and Luxembourg (Joint Index).

Information about the evolution of purchasing power of national officials was requested in the usual manner during June 2014 with a target reply deadline of 31 July. In the absence of a completed remuneration questionnaire from a Member State, the forecast figure they supplied in March 2014 was used, or a more recent estimate.

On this basis, for the period July 2013 – July 2014 the global specific indicator (weighted average change in real net remuneration in the 11 sample member states, using percentage share of EU GDP expressed in PPS terms) is 101.3 (+1.3 %). Details are provided in Table 1.

For the same period, the Joint Belgium-Luxembourg Index (used to measure the change in the cost of living for the EU officials in Brussels) is 100.9 (+0.9%). Details are provided in Table 3.

As a consequence the adjustment of the nominal net remuneration and pensions of European officials in Belgium and Luxembourg which would be necessary to maintain a parallel

¹ Ares(2014)3905867

development of purchasing power with the national civil servants in the Member States is equal to +2.2% (102.2).

INTRODUCTION

Annex XI of the Staff Regulations describes rules for implementing Articles 64 and 65 of the Staff regulations, ie. the method for the annual adjustment of remuneration and pension of European officials. These are supplemented by procedural manuals adopted by the Working Group on Articles 64 & 65 of the Staff Regulations which meet periodically in Luxembourg, and other applicable legislation and international agreements².

The version of Annex XI adopted in May 2004³ expired with effect from 31 December 2012, although Articles 64 and 65 continued to apply. Owing to the legislative void, the modalities to be followed for the Eurostat report covering the period July 2012 – July 2013 were discussed and agreed at the meeting of the Article 65 Working Group held in Luxembourg in March 2013 and at the joint meeting of the Articles 64 & 65 Working Group held in Luxembourg in September 2013.

A new version of Annex XI was subsequently adopted in October 2013⁴. This took effect from 1 January 2014, however the annual adjustment of remuneration and pensions in Belgium and Luxembourg is temporarily suspended by Article 65(3) of the Staff Regulations which introduced a two-year pay freeze. Procedural and methodological manuals were adopted at the meeting of the Articles 64 & 65 Working Group held in Luxembourg in March 2014.

In these circumstances, the Eurostat Report for the period July 2013 – July 2014⁵ presented only the information required for the annual adjustment of remuneration and pensions outside Belgium and Luxembourg, namely:

- correction coefficients for staff working outside Brussels (intra-EU and extra-EU);
- correction coefficients for pensioners living outside Belgium.

However there is a widespread interest in making available the other information which has been compiled relating to the period. To complement the Eurostat Report, the current document therefore presents the following information for the period July 2013 – July 2014:

- specific indicators of the evolution of the purchasing power of salaries of national officials;
- average change in the purchasing power of salaries of national officials (global specific indicator);
- control indicators, for comparative purposes;
- change in the cost of living in Belgium and Luxembourg (Joint Index).

² These include the Statistical Law (223/2009); the PPP Regulation (1445/2007); the HICP Regulation (2494/1995 et seq); the GDP Regulations (ESA95: 2223/1996, ESA2010: 549/2013); the Transparency Regulation (1049/2001); the 2009 trilateral international memorandum of understanding (Eurostat / UN International Civil Service Commission / International Section on Remuneration and Prices of the Coordinated Organisations); the 1973 ILO Resolution on household surveys; the LFS Regulation (577/1998); the SES and LCS Regulation (530/1999).

³ Council Regulation No.723/2004 amending the Staff Regulations of officials of the European Communities and the Conditions of Employment of other servants of the European Communities.

⁴ Regulation (EU, Euratom) No. 1023/2013 of the European Parliament and of the Council of 22 October 2013 amending the Staff Regulations of Officials of the European Union and the Conditions of Employment of Other Servants of the European Union, published in Official Journal L.287/15 dated 29.10.2013

⁵ Ares(2014)3905867

These calculations have been done according to the agreed methodology. On this basis, the annual adjustment for Brussels (Belgium) was to be determined by the following factors:

- average change in the purchasing power of salaries of national civil servants in central government (global specific indicator) for the sample of 11 Member States specified in the Staff Regulations;
- control indicators for comparative purposes;
- change in the cost of living in Belgium and Luxembourg (Joint Index);

The value of the annual adjustment is equal to the product of the global specific indicator and the change in the cost of living in Brussels and Luxembourg.

Chapters 1 to 4 of this report therefore examine respectively:

- Evolution of the purchasing power of salaries of national officials in the central governments,
- Comparative information drawn from various sources,
- Changes in the cost of living in Brussels and Luxembourg,
- Adjustment of remuneration and pensions in Belgium and Luxembourg.

All figures and calculations contained in this report are based on data supplied by the responsible authorities in the Member States. Information about the evolution of purchasing power of national officials was requested in the usual manner during June 2014 with a target reply deadline of 31 July. In the absence of a completed remuneration questionnaire from a Member State, the forecast figure they supplied in March 2014 was used, or a more recent estimate.

More information on methodology, detailed results and statistical analysis is available in the appendices to this report and detailed procedural manuals⁶.

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⁶ Document A6465/14/26rev (version June 2014) describes the methodology for calculating specific indicators (and the calculation of control indicators for comparative purposes) in accordance with the Staff Regulations. Important note: the sample of 11 replaces the EU28 used for 2013 and the sample of 8 used for 2003-2012. Information for EU28 continues to be compiled for comparative purposes. Document A6465/14/58rev (version July 2014) describes the methodology for calculating the Joint Index in accordance with the Staff Regulations.

1. EVOLUTION OF THE PURCHASING POWER OF SALARIES OF NATIONAL OFFICIALS

1.1. Specific Indicator

For the 2013-2014 exercise Eurostat has compiled information for the EU28 Member States. The global specific indicator is calculated for the sample of 11 EU Member States stipulated in the Staff Regulations.

Table 1 therefore shows the changes in the net remuneration, both in nominal and real terms, in each of the Member States. Changes in the harmonized indices of consumer prices (inflation rates) during the period June 2013 to June 2014 have been used to transform nominal changes in the remunerations into movements in real terms. In order to get the global specific indicator the results per country have been weighted in proportion to their national GDP for the year 2013 expressed in purchasing power parities.

On this basis, the global specific indicator (average change in real net remuneration) for the year 2014 is 101.3 (+1.3%).

Table 1

Change in the net remuneration of central government civil servants July 2013 - July 2014

Country	Weight ¹ EU28=100		Nominal net specific indicator	Consumer price indices	Real net specific indicator	Effect on the total
	(%)	(%)				
BE	2.6	3.1	0.2	0.7	-0.5	-0.02
DE	20.1	23.8	0.9	1.0	-0.1	-0.02
ES	8.6	10.2	7.9	0.0	7.9	0.80
FR	14.0	16.5	1.6	0.6	1.0	0.17
IT	11.8	13.9	1.4	0.2	1.2	0.17
LU	0.3	0.4	2.0	1.2	0.8	0.00
NL	4.2	5.0	2.8	0.3	2.5	0.12
AT	2.1	2.5	1.8	1.7	0.1	0.00
PL	5.2	6.1	0.2	0.3	-0.1	-0.01
SE	2.4	2.8	2.6	0.5	2.1	0.06
UK	13.3	15.7	2.0	1.9	0.1	0.02
Total	84.6	100.0	2.1	0.8	1.3	1.3

¹ Basis: GDP expressed in PPP, 2013

2. CONTROL INDICATORS

2.1. Compensation of employees

Eurostat compiles data concerning the real per capita emoluments in central government (Compensation of employees, ESA s.1311, divided by employee numbers, expressed in constant prices). These data serve as control indicators for individual countries and a weighted average is also calculated. As the control indicator is expressed in gross terms, it is compared with the gross specific indicator in real terms.

Table 2a compares the changes in real gross specific indicator for the twelve months to July 2014 with the control indicator (compensation of employees) for the calendar year 2014, where the respective values for 2013 are taken as 100. The table also shows the differences (in percent) between these two indicators.

The global control indicator (weighted average of individual country values) for 2014 is 101.6 (+1.6%).

Relatively big differences are apparent for some Member States. They result from conceptual and statistical differences between the gross specific indicator in real terms and the control indicator.

2.2. Labour cost index

A control indicator is also calculated of the movement in total labour cost in public administrations of the Member States (NACE group 'O'). These data serve as control indicators for individual countries and a weighted average is also calculated. As the control indicator is expressed in nominal terms, it is compared with the nominal specific indicator of gross salaries.

Table 2b compares the changes in nominal gross specific indicator for the twelve months to July 2014 with the control indicator (labour cost index) for calendar year 2014, where the respective values for 2013 are taken as 100. The table also shows the differences (in percent) between these two indicators.

The global control indicator (weighted average of individual country values) for 2014 is 102.1 (+2.1%).

The control indicator is not available for all Member States. Relatively big differences are apparent for some Member States. They result from conceptual and statistical differences between the nominal specific indicator and the control indicator.

Table 2a**Comparison of the gross specific indicator and the control indicator in real terms
Current reference period (previous year = 100)**

Country	Real gross specific indicator [1]	Control indicator * [2]	Difference (%) [3]
BE	99.2	102.1	2.9
DE	100.1	100.7	0.6
ES	106.1	104.1	-1.8
FR	101.3	100.7	-0.6
IT	99.8	100.2	0.4
LU	101.2	105.8	4.6
NL	99.7	115.4	15.8
AT	100.3	97.2	-3.1
PL	100.0	101.9	1.9
SE	101.3	104.0	2.7
UK	100.9	99.4	-1.5
Total	101.0	101.6	0.6

* Compensation of employees: Eurostat estimates.

Table 2b
Comparison of the gross specific indicator and the control indicator in nominal terms
Current reference period (previous year = 100)

Country	Nominal gross specific indicator [1]	Control indicator * [2]	Difference (%) [3]
BE	99.9	102.9	3.0
DE	101.1	103.7	2.6
ES	106.1	103.9	-2.1
FR	101.9	:	:
IT	100.0	101.6	1.6
LU	102.4	102.7	0.3
NL	100.0	100.7	0.7
AT	102.0	:	:
PL	100.3	102.1	1.8
SE	101.8	102.2	0.4
UK	102.8	99.2	-3.5
Total	101.8	102.1	0.3

* Labour Cost Index: Eurostat estimates.

3. CHANGES IN THE COST OF LIVING IN BRUSSELS

For the 2013-14 exercise Eurostat used the Joint Index as stipulated by the Staff Regulations.

The details of the calculation of this index corresponding to the 2014 annual salary adjustment are set out in table 3. The table shows that the cost of living for the EU officials in Brussels and Luxembourg during the period June 2013 – June 2014 has increased, on average by +0.9%.

Table 3
Change in the Joint Belgium-Luxembourg Index
June 2013 - June 2014

Groups of consumption	Weight	Index
1. Food and non-alcoholic beverages	128.2	99.40
2. Alcoholic beverages and tobacco	20.3	104.10
3. Clothing and footwear	54.3	101.20
4. Housing, water, electricity, gas and other fuels	297.6	100.80
5. Furnishings, household equipment and maintenance of house	74.7	102.00
6. Health	19.2	100.50
7. Transport	127.2	100.90
8. Communications	21.5	97.50
9. Recreation and culture	91.7	100.40
10. Education	14.7	102.00
11. Hotels, cafes and restaurants	100.6	102.30
12. Miscellaneous goods and services	50.0	102.00
Global index without rents	762.9	100.80
Rents index	237.1	101.50
Global index	1000.0	100.90

Source: Eurostat

4. ADJUSTMENT OF REMUNERATION AND PENSIONS IN BELGIUM AND LUXEMBOURG

Article 65(3) of the Staff Regulations adopted in October 2013 imposed a pay freeze with immediate effect.

Taking into account the figures reported in chapters 1 and 3 the adjustment of the nominal net remuneration of EU officials in Belgium and Luxembourg with effect from July 2014, which would otherwise be necessary to maintain a parallel development of purchasing power with the civil servants in the Member States, is equal to:

Salary change

$$\frac{100.9 \times 101.3}{100} - 100 = 2.2\%$$