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

**Reference Period:
June 2004 – June 2005**

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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 2004 – July 2005 the global specific indicator (average change in real net remuneration) is 0.0% and the Brussels International Index (cost of living for the EC officials) is 102.2.

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 2.2%.

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 2005.

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 United Kingdom.

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 harmonized consumer price indices (inflation rates) during the period June 2004 to June 2005 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 2004 measured by purchasing power parities. The global specific indicator (average change in real net remuneration) for the year 2005 is 0.0%.

Table 1

Change in the net remuneration of central government civil servants July 2004 - July 2005

Country	Weight ¹		Nominal net specific indicator	Consumer price indices	Real net specific indicator	Effect on the total
	Population / Sample					
	(%)	(%)	(%)	(%)	(%)	
BE	2.7	3.4	2.7	2.7	0.0	0.00
DE	19.6	24.7	2.1	1.8	0.3	0.07
ES	9.1	11.5	2.5	3.2	-0.7	-0.08
FR	14.9	18.8	1.6	1.8	-0.2	-0.04
IT	13.3	16.7	1.9	2.2	-0.3	-0.05
LU	0.2	0.3	2.6	3.2	-0.6	0.00
NL	4.2	5.3	-1.4	1.5	-2.9	-0.15
UK	15.4	19.4	3.4	2.0	1.4	0.27
Total	79.4	100.0	2.1		0.0	0.0

¹ Basis: GDP expressed in PPP, 2004

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 2005 with those of per capita real wage bills for 2005, where the respective values for 2004 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 (2004 = 100)**

Country	Gross specific indicator [1]	Control indicator * [2]	Difference (%) [3]
BE	100.7	102.7	2.0
DE	99.4	99.7	0.3
ES	99.9	99.9	0.0
FR	100.7	101.8	1.1
IT	97.8	103.2	5.5
LU	100.3	97.5	-2.7
NL	100.1	102.1	2.0
UK	101.4	103.1	1.7
Total	99.9	101.6	1.7

*Eurostat and DG-ECFIN estimates

Eurostat identifies for some Member States (e.g. Italy) 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 2005 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 2004 – June 2005 has increased, on average by 2.2%.

Table 3
Changes in the Brussels International Index
June 2004 - June 2005

Groups of consumption	Weight	Index
1. Food and non-alcoholic beverages	90.9	102.0
2. Alcoholic beverages and tobacco	21.2	102.2
3. Clothing and footwear	54.6	100.5
4. Housing, water, electricity, gas and other fuels	260.7	102.9
5. Furnishings, household equipment and maintenance of house	103.7	101.0
6. Health	17.2	101.8
7. Transport	160.9	104.2
8. Communications	23.3	99.8
9. Recreation and culture	115.5	99.5
10. Education	13.1	102.3
11. Hotels, cafes and restaurants	65.0	102.8
12. Miscellaneous goods and services	73.9	101.6
Global index without rents	774.6	102.1
Rents index	225.4	102.3
Global index	1000.0	102.2

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:

$$\frac{102.2 \times 100.0}{100} - 100 = 2.2\%$$

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 2005
(for staff)

Country Place of employment	Parity 1.7.2004	Parity 1.7.2005	Change (%)	Implicit index
BE/LU Brussels/Luxembourg	1	1	0.0%	2.2
CZ Prague	27.844	27.196	-2.3%	-0.1
DK Copenhagen	10.159	10.122	-0.4%	1.9
DE Berlin	1.012	1.002	-1.0%	1.2
Bonn	0.962	0.960	-0.2%	2.0
Karlsruhe	0.954	0.950	-0.4%	1.8
Munich	1.073	1.064	-0.8%	1.4
EE Tallinn	12.436	12.558	1.0%	3.2
EL Athens	0.935	0.930	-0.5%	1.7
ES Madrid	1.006	1.012	0.6%	2.9
FR Paris	1.202	1.190	-1.0%	1.2
IE Dublin	1.223	1.224	0.1%	2.3
IT Rome	1.098	1.118	1.8%	4.1
Varese	1.006	0.990	-1.6%	0.6
CY Nicosia	0.52550	0.52741	0.4%	2.6
LV Riga	0.51166	0.53005	3.6%	5.9
LT Vilnius	2.7144	2.6612	-2.0%	0.2
HU Budapest	223.21	222.88	-0.1%	2.1
MT Valletta	0.38298	0.38444	0.4%	2.6
NL The Hague	1.105	1.097	-0.7%	1.5
AT Vienna	1.080	1.071	-0.8%	1.4
PL Warsaw	3.2718	3.2977	0.8%	3.1
PT Lisbon	0.918	0.915	-0.3%	1.9
SI Ljubljana	202.52	198.68	-1.9%	0.3
SK Bratislava	36.331	35.695	-1.8%	0.5
FI Helsinki	1.194	1.177	-1.4%	0.8
SE Stockholm	10.720	10.601	-1.1%	1.1
UK London	0.95321	0.95875	0.6%	2.8
Culham	0.77123	0.76960	-0.2%	2.0

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 2005 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 2005
(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	27.196	30.030	90.6
DK Copenhagen	10.122	7.4491	135.9
DE Berlin	1.002	1	100.2
Bonn	0.960	1	96.0
Karlsruhe	0.950	1	95.0
Munich	1.064	1	106.4
EE Tallinn	12.558	15.6466	80.3
EL Athens	0.930	1	93.0
ES Madrid	1.012	1	101.2
FR Paris	1.190	1	119.0
IE Dublin	1.224	1	122.4
IT Rome	1.118	1	111.8
Varese	0.990	1	99.0
CY Nicosia	0.52741	0.57350	92.0
LV Riga	0.53005	0.6963	76.1
LT Vilnius	2.6612	3.4528	77.1
HU Budapest	222.88	247.66	90.0
MT Valletta	0.38444	0.4293	89.6
NL The Hague	1.097	1	109.7
AT Vienna	1.071	1	107.1
PL Warsaw	3.2977	4.0521	81.4
PT Lisbon	0.915	1	91.5
SI Ljubljana	198.68	239.460	83.0
SK Bratislava	35.695	38.4070	92.9
FI Helsinki	1.177	1	117.7
SE Stockholm	10.601	9.4333	112.4
UK London	0.95875	0.6669	143.8
Culham	0.76960	0.6669	115.4

4.2. Correction coefficients for pensioners outside Belgium and Luxembourg

The Staff Regulations, which are in force since 1 May 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, 2005. 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 2005
(for pensioners)

Country	Parity 1.7.2004	Parity 1.7.2005	Change (%)	Implicit index
BE/LU	1	1	0.0%	2.2
CZ	23.897	23.599	-1.2%	1.0
DK	9.779	9.740	-0.4%	1.8
DE	1.020	1.021	0.1%	2.3
EE	11.912	12.219	2.6%	4.9
EL	0.925	0.912	-1.4%	0.8
ES	0.955	0.953	-0.2%	2.0
FR	1.069	1.063	-0.6%	1.7
IE	1.156	1.163	0.6%	2.9
IT	1.060	1.076	1.5%	3.8
CY	0.54666	0.55716	1.9%	4.2
LV	0.48919	0.50779	3.8%	6.1
LT	2.5964	2.5422	-2.1%	0.1
HU	179.09	180.73	0.9%	3.2
MT	0.35693	0.39612	11.0%	13.5
NL	1.036	1.013	-2.2%	0.0
AT	1.080	1.070	-0.9%	1.3
PL	2.9544	3.0331	2.7%	5.0
PT	0.914	0.901	-1.4%	0.8
SI	194.94	193.42	-0.8%	1.4
SK	31.774	31.547	-0.7%	1.5
FI	1.144	1.128	-1.4%	0.8
SE	10.127	9.918	-2.1%	0.1
UK	0.77850	0.78304	0.6%	2.8

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 2005
(for pensioners)

Country	Parity [1]	Exchange rate [2]	Correction coefficient $100 * [1] / [2]$
BE/LU	1	1	100.0
CZ	23.599	30.030	78.6
DK	9.740	7.4491	130.8
DE	1.021	1	102.1
EE	12.219	15.6466	78.1
EL	0.912	1	91.2
ES	0.953	1	95.3
FR	1.063	1	106.3
IE	1.163	1	116.3
IT	1.076	1	107.6
CY	0.55716	0.57350	97.2
LV	0.50779	0.6963	72.9
LT	2.542	3.4528	73.6
HU	180.73	247.66	73.0
MT	0.39612	0.4293	92.3
NL	1.013	1	101.3
AT	1.070	1	107.0
PL	3.0331	4.0521	74.9
PT	0.901	1	90.1
SI	193.42	239.460	80.8
SK	31.547	38.4070	82.1
FI	1.128	1	112.8
SE	9.918	9.4333	105.1
UK	0.78304	0.6669	117.4