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Accompanying document to the

Proposal for a

COUNCIL (EC, EURATOM) REGULATION

adjusting with effect from 1 July 2006 the remuneration and pensions of officials and other servants of the European Communities and the correction coefficients applied thereto

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COMMISSION STAFF WORKING DOCUMENT

**Eurostat Report on
annual adjustment of remuneration and pension
including Bulgaria and Romania**

**Reference Period:
June 2005 – June 2006**

**Eurostat, Unit D5
Luxembourg, October 2006**

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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 2005 – July 2006 the global specific indicator (average change in real net remuneration) is 0.2% and the Brussels International Index (cost of living for the EC officials) is 102.1.

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 2.3%.

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 2006.

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 annexes 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 2005 to June 2006 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 2005 measured by purchasing power parities. The global specific indicator (average change in real net remuneration) for the year 2006 is 0.2%.

Table 1

Change in the net remuneration of central government civil servants July 2005 - July 2006

Country	Weight ¹		Nominal net specific indicator	Consumer price indices	Real net specific indicator	Effect on the total
	EU25=100 / EU8=100					
	(%)	(%)	(%)	(%)	(%)	
BE	2.7	3.4	2.2	2.5	-0.3	-0.01
DE	19.6	24.8	0.4	2.0	-1.6	-0.39
ES	9.2	11.6	3.3	4.0	-0.7	-0.08
FR	14.8	18.7	2.3	2.2	0.1	0.02
IT	13.0	16.4	4.4	2.4	2.0	0.32
LU	0.2	0.3	2.3	3.9	-1.5	0.00
NL	4.4	5.6	6.9	1.8	5.0	0.28
UK	15.2	19.2	3.1	2.5	0.6	0.11
Total	79.1	100.0	2.7		0.2	0.2

¹ Basis: GDP expressed in PPP, 2005

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 2006 with those of per capita real wage bills for 2006, where the respective values for 2005 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 (2005 = 100)**

Country	Real gross specific indicator [1]	Control indicator * [2]	Difference (%) [3]
BE	99.5	101.8	2.3
DE	98.6	99.8	1.2
ES	99.7	100.5	0.9
FR	100.1	101.3	1.2
IT	103.5	100.4	-3.0
LU	99.4	100.3	0.9
NL	92.7	103.0	11.1
UK	100.6	97.9	-2.6
Total	99.9	100.1	0.2

*Eurostat and DG-ECFIN estimates

Eurostat identifies for some Member States (e.g. Netherlands) 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 (BRUSSELS INTERNATIONAL INDEX)

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 2006 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 2005 – June 2006 has increased, on average by 2.1%.

Table 3
Changes in the Brussels International Index (BII)
June 2005 - June 2006

Groups of consumption	Weight	Index
1. Food and non-alcoholic beverages	129.5	101.6
2. Alcoholic beverages and tobacco	21.8	100.4
3. Clothing and footwear	46.7	100.3
4. Housing, water, electricity, gas and other fuels	245.7	105.2
5. Furnishings, household equipment and maintenance of house	85.3	101.3
6. Health	18.5	103.0
7. Transport	151.0	100.0
8. Communications	21.5	98.1
9. Recreation and culture	109.9	99.7
10. Education	18.2	101.6
11. Hotels, cafes and restaurants	90.8	103.2
12. Miscellaneous goods and services	61.2	102.9
Global index without rents	804.3	101.8
Rents index	195.7	103.2
Global index	1000.0	102.1

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:

$$\frac{102.1 \times 100.2}{100} - 100 = 2.3\%$$

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 price 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 2006
(for staff)

Country Place of employment	Parity 1.7.2005	Parity 1.7.2006	Change (%)	Implicit price index
BE/LU Brussels/Luxembourg	1	1	0.0%	2.1
BG Sofia	1.1075	1.2541	13.2%	15.6
CZ Prague	27.196	24.322	-10.6%	-8.7
DK Copenhagen	10.122	10.282	1.6%	3.7
DE Berlin	1.002	1.001	-0.1%	2.0
Bonn	0.960	0.972	1.3%	3.4
Karlsruhe	0.950	0.958	0.8%	3.0
Munich	1.064	1.066	0.2%	2.3
EE Tallinn	12.558	12.439	-0.9%	1.1
EL Athens	0.930	0.933	0.3%	2.4
ES Madrid	1.012	1.022	1.0%	3.1
FR Paris	1.190	1.182	-0.7%	1.4
IE Dublin	1.224	1.220	-0.3%	1.8
IT Rome	1.118	1.125	0.6%	2.7
Varese	0.990	1.003	1.3%	3.4
CY Nicosia	0.52741	0.52475	-0.5%	1.6
LV Riga	0.53005	0.53407	0.8%	2.9
LT Vilnius	2.6612	2.6074	-2.0%	0.0
HU Budapest	222.88	215.82	-3.2%	-1.1
MT Valletta	0.38444	0.38896	1.2%	3.3
NL The Hague	1.097	1.102	0.5%	2.6
AT Vienna	1.071	1.065	-0.6%	1.5
PL Warsaw	3.2977	3.1267	-5.2%	-3.2
PT Lisbon	0.915	0.919	0.4%	2.5
RO Bucharest	2.2987	2.3218	1.0%	3.1
SI Ljubljana	198.68	208.09	4.7%	6.9
SK Bratislava	35.695	33.755	-5.4%	-3.5
FI Helsinki	1.177	1.166	-0.9%	1.1
SE Stockholm	10.601	10.612	0.1%	2.2
UK London	0.95875	0.96324	0.5%	2.6
Culham	0.76960	0.78918	2.5%	4.7

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 2006 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 2006
(for staff)

Country Place of employment	Parity [1]	Exchange rate [2]	Correction coefficient 100 * [1] / [2]
BE/LU Brussels/Luxembourg	1	1	100.0
BG Sofia	1.2541	1.9558	64.1
CZ Prague	24.322	28.503	85.3
DK Copenhagen	10.282	7.4583	137.9
DE Berlin	1.001	1	100.1
Bonn	0.972	1	97.2
Karlsruhe	0.958	1	95.8
Munich	1.066	1	106.6
EE Tallinn	12.439	15.6466	79.5
EL Athens	0.933	1	93.3
ES Madrid	1.022	1	102.2
FR Paris	1.182	1	118.2
IE Dublin	1.220	1	122.0
IT Rome	1.125	1	112.5
Varese	1.003	1	100.3
CY Nicosia	0.52475	0.57500	91.3
LV Riga	0.53407	0.6960	76.7
LT Vilnius	2.6074	3.4528	75.5
HU Budapest	215.82	283.20	76.2
MT Valletta	0.38896	0.4293	90.6
NL The Hague	1.102	1	110.2
AT Vienna	1.065	1	106.5
PL Warsaw	3.1267	4.0818	76.6
PT Lisbon	0.919	1	91.9
RO Bucharest	2.3218	3.5863	64.7
SI Ljubljana	208.09	239.620	86.8
SK Bratislava	33.755	38.3200	88.1
FI Helsinki	1.166	1	116.6
SE Stockholm	10.612	9.2373	114.9
UK London	0.96324	0.6911	139.4
Culham	0.78918	0.6911	114.2

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, 2006. The changes in the cost of living in Member States other than 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 Belgium and the Member States. Table 6 shows these changes.

Table 6
Changes in the economic parities in the twelve months to 1st July 2006
(for pensioners)

Country	Parity 1.7.2005	Parity 1.7.2006	Change (%)	Implicit price index
BE/LU	1	1	0.0%	2.1
BG	1.1566	1.1842	2.4%	4.5
CZ	23.599	22.514	-4.6%	-2.6
DK	9.740	9.872	1.4%	3.5
DE	1.021	1.017	-0.4%	1.7
EE	12.219	12.608	3.2%	5.3
EL	0.912	0.917	0.5%	2.7
ES	0.953	0.975	2.3%	4.4
FR	1.063	1.069	0.6%	2.7
IE	1.163	1.149	-1.2%	0.9
IT	1.076	1.079	0.3%	2.4
CY	0.55716	0.54595	-2.0%	0.0
LV	0.50779	0.52226	2.8%	5.0
LT	2.5422	2.5421	0.0%	2.1
HU	180.73	182.53	1.0%	3.1
MT	0.39612	0.39497	-0.3%	1.8
NL	1.013	1.013	0.0%	2.1
AT	1.070	1.061	-0.8%	1.2
PL	3.0331	2.8889	-4.8%	-2.8
PT	0.901	0.898	-0.3%	1.8
RO	1.9812	2.0779	4.9%	7.1
SI	193.42	201.25	4.0%	6.2
SK	31.547	30.118	-4.5%	-2.5
FI	1.128	1.123	-0.4%	1.6
SE	9.918	10.168	2.5%	4.7
UK	0.78304	0.79903	2.0%	4.2

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 2006
(for pensioners)

Country	Parity [1]	Exchange rate [2]	Correction coefficient 100 * [1] / [2]
BE/LU	1	1	100.0
BG	1.1842	1.9558	60.5
CZ	22.514	28.503	79.0
DK	9.872	7.4583	132.4
DE	1.017	1	101.7
EE	12.608	15.6466	80.6
EL	0.917	1	91.7
ES	0.975	1	97.5
FR	1.069	1	106.9
IE	1.149	1	114.9
IT	1.079	1	107.9
CY	0.54595	0.57500	94.9
LV	0.52226	0.6960	75.0
LT	2.5421	3.4528	73.6
HU	182.53	283.20	64.5
MT	0.39497	0.4293	92.0
NL	1.013	1	101.3
AT	1.061	1	106.1
PL	2.8889	4.0818	70.8
PT	0.898	1	89.8
RO	2.0779	3.5863	57.9
SI	201.25	239.620	84.0
SK	30.118	38.3200	78.6
FI	1.123	1	112.3
SE	10.168	9.2373	110.1
UK	0.79903	0.6911	115.6