EPSU CJ
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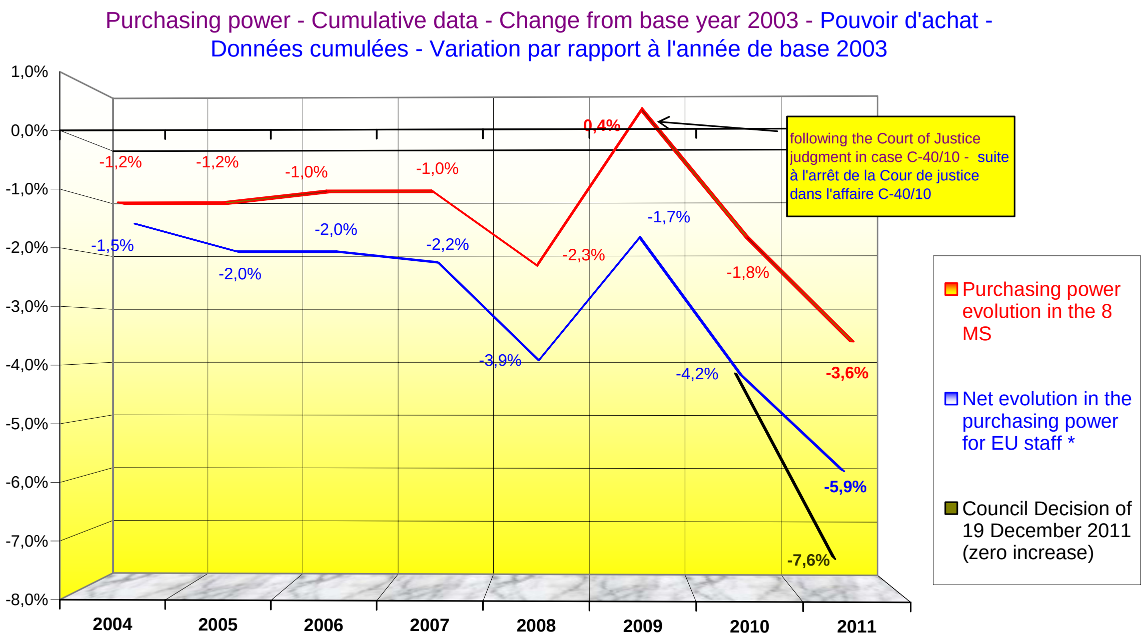
A reform shaped under ominous financial perspectives
Method and special levy

At the end of December 2012, both the **Method** for adjusting pay and pension and the **special levy** are expiring. While the special levy – which was conceived as a trade-off for adopting a binding method – will certainly be extended under the misnomer " solidarity levy" , the future of the Method for adjusting pay and pension remains uncertain.

Ever since 1981, these two mechanisms have been linked together. However, now it would seem that, in view of the reform of the Staff Regulations, Member States want a non-binding ' method' , in other words a ' method' in name only.

The pending legal dispute

Already in 2009, the Method was finally applied thanks only to a judgment of the Court of Justice, *Commission* v. *Council*, C-40/10. But the Council refused once again to apply the Method in 2011, which triggered once again litigation between the Commission and the Council, made up of three cases, now pending before the Court of Justice. These cases raise new legal issues, which makes a resolution to the dispute unlikely before the end of 2012.

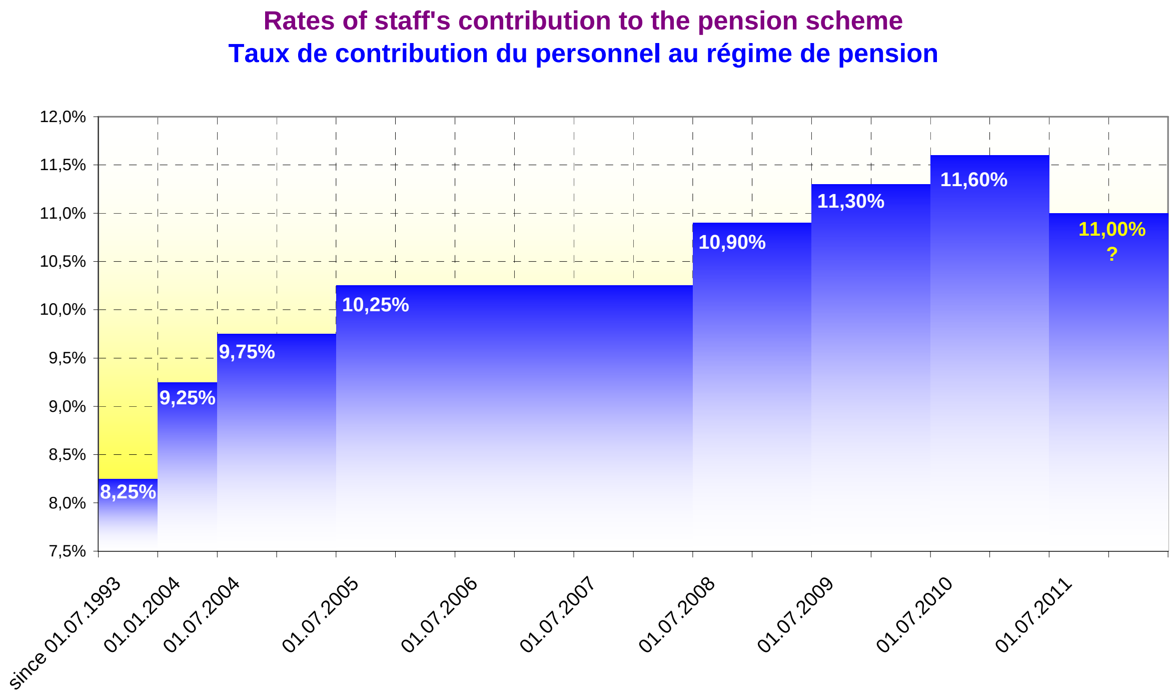


* in accordance with the Method and taking into account the increase of the pension contribution and the special levy

Source: European Commission, DG HR

By way of reminder, since 2004, the staff of the institutions should have lost, by application of the principle of " parallelism" enshrined in the Method, 5.9 % of its purchasing power (see the 1st graphic above). However, by not applying the Method in 2011, this loss reaches 7.6%.

Please note that the above values are calculated on Brussels and take no account whatsoever of the evolution of the cost of living in Luxembourg, which, although not officially calculated by Eurostat itself, is known to be higher than Brussels by 8.5%.



With the same obstinacy, the Council further refuses to adjust our **rate of contribution to our pension scheme**. Indeed, according to calculations made by Eurostat, this rate should have been reduced in 2011 from 11.6% to 11.0% (see 2nd graphic). But the Council was not able to reach the qualified majority required to approve this proposal, nor did it yield to the Commission's call at the pre-litigation stage. So, one more case will be added to the litigation pending before the Court of Justice.

The Council is expected to insist on refusing any adjustment in **2012** too, thus aggravating the erosion of our purchasing power.

Eurostat carries on with its meticulous task, but the calculation of any new adjustment gets complicated by the fact that its starting point is uncertain, as long as the adjustments of previous years are still subject to dispute.

What future for the Method?

Having killed the Method in fact, the Council will seek to make it also formally ineffective **in the reform of the Staff Regulations**. This ongoing reform will depend on the outcome of a much broader discussion on the Multiannual Financial Framework (MFF) 2014-2020. Heading 5 – 'Administration' – is the one which includes, amongst others, staff levels, our pay and pension, as well as European Schools.

A ceiling to this Heading having been set, it will then be left to the reform of the Staff Regulations itself to specify the 'details' of how to implement the savings.

It is premature to foresee the timetable of that further stage, which will be run under the ordinary legislative procedure set up by the Lisbon Treaty. In the meantime, to prevent the special levy from returning to our pockets in January 2013, a Regulation might prove necessary to be voted in fast track procedure, to extend its date of expiry.

The European Council, in its November and December meetings, will have to **adopt these ceilings**, with the consent of the European Parliament. At this occasion, a trilogue (COM – EP – Council) will no doubt be triggered.

Trade unions in all institutions are preparing to face this challenge, before it is too late.

Let us be ready to take action when the word is given!

EPSU-CJ will keep you informed.