EN

Luxembourg, 30.11.2020

Union Syndicale Fédérale
EPSU CJ

Sharing experience
Building solidarity

2020 : The new Method works!

Despite steep recession, the annual update will be +0.7%

The current sanitary crisis has triggered an unprecedented –and unforeseeable– **recession** of the EU economy. According to estimates (7 July 2020) the **GDP** of the EU as a whole will decrease by -8.3% for 2020. And it's likely to be even more.

Had the 2014 Reform of the Staff Regulations not changed the rules on this point, it would have been left to the Member States' discretion to draw the consequences of a "*serious and sudden deterioration in the economic and social situation within the Union*", the way they did for the pay adjustment for 2011 and 2012.

Luckily, in its 2014 version, the **Method** (Annex XI to the Staff Regulations) leaves no room for subjective interpretations on behalf of the institutions.

Establishing moderation and exception clauses, which are entirely automatic and applied by the Commission itself according to fixed parameters, was one of the few good things in the 2014 reform of the Staff Regulations.

GLOSSARY

(Global) **Specific Indicator** (**GSI**) – Changes in the purchasing power of salaries of national civil servants in central government (calculated on a sample of 11 Member States), after deducting the respective country's inflation. For the purposes of this year's update, the UK has been retained in the sample.

GDP – Gross Domestic Product.

Joint Index (JBLI) – Changes in the cost of living in **Belgium** and **Luxembourg**, rate of inflation (or deflation).

The 2014 Reform introduced **two safeguards** (the provisions set out ➢**here**) which are automatically triggered in case the Union economy goes wrong, one excluding the other:

Article 10 – **Moderation clause**

or

Article 11 – **Exception clause**

Both conditions required for applying *Article 11* **are met** ✓, *i.e.*

There *is* a **decrease** in the real Union **GDP** for the current year as forecast by the Commission ↘

and

the **GSI** *is* positive **>0**

The positive **GSI** will be applied according to the following timetable:

Union GDP	*part applied on 1-July-2020*	*second part applied on 1-April-2021*
[-0.1 %; -1 %]	33 %	67 %
[-1 %; -3 %]	0 %	100 %
below -3 %	**0 %**	—

⇨As the decrease is more than -3.0%, the application of the GSI is therefore postponed until cumulative GDP is again positive.

This year's figures

1. The GSI for the reference period is 102.5 (+2.5%). Civil servants in central government in the 11-Member-States sample taken as a whole gained +2.5% in terms of purchasing power.

⇨ However, due to the application of the exception clause, **the GSI is not applied**.

2. The –[economically disputable]– **JBLI** is based on the ratio between active staff in Brussels and Luxembourg, which is

81.2 : 18.8

The respective inflation rates in the two countries were: HICP Belgium 0.7% – CPI Luxembourg 0.3%.

⇨ The **JBLI** (inflation) results in **+0.7%**. This is the only component of the Method which is unaffected by the exception clause; it will apply as normal, as of 1 July 2020.

3. ⇨ Annual update

$$\frac{\overset{100.0}{\cancel{102.5}} \times 100.7}{100} - 100 = \overset{+0.7\%}{+\cancel{3.2}\%}$$

4. Pension contribution rate (PCR) increasing

⇨ With effect from 1 July 2020 as well, our **PCR** is increasing **from 9.7% to 10.1%**.

To maintain the pensions scheme in balance, our contributions must steadily cover ⅓ of our future pension costs. The various financial and demographic assumptions are constantly monitored according to the rules set out in [Annex XII] of the Staff Regulations.

Due to the fact that the observation period of the General Salary Growth (GSG) was extended from 26 to 28 years, the GSG has changed compared to the one used for the previous exercise (-0.1% against -0.2%); this is causing an increase in our PCR.

⇨The average impact on our remuneration of the +0.4% increase of the PCR will be -0.28%.