Union
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Consilium

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The Method in 2020: the exception clause

Joint index (= change in prices, Brussels/Luxembourg):	+0.7%
Specific indicator (= change in purchasing power of national civil servants):	+2.5%
Theoretical update:	+3.2%
Actual update (applying the exception clause):	**+0.7%**
Increase in the pension contribution:	+0.4%
(net average effect:	–0.28%)
Combined effect of net adjustment + pension contribution, on average:	+0.4%

Since 2015, salary and pensions updates have once again been ensuring that our pay develops in parallel with that of civil servants in the Member States. Past data has shown us that this parallel development is broadly in line with inflation in the long term.
This year, however, this parallel development is postponed: owing to the crisis caused by COVID-19, the exception clause applies for the first time. Before 2014, the exception clause left the Council a very wide margin of discretion, which allowed it to significantly reduce the adjustments in 2011 (0.0% instead of +1.7%) and 2012 (+0.8% instead of +1.7%). This clause is now entirely automatic.

Before we explain the details of the 2020 remuneration and pensions update, it is worth noting that the Method was secured following a number of protracted strikes in the 1980s and 90s. Union Syndicale was at the forefront of the fight to secure an automatic method for the adjustment of salaries, whereas the Council and other trade unions argued in favour of an adjustment that would be negotiated on an annual basis.

How does the Method work now?
On the basis of data provided by the Member States and checked by Eurostat, Eurostat draws up a report detailing developments in the purchasing power of civil servants in 11 Member States (= **specific indicator**) and inflation in Belgium and Luxembourg, based on national price indices but taking into account our spending pattern and a staff distribution of around 80% in Belgium and 20% in Luxembourg. Up to 31 December 2020, the United Kingdom is considered as a Member State and continues to be part of the basket. Unless a post-Brexit agreement is reached, only 10 Member States will be taken into account next year. That is not a problem, because these ten States will still represent more than 75% of the Union's GDP, as required under Annex XI of the Staff Regulations.

Once Eurostat has published its report, the Commission takes note of it, informs the other institutions and asks the PMO to modify its IT program accordingly. The new salary scale is then published for information in the C series of the Official Journal around mid-December, at which point we receive our payslips with the new amounts.

What effect will the exception clause have? (for more information, see our previous flyer)
If the Union's GDP is declining and the purchasing power of national civil servants has increased, there are three possible scenarios in which the exception clause applies. If the fall in GDP is less than 1%, only 1/3 of the specific indicator is taken into account for the retroactive update from 1 July, the remaining 2/3 being applied on 1 April of the following year. If the fall in GDP is between 1 and 3%, all of the specific indicator applies only on 1 April of the following year, and if GDP falls by more than 3%, the application of the specific indicator is suspended until the Union's GDP has returned to its previous level. We are in this third scenario now, with a fall of more than 8%. Consequently, the 2020 update will only take into account inflation in Belgium and Luxembourg.

As for the specific indicator which will only be applied at a later date, this year it is +2.5%. What accounts for this very high figure? In all the Member States in the basket, civil servants' real net earnings have increased, considerably in some cases (Poland 7.2% - Austria 5,7% - Italy 4.3%). There was a similar development in the Member States which are not part of the basket.

Between 2011 and 2014 we suffered a loss of purchasing power of more than 12% (while national civil servants lost only 4%), but the automatic nature of the new exception clause means that we will not experience any loss of purchasing power this year (except for the increase in the pension contribution) and that the increase in purchasing power that is denied to us this year will be granted to us in a few years' time.

The +0.7 % update, with retroactive effect from 1 July 2020, should already be incorporated into our pay in December.

Pension contribution rate: 10.1%
Also with effect from 1 July 2020, the rate of contribution to the pension scheme will be increased from 9.7% to 10.1%.

This increase derives from the actuarial assessment of our pension scheme, which makes it possible to determine the rate needed to finance one third of our future pensions, with the other two thirds coming from the general budget.

The salary update applies to the basic salary and most allowances, while the pension contribution is due only on the basic salary. Its net effect therefore varies depending on the situation and will, on average, be a reduction of 0.28 % in total remuneration. The net combined effect of these two adjustments will, on average, be +0.4 % (for colleagues in active employment — our retired colleagues are of course not affected by the increase in the pension contribution) but will vary according to individual situations.

Union Syndicale hopes that this update, although it is modest, and the five months backdated along with it around the middle of December, will help to make the end-of-year holiday as pleasant for you as can be, in the current circumstances.

The Executive Committee

The Union Syndicale Team, at your service

Bernd Frances Michael Mohamed William Félix Gunther Tariq

If you think that we do a useful job, join us, we are stronger together !