Union
Syndicale
Fédérale
Consilium

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COVID-19 and our salaries

Beyond its impact on our health and everyone's morale, the COVID-19 pandemic is also a financial disaster for many. We realise how fortunate we are, as EU staff, to keep our jobs and salaries despite this crisis; however, that does not detract from legitimate concerns colleagues may have about the impact of the crisis on salaries and pensions, particularly those on short-term contracts and/or lower salaries.

In 2009, 2011 and 2012, the financial crisis and its aftermath led the Council to drastically reduce, or even abolish, the adjustment of our remuneration. Will the same happen this time?

Since the 2014 reform, things have changed. As Union Syndicale has repeatedly stated, the only positive element of that reform was the renewal of the Method for adjusting remuneration, which became entirely automatic. As a result the Council no longer has the power to intervene as it once did. However, the Method still contains an exception clause, which should apply for the first time this year, with a negative impact on our salaries.

What exactly will happen?

Our salaries are usually 'updated' each year by a percentage corresponding to:

1) price trends in Brussels and Luxembourg; and
2) trends in the purchasing power of national civil servants ('specific indicator').

The exception clause provides that if there is a decrease in Union GDP of more than 3 %, any positive trend in the purchasing power of national civil servants is not taken into account. Only when Union GDP returns to its previous level will the positive trend be included in a future salary update.

With Union GDP falling sharply this year, by considerably more than 3 %, and the purchasing power of national civil servants increasing, our update will be limited to inflation in Brussels and Luxembourg, meaning a likely adjustment of less than one percent. We would also need to deduct the increase in the pension contribution (+0.4 %), which will have an average effect of decreasing our salaries by 0.28 %. This would therefore represent a slight decrease in purchasing power. For retired staff, pensions will increase exactly in line with inflation.

Further information: what does Annex XI to the Staff Regulations say?

CHAPTER 5
MODERATION AND EXCEPTION CLAUSES

Article 10

The value of the specific indicator used for the annual update shall be subject to an upper limit of 2 % and a lower limit of – 2 %. If the value of the specific indicator exceeds the upper limit or is below the lower limit, then the value of the limit shall be used to calculate the update value.
The first paragraph shall not apply when Article 11 applies.
The remainder of the annual update resulting from the difference between the update value calculated with the specific indicator and the update value calculated with the limit shall be applied as from 1 April of the following year.

Article 11

1. If there is a decrease in the real Union GDP for the current year as forecast by the Commission and the specific indicator is positive, only part of the specific indicator shall be used to calculate the value of the update. The remainder of the update value corresponding to the remainder of the specific indicator shall be applied as from a later date in the following year. That remainder of the update value shall not be taken into account for the purposes of Article 10. The value of the Union GDP, the consequences in terms of split of the specific indicator, and the application date are defined in accordance with the following table:

Union GDP	Consequences on the specific indicator	Date of payment of the second part
[-0,1 %; -1 %]	33 %; 67 %	1 April of year n + 1
[-1 %; -3 %]	0 %; 100 %	1 April of year n + 1
below -3 %	0 %	—

2. Where there is a gap between the forecast mentioned under paragraph 1 and the final data on Union GDP made available by the Commission and those final data would modify the consequences as laid down in the table under paragraph 1, the necessary corrections, including retroactive adjustments, either positive or negative, shall take place in accordance with the same table.
3. Any updated reference amount resulting from a correction shall be published by the Commission within two weeks from the correction in the C series of the *Official Journal of the European Union* for information purposes.
4. When the application of paragraph 1 or 2 has led to the fact that the value of the specific indicator did not serve the update of the remunerations and the pensions, that value shall form the basis of the calculation of a future update once the cumulative increase of the Union GDP measured from the year in which paragraph 1 or 2 was applied becomes positive. In any case the value mentioned in the first sentence shall be subject by analogy to the limits and the principles laid down in Article 10 of this Annex. The evolution of the Union GDP shall be regularly measured by Eurostat for this purpose.
5. If relevant, the legal consequences resulting from the application of Article 10 and this Article shall continue to have full effect even after the date of expiry of this Annex as referred to in Article 15.

As we can see, a slight drop in Union GDP results in all or part of the specific indicator (i.e. trend in the purchasing power of national civil servants) being postponed to 1 April of the following year, if the specific indicator is positive. A larger decrease in GDP means that application of the specific indicator is suspended until GDP recovers.

This year the specific indicator may be higher than 2 %, which would have led to the postponement of part of the update to 1 April 2021 (moderation clause), but this provision does not apply if the exception clause applies, which will be the case.

We also note that the GDP figures used for the annual update (in December) are always provisional. If the actual figures were to be different, a retroactive correction would be made.

When and how will the trend in purchasing power of national civil servants be ‘reintegrated’ into our salaries and pensions?

It will all depend on how the economic situation develops, and in particular what happens to GDP. We should also remember that if GDP drops by 10 % and then increases by 10 %, it does not return to its initial level: 100 – 10 % = 90 and 90 + (10 % of 90) = 99. It will therefore be necessary to take into account not the percentage by which GDP decreases and then increases, but rather the actual value of GDP. And since comparisons will be made with the future GDP of a Union of 27, the GDP figure for 2020 must be taken without the United Kingdom, although it was still a Member State on 1/1/2020.

As for the moderation clause, which will not apply this year, it could be applied when a future update is based on the 2020 specific indicator. If so, part of the update will be postponed to 1 April of the following year.

In conclusion, we can see that this new Method works. We are experiencing an unprecedented crisis which has a negative impact on our salaries, our purchasing power is stagnating and even slightly diminishing (whilst the purchasing power of national civil servants has increased significantly). The two main positives are that the process occurs automatically, without Member States being able to take arbitrary measures, and that, ultimately, our remuneration is still guaranteed to develop in parallel with that of national civil services. In fact, the increase in purchasing power that we will not see this year will be granted in a few years’ time, even if in the meantime another Method has replaced the current one.

So what is the update figure for this year?

The final figure will be announced in the next few weeks, but it is almost certain to be less than 1 %.

The Executive Committee

The Union Syndicale Team, at your service

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