

# COMMISSION OF THE EUROPEAN COMMUNITIES

COM(78) 673 final

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## 1978 COMMISSION REPORT FOR THE ANNUAL REVIEW OF THE REMUNERATIONS OF OFFICIALS AND OTHER SERVANTS

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(submitted to the Council by the Commission)

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Article 65 of the Staff Regulations requires the Council to undertake an annual review of the remunerations of officials and other servants of the Communities on the basis of a report from the Commission.

On 29 June 1976 the Council adopted the calculation method to be followed for this purpose (R/1582/76 (STAT 49 - FIN 414)).

The difference between this method and its predecessor is that there is now only one indicator, the specific indicator that measures changes in the purchasing power of civil servants in the nine Member States. But in addition to this indicator there are a number of items of information and macroeconomic indicators enabling the Statistical Office of the European Communities, in preparing the figures, and the Commission, in preparing its proposal, to decide whether the specific indicator is sufficiently representative of civil service purchasing power trends.

It is also worth underlining the special role entrusted to the Statistical Office by the new method, for the Office is responsible for the statistical analysis of information provided by the Member States and for recommending the Commission to accept them in full or in part only.

I. Cost-of-living trends

The SOEC report (attached, Part A) records trends in the cost-of-living indexes at the various places of employment from 1 July 1977 to 30 June 1978.

Taking 1 July 1977 as 100, the situation in the various countries one year later was as follows (column 1 of the table below):

	Cost of living on 1 July 1978 (1 July 1977 = 100) (1)	Increase given by the Council for the period 1 July 1977 - 31 December 1977 (2)	Remainder to be given for cost of living for the period 1 January 1978 to 30 June 1978 (3)
Belgium	104,1	102,3	101,8
Denmark	110,3 (1)	107,3 (1)	102,4 (1)
Germany	102,9	-	102,9
France	108,3	103,6	104,5
Ireland	106,1 (2)	102,2 (1)(3)	103,2 (1)
Italy	110,3	105,7 (1)	104,4
Netherlands	103,5	102,0	101,5
United Kingdom	109,8	103,7	105,9
Switzerland	101,8	-	101,8
United States	107,4 (1)	102,4 (1)	104,9 (1)
Japan	103,5 (1)	-	102,5 (1)
Canada	109,2 (1)	104,3 (1)	104,7 (1)
Greece	113,6 (1)	106,3 (1)	106,9 (1)
Turkey	160,1	126,8	126,3

(1) National cost-of-living indexes.

(2) May 1977-May 1978.

(3) May 1977-November 1977.

An initial increase for cost of living in the second half of 1977 was given by the Council on 26 June 1978, effective 1 January (column 2).

The increase to be given for cost of living in the first half of 1978 is shown in column 3.

## II. Purchasing power trends from 1 July 1977 to 30 June 1978

### (a) Specific indicator

The SOEC has worked out the trend in civil service remunerations on the basis of information provided by the Member States.

The statistics are to be found in Part B of the attached report.

It will be seen that trends in real terms for each category over the reference period were as follows:

	<u>NET</u>	<u>GROSS</u>
Category A	1,9	0,8
Category B	2,2	0,9
Category C	2,0	1,6
Category D	3,8	2,2
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General average	2,5	1,2

(b) Per capita emoluments and other economic and social indicators

Part C of the attached report sets out broad salary trends in the Community over the reference period and compares:

the movement in real terms of gross domestic product per person employed (2,7%)

with the change in real terms of aggregate per capita incomes (3,1%) and of gross per capita emoluments in general government (2,8%) and in central government (3,2%).

The changeover from the general government earnings indicator to central government earnings was made at the express request of the Council, which incorporated it in its method.

The figures are accompanied by a commentary from the SOEC.

Country-by-country comparison of the (gross real) specific indicator and (gross real) per capita emoluments comes out as follows:

	<u>Specific indicator</u>	<u>Central government per capita emoluments</u>
	<u>gross real</u>	<u>gross real</u>
Belgium	1,2	1,8
Germany	1,8	2,4
France	2,0	4,4
Italy	- 1,0	7,8
Luxembourg	0,1	4,7
Netherlands	3,6	- 1,3
United Kingdom	1,8	- 1,5
Denmark	- 4,3	- 3,7
Ireland	5,6	1,4
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Community	1,2	3,2

III. Proposed rate of increase : Proposal for increase in purchasing power

On the basis of the figures indicated in II above and detailed in Parts B and C of the SOEC report, the Commission proposes a net linear increase of 0,75% plus a flat-rate payment of Bfrs 1 112 for all staff. This would mean increases for Categories A, B, C and D of 1,9%, 2,2%, 3,3% and 3,8% respectively.

IV. Weightings

Incorporation of the cost-of-living increase recorded in Brussels from 1 July 1977 to 30 June 1978 plus a linear 0,75% plus a standard Bfrs 1 112 would bring the weightings for Brussels/Luxembourg back to 100. Weightings for the other places of employment would be adjusted accordingly.

Column 1 of the table below shows weightings based on the IMF par values for 1 January 1965. These would come into operation with effect from 1 July 1978. For information, column 2 shows what the same weightings would be if salaries were converted into Belgian francs on the basis of exchange rates in force on 1 July 1978 rather than 1965 par values.

	Weightings (par values at 1 January 1965)	Weightings (exchange rates at 1 July 1978)
Belgium	100	100
Luxembourg	100	100
Denmark	133,0	106,4
Germany	78,3	98,7
France	123,7	92,2
Ireland	136,7	59,3
Italy	146,8 (1)	74,3 (1)
Netherlands	92,2	97,8
United Kingdom	144,1	62,5
Switzerland	76,3	114,2
USA	131,0	85,4
Canada	132,5 (3)	83,2 (3)
Japan	144,6 (3)	167,5 (3)
Greece	164,6 (4)	87,4 (4)
Turkey	355,5 (2)	85,2 (2)
Spain	-	81,2 (4)
Portugal	-	65,2 (4)
Venezuela	-	107,4 (3)

- (1) Allowing for the proposed 6,4% correction with effect from 1 January 1978.  
 (2) Including 15% for special living conditions.  
 (3) Including 10% for special living conditions.  
 (4) Including 5% for special living conditions.

It should be pointed out that the weightings for three new places of employment (viz Venezuela, Spain, and Portugal) have had to be calculated on the basis of exchange rates in force on 1 July 1978.

For Madrid, the SOEC and the Spanish national statistical institute extrapolated from price surveys conducted in 1975 in Brussels and Madrid in connection with national accounts. In agreement with the Spanish institute cost-of-living index numbers current at the time for the two towns were used for this purpose.

For Lisbon a survey was carried out in early June 1978 in conjunction with the OECD and the Portuguese national statistical institute.

The geographical index numbers produced by these exercises were provisionally increased by 5% to offset special living conditions within the meaning of Article 64 of the Staff Regulations, pending the accession of Spain and Portugal to the Community.

The weighting for Caracas was produced by the SOEC in association with the Central Bank, the agency responsible for statistics in Venezuela. The geographical index number was increased by 10% to offset special living conditions in Caracas.

V. Flat-rate allowances

- (a) In Article 67(1)(a) of the Staff Regulations and Article 1(1) of Annex VII, "Bfrs 2.688" is replaced by "Bfrs 2.869".
- (b) In Article 67(1)(b) and in Article 2(1) of Annex VII, "Bfrs 3.462" is replaced by "Bfrs 3.696".
- (c) In the second sentence of Article 69 and in the last paragraph of Article 4 of Annex VII "Bfrs 6.186" is replaced by "Bfrs 6.603".
- (d) In the first paragraph of Article 3 of Annex VII, "Bfrs 3.093" is replaced by "Bfrs 3.302":
  - the intermediate rate of "Bfrs 1.113" is replaced by "Bfrs 1.189";
  - the intermediate rate of "Bfrs 1.547" is replaced by "Bfrs 1.651".
- (e) The fixed allowance provided for in Article 4a of Annex VII is:
  - Bfrs 1.723 per month for officials in Grades C4 and C5;
  - Bfrs 2.641 per month for officials in Grades C1, C2 and C3.
- (f) The value of the point for calculating the allowance for arduous working conditions is increased from \_\_\_\_\_ to \_\_\_\_\_.

VI . Budgetary implications

The Commission's proposals are within the margin authorized by the budgetary authority (under the heading of remuneration and pensions for staff and other servants in the 1978 Budget) to cover salary and pension adjustments approved by the Council in the course of the year. There will be no need to increase budgetary appropriations.

COMMUNICATION TO THE COUNCIL

1. The Commission would refer to the proposal submitted on 1 April 1977 concerning the introduction of the EJA into the Staff Regulations of Officials and ask that Article 1 of that proposal be amended as follows:

The first two paragraphs of Article 63 are replaced by the following:

"An official's remuneration shall be expressed in Belgian francs. It shall be paid in the currency of the country in which the official performs his duties.

Remuneration paid in a currency other than the Belgian franc shall be calculated by reference to the exchange rates used for implementation of the General Budget of the European Communities on .....

2. The Commission would urge the Council to adopt the above Article and the version of Article 17 of Annex VII emerging from its work on the revision of the Staff Regulations (third series) by the end of the year.

3. In this connection the Commission would ask the Council to make provision for a six-month transitional period for pensioners and recipients of the voluntary retirement allowance whose emoluments are reduced as a result of the updating of exchange rates.

This could be done by expanding the final provision of the abovementioned proposal to read as follows:

"This Regulation shall enter into force on 1 January 1979; it shall take effect on 1 April 1979.

"However, in the case of pensioners and recipients of the voluntary retirement allowance whose net emoluments are reduced by reference to the emoluments received under the present system, the Regulation shall take effect on 1 October 1979.

This Regulation shall be binding in its entirety and directly applicable in all Member States."



ANNEX II

REPORT

of the  
Statistical Office of the European Communities  
on the establishment of the Joint Index  
for 1978

(Article 65 of the Staff Regulations)

Annex II will be distributed separately (see COM(78) 673 final/Annex II)