Personalausschuss
Staff Committee
Le Comité du Personnel

The EPO salary adjustment procedure

President Communiqué on opinion of the Appeals Committee and "reaction" of the Office

2 B€ provision?

President Communiqué of 13 June 2024

- On 7 June 2024, the Appeals Committee delivered its opinion regarding the internal appeals directed against the 2021 salary adjustments
- The Appeals Committee concluded that the application of the Sustainability Clause (Art. 9) goes against the principle of purchasing power parity
- The Office does not share the opinion of the Appeals Committee and will put forward its arguments in the final administrative decisions.
- Legal certainty will only come from the Tribunal (ILOAT)
- The Office will adapt its financial strategy. **This would mean the additional provision of ca. 2 B€ in the Office’s reserves, equivalent to the savings of the Salary Adjustment Method**

What is the Appeals Committee?

- **A paritary body consisting on the present case of an Enlarged Chamber**
  - 1 Chairman member (external employee)
  - 2 members appointed by the President
  - 2 members appointed by the Central Staff Committee (CSC)

  supported by a Secretariat

- **Issues opinions on internal appeals filed by EPO staff**

- **Tribunal’s jurisprudence attributes considerable deference to rational and balanced findings of internal appeals bodies**

Is the President entitled to reject the opinion?

- **Mr Campinos may disagree with an opinion of the Appeals Committee**

  BUT
  when unanimously positive for staff and from the Enlarged Chamber rejecting may be considered to be an abuse of power

  publicly criticising an opinion (without making it available to staff nor appellants) is lack of respect, lack of transparency and lack of fairness

- **Mr Campinos has now rejected unanimously positive opinions for staff on:**
  - Abolition of Invalidity Lump-Sum
  - Changes to contribution rates NPS/SSP for 2018 and 2020
  - Flawed NPS transfer coefficients for period 2010-2017
  - Salary adjustment procedure 2021 (for the year 2020)

- **Repetitive pattern of rejection of any opinion in favour of staff regarding their benefits**

- **Breaks promise of reduction of litigation and amicable settlements**

What is the flaw in the (new) salary adjustment procedure?

- **Underlying methodology**
  - **national inflation in Belgium** (Art. 2, Impl. Rules Art. 64)
  - **power of purchase parities** with respect to Brussels (Art. 4)
    ~ "city based local **inflation**"

  - **specific indicator** for parallelism with evolution of salaries of civil servants of 8 reference countries (BE, FR, DE, IT, LU, NL, SP, UK) (Art. 3)

- **What is purchasing power partity?**
  - A measure of the price of specific goods in different countries and is used to compare the absolute purchasing power of the countries' currencies
  - PPP is effectively the ratio of the price of a basket of goods at one location divided by the price of the basket of goods at a different location."

 ***in Belgium x PPP_Germany*** **=**  ***in Germany***

Source: *Impl. Rules Art. 64*

What is the flaw in the (new) salary adjustment procedure?

- **Sustainability "cut" clause (Campinos reform of 2020)**
  - EPO overall growth in salary mass (DE, NL, BE, AT) limited to Eurozone inflation + 0,2% (Art. 9(1))
  - if increase exceeds limit, adjustments reduced in the same proportion (Art. 9(3))
  - e.g. for 2020, Eurozone inflation at 0.3% setting cap at 0.5%

Country	Number of employees	Underlying methodology	Reduced adjustment
AT	84	2.73%	**0.36%**
BE	4	1.80%	**0.24%**
DE	3820	3.78%	**0.50%**
NL	2574	3.81%	**0.50%**

EPO overall growth

= weighted_avg(84:**0.36%**)(4:**0.24%**)(3820:**0.50%**)(2574:**0.50%**)

= (84****0.36%**+4****0.24%**+3820****0.50%**+2574****0.50%**)/(84+4+3820+2574) = +0.5%

Source: *Impl. Rules Art. 64, CA/71/21 par. 20, 25, 30*

What is the flaw in the (new) salary adjustment procedure?

- Implementation on an employee in Germany at G-8(1)

  For the purchasing power parity to be respected the condition is

Basic salary in Belgium G-8(1) x PPP_Germany = Basic salary in Germany G-8(1)

6.041,35 € x 1,1170 6.636,80 €

6.748,19 € > 6.636,80 €

- There is a difference of **-111,39 €** every month

What is the flaw in the (new) salary adjustment procedure?

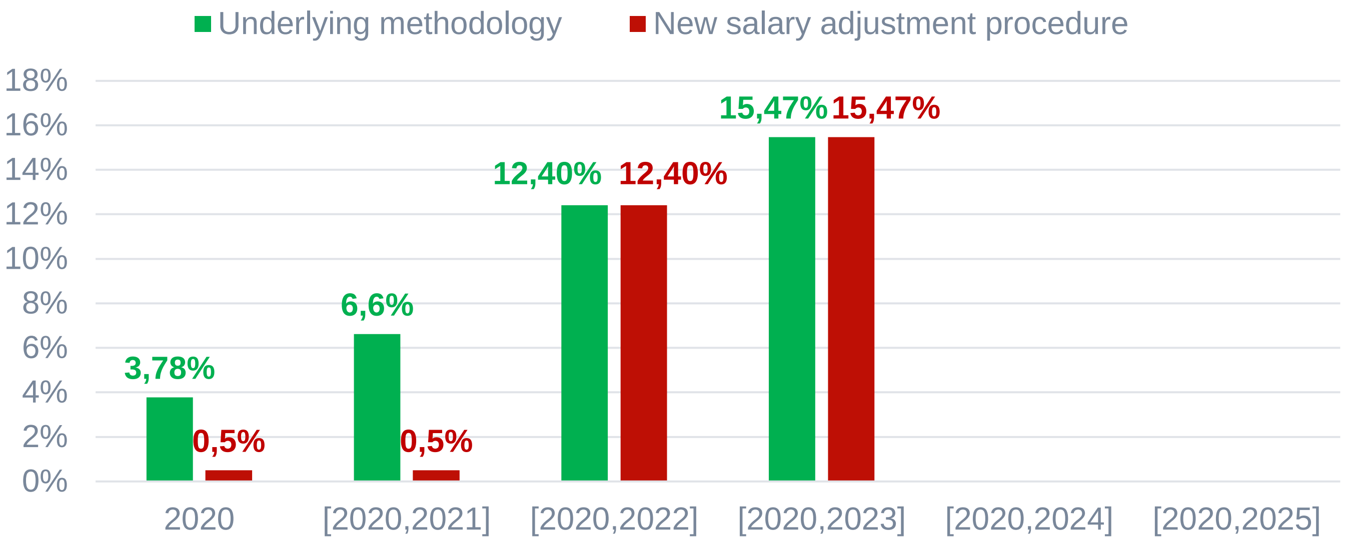
- Implementation on an employee in Germany at G-8(1)

  1. The purchasing power parity is **NOT** respected
  2. Employee at G8(1) in Germany has a **lower purchasing power** than an employee at G-8(1) in Belgium (issue of unequal treatment)
  3. A prejudice of **-111,35 €** materializes every month

- **The Appeals Committee confirmed the purchasing power parity is NOT respected**
- **Staff representation and SUEPO have been claiming this since 2020**
- **Mr Campinos never listened**

How much is needed to correct the flaw? (1/3)

- Comparing **German salary scales** <u>over 6 year application period</u>

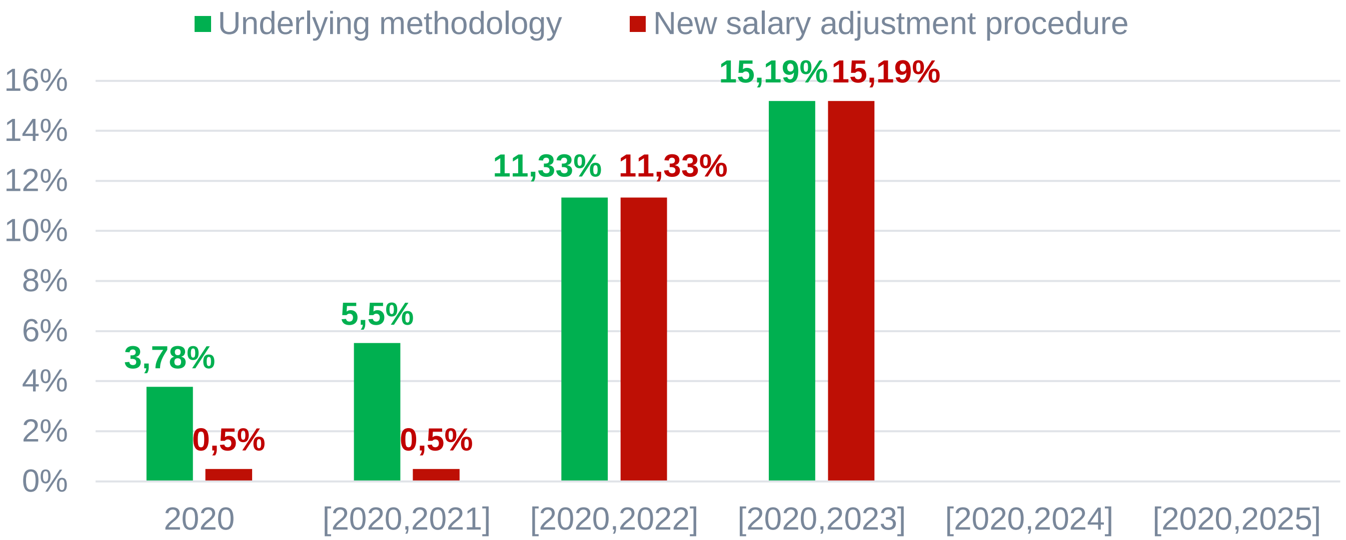


- Until now, the salary grids are as they would have been if the old salary adjustment procedure had been applied
- It is the speed to arrive at these scales which was impacted

Source: *Underlying methodology (2020: +3.78%, 2021: +2.74%, 2022: +5.42%, 2023: +2,73%), New SAP (2020: +0.5%, 2021: +0%, 2022: +11.87%, 2023: +2,73%)*

How much is needed to correct the flaw? (2/3)

- Comparing **overall growth of salary mass** <u>over 6 year application period</u>

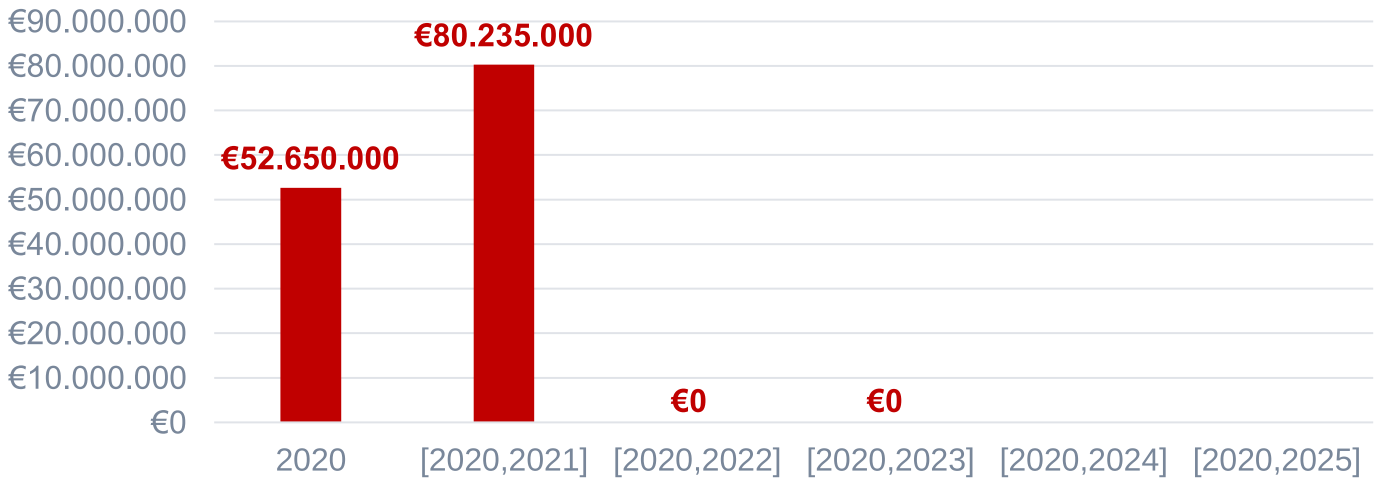


- Until now, overall growth of salary mass is the same as it would have been if the old salary adjustment procedure had been applied
- It is the speed to arrive at this growth which was impacted

Source: *Underlying methodology (2020: +3.78%, 2021: +1.68%, 2022: +5.50%, 2023: +3,47%), New SAP (2020: +0.5%, 2021: +0%, 2022: +10.76%, 2023: +3,47%)*

How much is needed to correct the flaw? (3/3)

- Cut in salary mass over 6 year application period

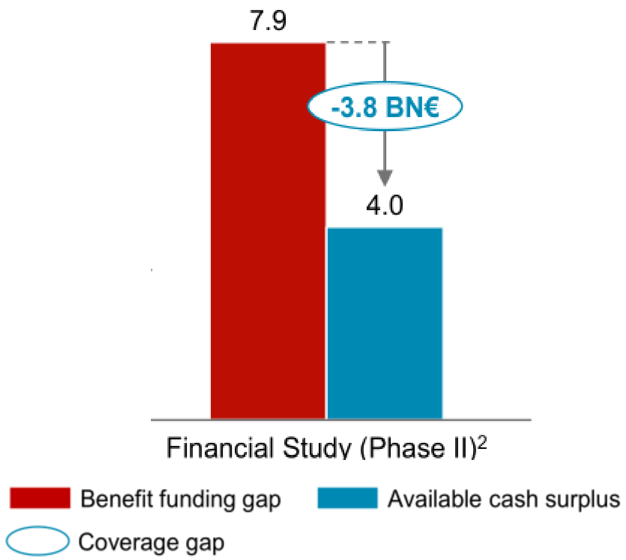


- **Staff should be given back ca. 133 M€** (vs EPO budget surplus was 480 M€ in 2023)
- **Mr Campinos can afford to serve justice to EPO staff**

Why does Mr Campinos allege 2,0 B€ provisions?

- **Financial Study 2020 of Oliver Wyman & Mercer (CA/83/19 + CA/84/19)**
  - selected **Base 2 scenario** with deflation risks until 2038: coverage gap of **3,8 B€**
  - added on top an arbitrary **2,0 B€** buffer

  Total: **5,8 B€**



- **Bundle of measures for period 2020-2038 (CA/18/20)**
  - Measure 1 "Salary Adjustment Procedure" with expected savings = **2,0 B€** affecting staff and pensioners

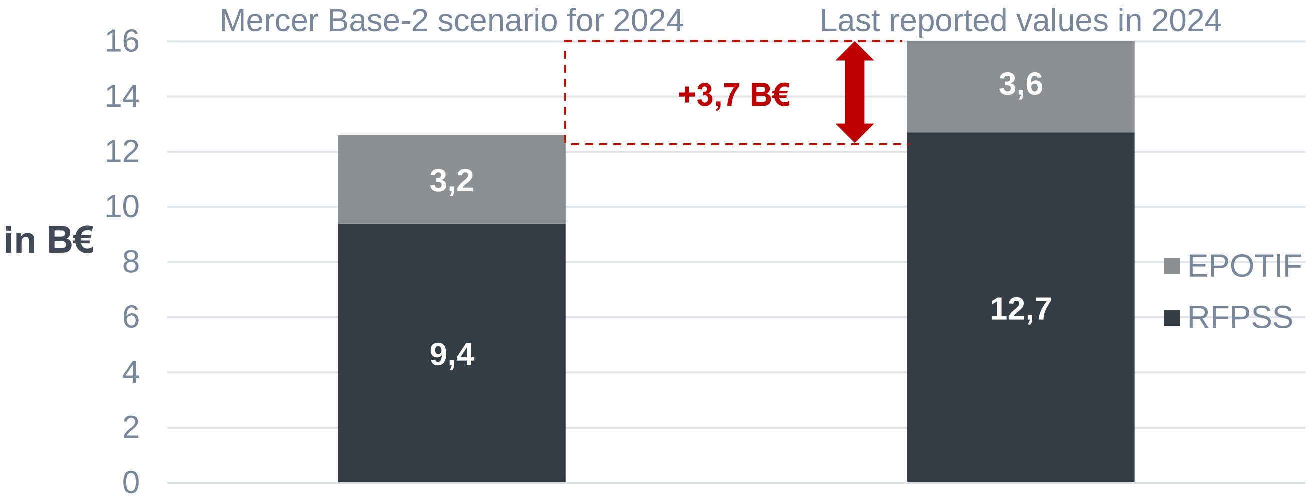
The 2,0 B€ expected savings actually correspond to the arbitrary buffer

An "invention" from Mr Campinos in 2020 without financial basis

Financial Study 2020: Wrong and outdated

- **Deflation risks did not materialize: inflation with increased interest rates**

- **How are EPO funds doing?**



+3,7 B€ more in EPO funds (RFPSS+EPOTIF) than Base-2 scenario

Source: *CA/83/19 p. 93/237 EU-HICP 14,8% actualised since 2018, Reported values Q1 2024 (RFPSS/SB 19/24 p. 3/20, CA/F 11/24 p. 3/204)*

Conclusion

- Communiqué shifts blame on appellants instead of acknowledging responsibility
- It is not in the interest of the Organization to have more years of application of a flawed salary adjustment procedure
- No financial justification
- Mr Campinos should have listened to staff representation, SUEPO trade union and experts in salary adjustments in International Organisations
- Social dialogue is not working at the EPO (e.g. NWoW)
- **Legal challenge would not be possible without fees paid by SUEPO members**
- Appeals Committee opinion opens the way for EPO staff to have a salary adjustment procedure which keeps up with the standards of International Organizations

Thanks for your attention!