

General Consultative Committee

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Administrative Council

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Conseil d'administration

Number:

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TITLE:

Review report of the salary adjustment procedure established in 2020

SUBJECT:

Review report on salary adjustment method foreseen in Article 12(1) of the Implementing Rule for Article 64 of the Service Regulations

SUBMITTED BY:

President of the European Patent Office

ADDRESSEES:

1. Administrative Council (for information)
2. Budget and Finance Committee (for information)

MAJORITY:

N/A

LEGAL BASIS:

Article 64 of the Service Regulations and the Implementing Rule for Article 64

RECOMMENDATION:

The Administrative Council is invited to take note of the review of the salary adjustment method

SUMMARY:

The EPO's salary adjustment method is periodically reviewed since its adoption. The last reform took place in 2020 (CA/D 4/20) introducing the sustainability clause, which limits overall salary growth at a maximum of Eurozone inflation +0.2% spread, as well as carry-forward mechanisms and periodical settlements. While staff-related costs account for about 85% of total EPO's operating expenses, which is expected for international organisations that mainly provide services, the retained approach aimed at ensuring financial sustainability, cost predictability, and fairness across duty stations, while remaining an attractive employer.

Over the 2021–2026 period, the 2020 method stabilized staff costs and strengthened long-term financial sustainability. The sustainability clause effectively moderated salary growth:

- over the six years of implementation, average salary increases remained about -0.2% below Eurozone inflation.

- over twenty years period, and as forecasted in the financial study 2019, a reduction of long-term liabilities of EUR 2.0 billion by 2038 is expected,
- in addition, a cumulative cash impact of minus EUR 120 million has been observed on salaries and allowances over the six years of implementation of the method.

At the same time, the method allowed to regularly increase salaries and pensions by an average of 3.2% a year.

This report presents in detail the drivers of the adjustments results, their impact on long term sustainability as well as purchasing power and attractiveness of the Office. It also describes the challenges met in the implementation.

Based on this review, the Office will propose orientations for discussions in March 2026 on the future salary adjustment method, with the aim to adopt the future methodology in June 2026.

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PART I

1. Introduction

1. In accordance with Article 12(1) of the Implementing Rule for Article 64 of the Service Regulations, the current salary adjustment procedure adopted in 2020 is subject to a comprehensive review six years after its implementation. *“After the present procedure has been in operation for six years, the President will undertake a full review of its results. This review will take account of the EPO’s recruitment needs, the competitiveness of its salaries, the overall financial situation of the Organisation, in particular in view of its long-term sustainability, and any difficulties encountered in applying the procedure. The impact of the procedure, including the sustainability clause, on purchasing power will also be examined.”*

2. Arguments**2.1 History of the Salary Adjustment Method****2.1.1 Evolution of the Salary Adjustment Method**

2. The annual review of salaries payable to employees of the European Patent Office has historically been governed by the procedure adopted by the Administrative Council (CA/D 20/88¹). Under the historical methodology, the calculations are based on the HICP of referent salary scales (initially Germany, and as of 1996 Belgium scale only), a composite indicator representing the real evolution of civil servants’ salaries, and an indicator aiming at ensuring convergence of purchasing power between the different scales.
3. Initially, the underlying methodology was made of the base scale of Germany, adjusted by the Consumer Price Index (CPI) and the Specific Indicator. Purchasing Power Parities coefficients were applied to determine the basic salary for other countries than Germany. The salary adjustment method was revised in 1996 (CA/D 4/96) replacing Germany with Belgium as the reference country. Subsequent modifications were made in 2002 (CA/D 8/02²). In 2014 (CA/D 3/14) the Harmonized Index of Consumer Prices (HICP) substituted the International Price Index (CPI) and introduces several new mechanisms such as a moderation clause, exception clause and nominal guarantee clause. Most recently, in June 2020 (CA/D 4/20), the moderation clause was replaced by a sustainability clause which capped the overall growth in the basic salary mass resulting from the salary adjustment procedure to annual Eurozone inflation³ +0.2% spread. To that end, the growth in the basic salary mass is calculated by reference to the increase by site, weighted to reflect the distribution of employees per site as at 1 July of the calculation year. Furthermore, retroactive adjustments were abolished and the date of the application was aligned with the calendar year and is applied with effect from 1 January of the application year.

¹ In 1988, Article 9 was added which adopted additional interim adjustment should any of the cost of living of Member States increases the 2% threshold over the 6-months period.

² In 2002, Article 5 was added which aligned the EPO’s salary scales more tightly to those of the European Communities.

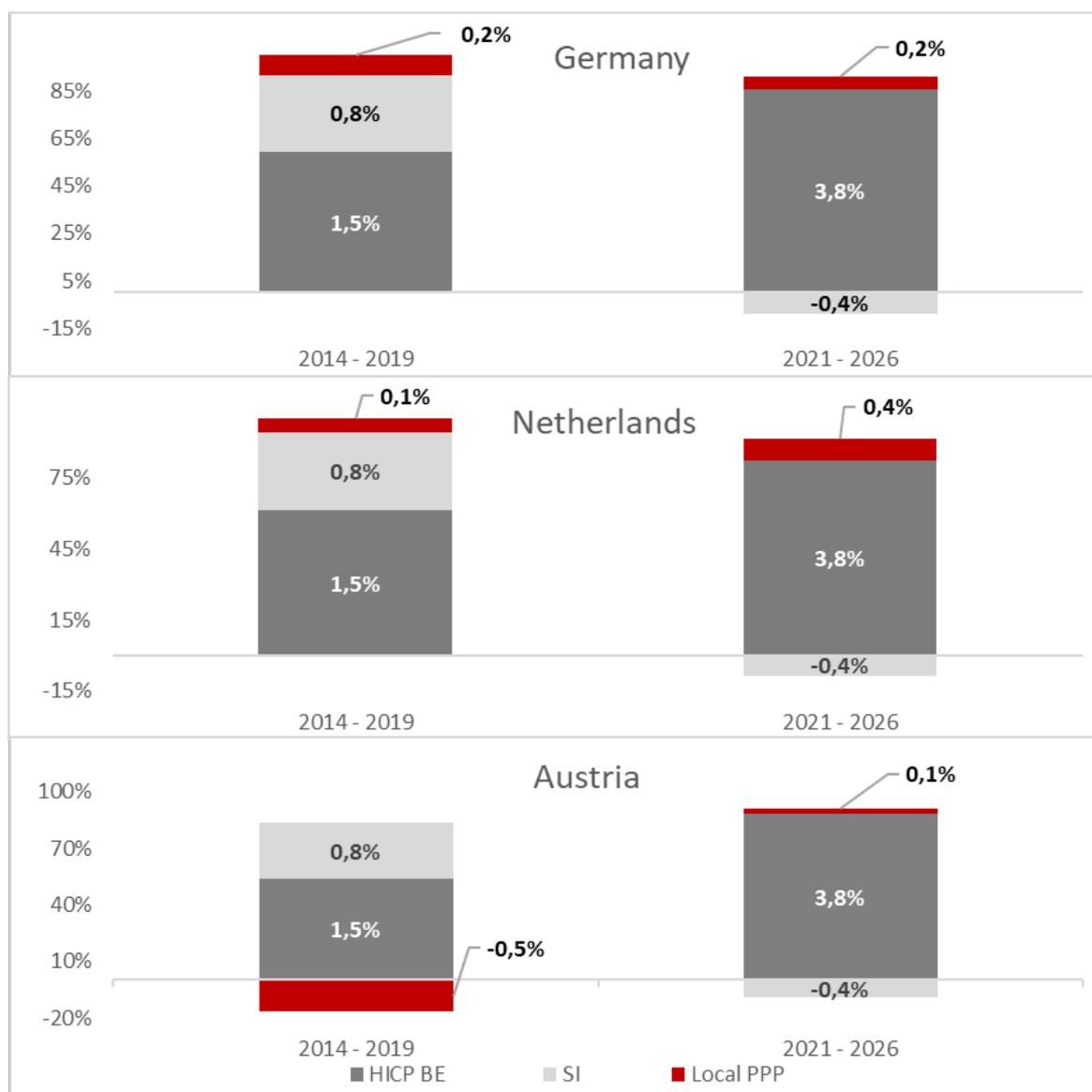
³ Eurozone inflation is provided by ISRP for the key date 1st July of the calculation year. Measures price changes on an annual basis.

4. In line with Article 12(1) of the Implementing Rule for Article 64 of the Service Regulations, each salary adjustment method includes a comprehensive review after six years of application. This review must assess the financial situation of the Office and the sustainability of the method, the competitiveness of salaries and recruitment needs, any implementation difficulties, as well as the impact of the procedure (including the sustainability clause) on purchasing power.
5. Following Article 12(2) of the Implementing Rule for Article 64 of the Service Regulations, “*where appropriate, the President may propose changes to secure long-term financial sustainability and to correct differentials in purchasing power*”. Proposals for a future methodology will be discussed and presented for adoption in the first semester 2026.

2.1.2 Historical impact of each component of the method

6. The historical impact of each of the components of the salary adjustment method is illustrated in Graph 1. Over the long term, inflation (Belgium serves as the reference for the pace of inflation in Europe) has been the main driver of the salary development, accounting for more than 80% of the salary evolution. The other elements yield more volatile impact. The graph below reflects the impact of the sustainability clause introduced in 2021.

Graph 1: Historical drivers of average yearly salary progression of the underlying method⁴



Source: EPO

2.1.3 Adoption of the 2020 Salary Adjustment Method

7. The review of the method in 2020 was based on the outcomes of the 2019 Financial Study (CA/19/20, para. 50). The study concluded that continuing with the method applied in 2014-2019, assuming an average adjustment of inflation +0.5% spread would aggravate the financial gap. The 2019 Financial Study identified levers to reduce the long-term coverage gap. In 2020, the Administrative Council adopted a bundle of six measures, one of which was to contain salary increases to Eurozone inflation +0.2% instead of +0.5% spread.

⁴ Sustainability clause was only introduced in 2021.

8. This finding carried particular weight given the EPO cost structure. As a self-financed organisation, the EPO bears operating costs largely driven by its social obligations. Staff-related expenses including salaries, pensions, allowances and benefits account for about 85% of the total operating costs.
9. Against this background, the methodology adopted in 2020 aimed at ensuring the financial sustainability, reducing volatility of the results and proposing technical simplifications (CA/19/20, para. 51). The revised framework introduced some key features:
- Global cap (sustainability clause): A ceiling on salary adjustments, limiting the growth to Eurozone +0.2% spread. At adoption, the impact of measure was estimated to EUR 2 billion in reduction of long-term liabilities, if applied over twenty years.
 - Cross-location solidarity: A mechanism to ensure that, in the years when salary adjustments are below the cap, the forgone increases are redistributed to supplement salary adjustments in a balanced way across duty stations.
 - Periodical settlement: A provision which provides for the proportional distribution among employees of any remaining positive adjustment after three years' application, i.e. at mid-cycle.
 - Continuation of measures introduced in 2014: The nominal guarantee and the exception clause.
10. These specific clauses were designed under the assumption of a stable and predictable economic environment. The exception clause and the nominal guarantee were meant to apply only in rare circumstances, while the sustainability cap was expected to be applied regularly. A cash settlement mechanism was also foreseen as a compensation for any adjustment remainder above the cap after a three-year cycle. However, the six years of application of the method were marked by strong volatility and reversed economic trends. A sharp GDP contraction in 2020, triggered the exception clause and resulted in no adjustment in 2022, followed by a high inflation as of 2022.

2.1.4 Impact of the 2020 Salary Adjustment Method

11. As a self-financed organisation, the EPO must carefully control its costs. The yearly salary adjustment which applies on salaries, pensions and benefits constitutes a major lever in enabling the EPO to meet its future obligations through careful cost management. Given that staff-related costs represent around 85% of total expenditure, the containment effect of the sustainability clause has been central to improving the long-term coverage gap.
12. Since its implementation in 2021, the method has contributed to containing staff costs in a highly volatile economic environment. Over the six-year application period of the salary adjustment method, the sustainability clause resulted in cumulative cash impact of minus EUR 120 million on salaries and allowances, when compared with the outcomes of the underlying methodology. The salary growth was kept -0.2% below Eurozone inflation as the method behaved as expected by capping salary increases.

13. Taken together, these features not only stabilised staff costs and ensured fairness but also strengthened the EPO's long-term financial position. The 2019 Financial Study projected that, by 2038, the adoption of the current method would generate a reduction of long-term liabilities of around EUR 2 billion compared with the underlying methodology. After six years of implementation of the method, this assessment is still valid.
14. Beyond its financial effects, the method was also designed in line with the principles of proportionality, fairness and shared effort. The sustainability clause acted as a solidarity mechanism between duty stations, while the nominal guarantee protected staff from negative adjustments.

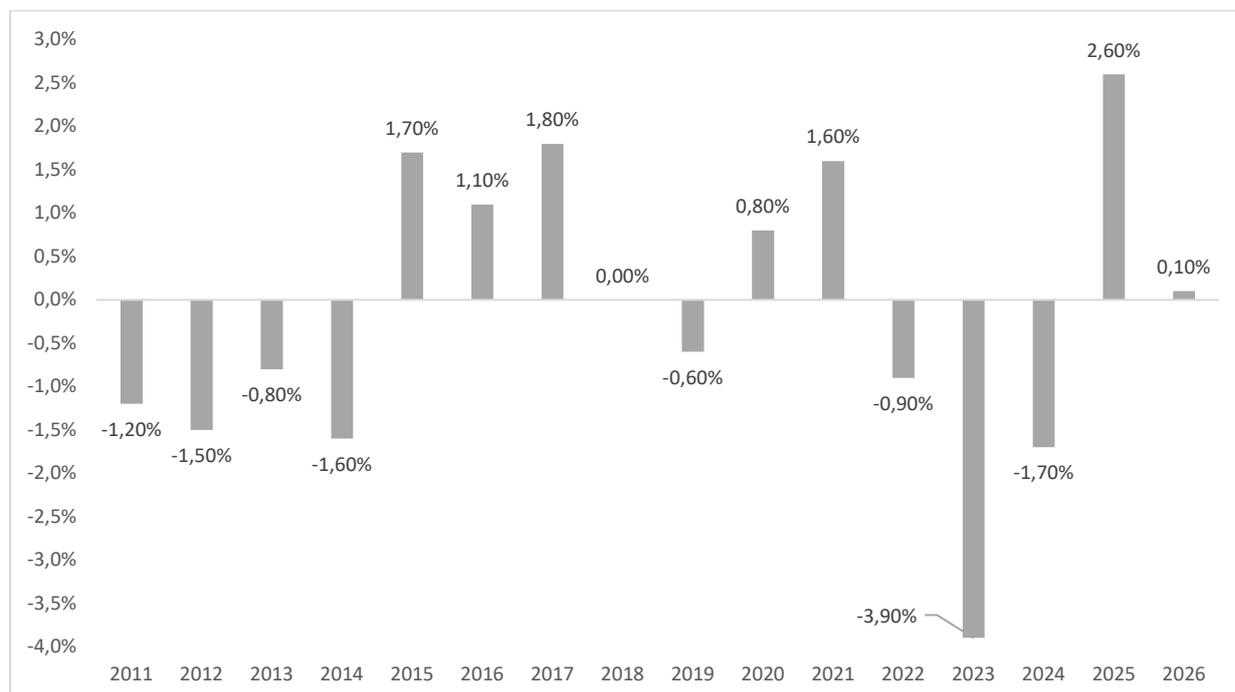
2.2 Analysis of the results of the application of the salary adjustment method 2021 - 2026

15. In the next sections, an analysis of the indices and results over the last six years is made. The figures shown in this document are rounded to one decimal place.

2.2.1 Evolution of the EPO specific indicator (SI)

16. The specific indicator has historically been volatile. This pronounced volatility over the last sixteen years is illustrated in the graph below.

Graph 2: Historical annual development of the SI



Source: EPO

17. Since 2020, the magnitude of annual fluctuations in the Specific Indicator has become increasingly pronounced. The amplitude of both upward and downward variations has widened compared to previous periods, reflecting the heightened volatility of national civil service salary adjustments in the reference countries. This growing volatility illustrates the stronger sensitivity of the indicator to sudden macroeconomic changes, such as the post-pandemic recovery and subsequent inflationary shocks, leading to more significant year-on-year variations than observed under previous cycles.
18. As shown in the table below, the average real annual adjustment of national civil servants over the period 2021 – 2026 is -0.4% below the cost-of-living adjustments. On a cumulative basis, the total salary adjustment of the civil servants in the eight reference countries is -2.3% below cost-of-living adjustments in the period.

Table 1: Specific indicator applicable in 2021–2026

| Application Year ⁵ | Annual | Cumulative:2020=1 |
|-------------------------------|-------------|-------------------|
| 2020 | | 100.0 |
| 2021 | 101.6 | 101.6 |
| 2022 | 99.1 | 100.7 |
| 2023 | 96.1 | 96.8 |
| 2024 | 98.3 | 95.1 |
| 2025 | 102.6 | 97.6 |
| 2026 | 100.1 | 97.7 |
| Average 2021-2026 | 99.6 | |

Source: EPO

19. Over the period of 2023 and 2024, a stronger decline of the SI is observed. That is primarily due to elevated inflation level during that period, resulting in real wage increases below inflation. This trend was mainly due to the aftereffect impact of the COVID-19 pandemic, further intensified by the broader macroeconomic environment.

2.2.2 Evolution of Belgian inflation (HICP BE)

20. Belgian inflation is used in the salary adjustment method as a measure of inflation.
21. The table below compares the Belgian inflation with national inflation in the EPO's host countries (Germany, the Netherlands and Austria).

⁵ For the purpose of presentation, the indices presented are in a year in which the salary adjustment were applied. The indices are otherwise calculated for the key date 1 July of the previous year.

Table 2: Belgian inflation and EPO Host Countries' inflation 2021–2026

| Application Year | HICP (BE) | HICP (DE) | HICP (NL) | HICP (AT) |
|------------------|-------------|-------------|-------------|-------------|
| 2021 | 0.2% | 0.8% | 1.7% | 1.1% |
| 2022 | 2.6% | 2.1% | 1.7% | 2.8% |
| 2023 | 10.5% | 8.2% | 9.9% | 8.7% |
| 2024 | 1.6% | 6.8% | 6.4% | 7.8% |
| 2025 | 5.4% | 2.5% | 3.4% | 3.1% |
| 2026 | 2.9% | 2.0% | 2.8% | 3.2% |
| Geometric mean: | 3.8% | 3.7% | 4.3% | 4.4% |

Source: EPO

22. The Belgian inflation shows, on average, a 3.8% increase over the six years of implementation of the method. In application year 2023, inflation in Belgium hit a record high over the last six years as mentioned before.
23. Over the last cycle Belgian inflation was on average slightly higher than German and lower than Dutch and Austrian inflation.

2.2.3 Evolution of the purchasing power parity coefficients (PPP)

24. The table below shows the evolution of the PPPs, as provided by ISRP.

Table 3: PPPs 2021-2026

| Application year | DE | <i>Evolution</i> | NL | <i>Evolution</i> | AT | <i>Evolution</i> |
|------------------|--------------|------------------|--------------|------------------|--------------|------------------|
| 2021 | 1.117 | 1.9% | 1.119 | 2.0% | 1.063 | 0.9% |
| 2022 | 1.129 | 1.0% | 1.101 | -1.6% | 1.086 | 2.1% |
| 2023 | 1.121 | -0.7% | 1.095 | -0.6% | 1.085 | -0.1% |
| 2024 | 1.153 | 2.9% | 1.147 | 4.8% | 1.123 | 3.5% |
| 2025 | 1.120 | -2.9% | 1.104 | -3.7% | 1.045 | -7.0% |
| 2026 | 1.112 | -0.7% | 1.126 | 1.9% | 1.060 | 1.5% |
| Average | 1.125 | 0.24% | 1.115 | 0.42% | 1.077 | 0.11% |

Source: ISRP

25. Over the last six years, the average PPP for Germany was 1.125, for the Netherlands 1.115, for Austria 1.077 and for Belgium 1 (country of reference). This means that for every EUR 1 000 needed in Brussels, EUR 1 125 on average over the last six years are needed in Germany to purchase the same basket of goods and services. The average change in PPP coefficients was of 0.3% for Germany, 0.4% for Netherlands and 0.1% for Austria.

26. In 2024, PPP coefficients appeared unusually high due to significantly higher inflation in Germany, the Netherlands, and Austria compared to Belgium. This was partly because Belgium had already experienced its inflation peak in the previous year, followed by a decline, while inflation in neighbouring countries remained elevated for a longer period. As a result, prices in those countries increased more sharply relative to Belgium in that period, which was reflected in the higher PPP coefficients. Additionally, methodological updates to PPPs in 2025 — including revised consumer spending weights, refreshed product lists, and improved price data collection — were introduced to reflect actual consumption patterns. These changes also contributed to the correction of PPP coefficients, bringing them back closer to typical levels and limiting the increase in spending due to inflation seen particularly in countries other than Belgium.

2.2.4 Sustainability clause (Eurozone inflation +0.2% spread limit)

27. The sustainability clause, approved by the Administrative Council under decision CA/D 4/20, limits the overall growth of the basic salary mass to Eurozone inflation plus a spread of 0.2%.

28. To put the country comparisons into perspective, it is worth recalling the distribution of active staff across duty stations. As at mid-2025, 3 683 employees are based in Germany, 2 448 in the Netherlands, 68 in Austria, and 3 in Belgium. This distribution means that over 99% of the EPO workforce is located in Germany and the Netherlands, which together largely determine the weighted average adjustment used under the salary adjustment method.

29. The table below presents Eurozone inflation, the sustainability cap and the weighted average of salary adjustments before application of the exception clause.

Table 4: Eurozone cap and sustainability clause

| Application year | Eurozone Inflation (calculation year) ⁶ | Sustainability Cap | Weighted average salary adjustment |
|------------------------|--|--------------------|------------------------------------|
| 2021 | 100.3 | 100.5 | 100.5 |
| 2022 | 101.9 | 102.1 | 102.1 |
| 2023 | 108.6 | 108.8 | 108.5 |
| 2024 | 105.5 | 105.7 | 103.5 |
| 2025 | 102.5 | 102.7 | 102.7 |
| 2026 | 102.0 | 102.2 | 102.2 |
| Geometric mean: | 103.4 | 103.6 | 103.2 |

Source: ISRP and EPO

30. After six years of operation, the average salary adjustment is -0.2% below Eurozone inflation (3.4%), and -0.4% below the sustainability cap (3.6%). This is explained by the fact that the cap constitutes a maximum increase, not a guaranteed outcome: applied results in 2024 (with calculation date 01-07-2023) were -2% below inflation.

31. The table below shows the calculated results of salary adjustments per country after sustainability clause (and before exception clause and nominal guarantee).

⁶ Eurozone inflation is measured as of 1 July of the year in which the calculation is made.

Table 5: Annual calculated adjustments by country – after application of the sustainability clause (before nominal guarantee and exception clauses)

| Application year | BE | DE | NL | AT |
|------------------|-------------|-------------|-------------|-------------|
| 2021 | 0.2% | 0.5% | 0.5% | 0.4% |
| 2022 | 1.0% | 2.8% | 1.1% | 2.9% |
| 2023 | 8.5% | 8.8% | 7.9% | 9.6% |
| 2024 | -0.1% | 2.7% | 4.6% | 3.4% |
| 2025 | 4.7% | 2.9% | 2.4% | 0.4% |
| 2026 | 3.3% | 1.2% | 3.7% | 1.6% |
| Average | 2.9% | 3.1% | 3.3% | 3.0% |

Source: EPO

32. The application of the sustainability clause had a containment impact on the salary scales of active staff and pensioners in 2021, 2022 and 2025, where the growth of salary mass was limited to Eurozone inflation +0.2% spread. The carry-forward mechanism was applied in 2023 and in 2026: in 2023, the carry-forward adjustments were fully reinjected and exhausted in the salary scales, while in 2026 only partially. However, in both years, the reinjection in the scales limited the resulting global salary increases at the cap of Eurozone inflation +0.2%.
33. As the positive adjustments exceeding the sustainability cap in 2021 and 2022 were carried forward in accordance with the method and subsequently fully incorporated in the salary adjustment result of 2023 (last year of the 3-year cycle), no periodical settlement became due at the end of the first three-year cycle. As a result, the salary scales in force on 1 January 2023 corresponded to those that would have applied under the underlying methodology.
34. Following the results of the salary adjustment calculation for 2026, a periodical settlement will become due in 2027. It will be paid out as a lump sum amounting to 1.71% on average of the basic salaries and allowances received in 2025 and 1.66% of those received in 2026.

2.2.5 Exception clause

35. The below table shows the evolution of the GDP of the Contracting States, expressed in million euros.

Table 6: Nominal GDP and Real GDP growth over 2018 - 2024

| Application year | Nominal GDP | | Real GDP growth |
|------------------|-----------------|----------------|-----------------|
| 2021 | GDP 2018 | GDP 2019 | GDP 2019 |
| | EUR 17 632 824 | EUR 18 224 974 | +1.5% |
| 2022 | GDP 2019 | GDP 2020 | GDP 2020 |
| | EUR 18 351 6707 | EUR 17 485 613 | -5.9% |
| 2023 | GDP 2020 | GDP 2021 | GDP 2021 |
| | EUR 17 520 038 | EUR 19 062 214 | +5.8% |
| 2024 | GDP 2021 | GDP 2022 | GDP 2022 |
| | EUR 19 139 108 | EUR 21 098 484 | +3.6% |
| 2025 | GDP 2022 | GDP 2023 | GDP 2023 |
| | EUR 21 360 645 | EUR 22 665 180 | +0.6% |
| 2026 | GDP 2023 | GDP 2024 | GDP 2024 |
| | EUR 22 850 993 | EUR 24 080 965 | +1.2% |

Source: Eurostat and National statistical offices

36. The exception clause was triggered in the 2021 calculation year as the real GDP of the EPO's Contracting States for the year 2020 decreased by -5.9% compared to 2019. The applied salary adjustment results in 2022 were postponed leading to no increase for that year.
37. The application of the salary adjustment percentages was postponed until the GDP had recovered its nominal 2019 level (EUR 18 351 670 million). Since the nominal GDP in 2021 (EUR 19 062 214 million) exceeded the 2019 level, the previously postponed adjustment was applied along with the regular salary adjustment results in 2023.

2.2.6 Nominal guarantee

38. Over the course of the six-year adjustment cycle, the nominal guarantee mechanism has been applied to several salary scales. However, only a subset of these scales is actively used to pay out salaries, pensions, and allowances, as there are no active staff or pensioners⁸ in the other countries where the nominal guarantee also applies. The below table shows the countries under the nominal guarantee over the period and the headcount of affected actives or pensioners in parentheses.

⁷ The figures for GDP are shown as displayed by Eurostat in the year of calculation. These figures are refined over a long period and can therefore be slightly amended in subsequent years.

⁸ Currently, about 14% of all pensioners are being paid based on a different salary scale than the EPO 4 duty stations. This represents 9 additional salary scales.

Table 7: Salary scale (employees and pensioners) affected by the nominal guarantee

| Application year | Salary/Pension scales | Education benefits ⁹ |
|------------------|--|---------------------------------|
| 2021 | Switzerland (34) | Switzerland, Slovakia |
| 2022 | Switzerland (34) | N/A |
| 2023 | Switzerland (34) | N/A |
| 2024 | Belgium (6), Switzerland (37), Denmark (15) | N/A |
| 2025 | Switzerland (36), Italy (5) | N/A |
| 2026 | Switzerland (38), Italy (5), Finland (5) | N/A |

Source: EPO

2.2.7 Comparison of results

- **Applied results in comparison to underlying methodology**

39. The table below shows the results of the applied adjustments (after sustainability clause, exception clause and nominal guarantee) in comparison with the underlying methodology. On average the applied results were -0.5% below the results of the underlying methodology.

Table 8: Comparison of applied results and underlying methodology at EPO level for the six-year period

| Application year | EPO | |
|--------------------|-------------------|-----------------|
| | Underlying method | Applied results |
| 2021 | 3.8% | 0.5% |
| 2022 ¹⁰ | 0.0% | 0.0% |
| 2023 | 7.3% | 10.8% |
| 2024 | 3.5% | 3.5% |
| 2025 | 4.6% | 2.7% |
| 2026 | 3.4% | 2.2% |
| 6-year average | 3.7% | 3.2% |

Source: EPO

⁹ In 2021, there was an education benefits reform (CA/7/21) and since then, the education benefits are no more paid from a salary scale.

¹⁰ 0% is applied in year 2022 due to the exception clause.

Table 9: Comparison of applied results and underlying methodology per country for the six-year period

| Application year | DE | | NL | | AT | |
|--------------------|-------------------|-----------------|-------------------|-----------------|-------------------|-----------------|
| | Underlying method | Applied results | Underlying method | Applied results | Underlying method | Applied results |
| 2021 | 3.8% | 0.5% | 3.8% | 0.5% | 2.7% | 0.4% |
| 2022 ¹¹ | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 2023 | 8.3% | 11.8% | 5.6% | 9.1% | 10.2% | 12.8% |
| 2024 | 2.7% | 2.7% | 4.6% | 4.6% | 3.4% | 3.4% |
| 2025 | 5.0% | 2.9% | 4.2% | 2.4% | 0.6% | 0.4% |
| 2026 | 2.3% | 1.2% | 5.0% | 3.7% | 4.5% | 1.6% |
| 6-year average | 3.7% | 3.1% | 3.8% | 3.3% | 3.5% | 3.0% |

Source: EPO

- **Applied results in comparison with inflation**

40. The table below shows the salary adjustment results evolution over the local inflation of Germany and the Netherlands on a six-year span.

Table 10: Comparison of applied results and local inflation

| | | 2008-2013 (6 years) | 2014-2019 (6 years) | 2021-2026 (6 years) |
|------------------------------|----|------------------------|------------------------|------------------------|
| | | Average | Average | Average |
| EPO Adjustment Results | DE | 2.5% | 2.5% | 3.1% |
| | NL | 1.8% | 2.4% | 3.3% |
| | AT | 2.3% | 1.8% | 3.0% |
| | BE | 2.2% | 2.2% | 2.9% |
| Inflation (HICP) | DE | 1.7% | 1.1% | 3.7% |
| | NL | 2.0% | 1.0% | 4.3% |
| | AT | 2.3% | 1.5% | 4.4% |
| | BE | 2.4% | 1.4% | 3.8% |
| Difference | DE | 0.7% | 1.4% | -0.6% |
| | NL | -0.2% | 1.4% | -1.0% |
| | AT | 0.0% | 0.3% | -1.4% |
| | BE | -0.2% | 0.8% | -0.9% |

Source: EPO calculations, Eurostat

¹¹ 0% is applied in year 2022 due to the exception clause.

41. After the six-year cycle of the current salary adjustment method applied in 2021-2026 (with application of sustainability clause), the adjustment of Germany is on average -0.6% below inflation of Germany, and the adjustment of the Netherlands is -1.0% below inflation of the Netherlands. The previous methodology applied from 2014-2019 (including a moderation of the local results around local inflation), brought on average 1.4% above inflation for Germany and the Netherlands, and the methodology applied in 2008-2013 (only the underlying method) brought on average +0.7% above inflation for Germany and -0.2% below inflation for the Netherlands.
42. It means that any method may bring differential of purchasing power between countries, when compared to local inflation, because purchasing power parity coefficients are not directly linked to local inflation, and the final results also depend on the other factors of the method.

▪ **Applied results in comparison to Contracting States**

43. A comparison between the nominal salary increases of our 8 reference countries, which constitute the Specific Indicator, is shown in Table 10 below. The nominal increases in member states have varied significantly, reflecting country specific economic and political circumstances.

Table 11: Comparison of increases in Contracting States

| Applicati on year | DE | ES | FR | IT | NL | BE | LUX | UK | Weighted average | EPO |
|----------------------------|------|------|------|-------|-------|------|------|------|---------------------|-------|
| 2021 | 2.7% | 2.6% | 0.1% | 0.0% | 1.0% | 2.0% | 2.3% | 1.9% | 1.6% | 0.5% |
| 2022 | 1.4% | 2.3% | 1.2% | 0.0% | 1.2% | 0.0% | 0.0% | 1.9% | 1.0% | 0.0% |
| 2023 | 1.6% | 1.3% | 7.4% | 11.9% | 7.9% | 8.1% | 5.0% | 0.9% | 5.5% | 10.8% |
| 2024 | 0.7% | 3.7% | 3.5% | 0.0% | 4.2% | 6.2% | 4.8% | 3.5% | 3.3% | 3.5% |
| 2025 | 8.5% | 3.6% | 2.2% | 0.1% | 12.0% | 3.9% | 4.3% | 6.3% | 5.1% | 2.7% |
| 2026 | 3.1% | 2.9% | 1.1% | 7.1% | -0.1% | 2.2% | 4.3% | 4.1% | 2.7% | 2.2% |
| Average over 6 years | 3.0% | 2.7% | 2.6% | 3.1% | 4.3% | 3.7% | 3.4% | 3.1% | 3.2% | 3.2% |

Source: ISRP & EPO

44. The table below compares EPO's salary adjustments scales with the corresponding increases in Germany's and the Netherland's civil services over the last six years.

Table 12: Comparison of applied results and increases in Contracting States in Germany and the Netherlands

| Application year | DE National Civil Servants | DE EPO | NL National Civil Servants | NL EPO |
|----------------------|----------------------------|--------|----------------------------|--------|
| 2021 | 2.7% | 0.5% | 1.0% | 0.5% |
| 2022 | 1.4% | 0.0% | 1.2% | 0.0% |
| 2023 | 1.6% | 11.9% | 7.9% | 9.1% |
| 2024 | 0.7% | 2.7% | 4.2% | 4.6% |
| 2025 | 8.5% | 2.9% | 12.0% | 2.4% |
| 2026 | 3.1% ¹² | 1.2% | -0.1% | 3.7% |
| Average over 6 years | 3.0% | 3.1% | 4.3% | 3.3% |

Source: ISRP & EPO

45. When comparing EPO results with those of national civil servants, the evolution in Germany shows a close alignment: over the six-year period, EPO salary adjustments (+3.1% on average) are broadly comparable to those granted to German civil servants (+3.0%). In contrast, in the Netherlands, EPO salary growth (+3.3%) has remained approximately -1% below that of Dutch civil servants (+4.3%).

▪ **Applied results in comparison to other International Organisations¹³**

46. The following tables summarise the overall adjustments since the entry into force of the current method and compares the results with the equivalent results of the European Union (EU)¹⁴ and the Co-ordinated Organisations (COs) in the three hosting countries.

Table 13: Comparison of results and increases in COs and EU in Germany

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2021–2026 |
|------------|------|------|-------|------|------|------|-----------|
| EPO | 0.5% | 0.0% | 11.9% | 2.7% | 2.9% | 1.2% | 3.1% |
| COs | 4.2% | 3.8% | 7.5% | 3.5% | 2.7% | 2.9% | 4.1% |
| EU | 4.0% | 1.4% | 5.9% | 5.5% | 6.4% | xx% | 4.6% |

Source: EPO, ISRP & EUROSTAT

Table 14: Comparison of applied results and increases in COs and EU in The Netherlands

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2021–2026 |
|------------|------|-------|------|------|------|------|-----------|
| EPO | 0.5% | 0.0% | 9.1% | 4.6% | 2.4% | 3.7% | 3.3% |
| COs | 4.2% | 1.8% | 7.7% | 3.1% | 3.6% | 3.7% | 4.0% |
| EU | 2.9% | -0.3% | 5.5% | 7.1% | 5.5% | xx% | 4.1% |

Source: EPO, ISRP & EUROSTAT

¹² This percentage includes the salary adjustment adopted retroactively for German civil servants for the period of reference.

¹³ Some of the Coordinated Organisations may not apply the full result based on their specific affordability clauses.

¹⁴ At the time of writing this report, the 2026 EU results were not available.

Table 15: Comparison of applied results and increases in COs and EU in Austria

| | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2021–2026 |
|------------|------|------|-------|------|------|------|-----------|
| EPO | 0.4% | 0.0% | 12.8% | 3.4% | 0.4% | 1.6% | 3.0% |
| COs | 3.1% | 2.9% | 6.9% | 4.4% | 0.0% | 4.1% | 3.6% |
| EU | 2.5% | 3.4% | 6.2% | 5.7% | 2.1% | xx% | 4.0% |

Source: EPO, ISRP & EUROSTAT

47. Across the three host countries, EPO's salary adjustments have on average remained below the adjustments in the EU and the COs. This pattern reflects the application of the sustainability clause and the effects of the different EPO's clauses.

2.2.8 Financial impact

48. Since its implementation in 2021, the salary adjustment method has effectively contributed to containing staff-related costs in a highly volatile macro-economic environment. Over the six-year application period (2021 – 2026), the sustainability clause yielded cumulative cash impact of approximately minus EUR 120 million on salaries and allowances when compared with the outcome of the underlying methodology. In the same period, the average salary growth was kept about -0.2% below Eurozone inflation, demonstrating that the method has been effective in limiting the overall salary increases.

49. After six years of implementation, the salary adjustment method adopted in 2020 is projected to generate a long-term favourable financial impact of EUR 2.0 billion provided that the cap is maintained at the same level. This reduction in long-term liabilities comes directly from the cap set under the sustainability clause. Smoothing mechanisms of the method (carry-forward and periodical settlement, as well as nominal guarantee) do not alter the currently expected long term financial impact, as long as the cap is maintained at this level.

50. Taken together, these results confirm that the salary adjustment method has played a decisive role in strengthening the Office's long-term financial sustainability.

2.2.9 Technical challenges and drawbacks

51. As explained above, the current salary adjustment procedure foresees, on top of the historical underlying methodology (which is based on scale of reference with Belgium, the specific indicator and PPP coefficients) additional mechanisms at different stages of the procedure which may be triggered or not each year depending on that year's macroeconomic conditions: sustainability clause, carry-forward mechanism, exception clause, and nominal guarantee. While each of these mechanisms serves a specific purpose and contributes to maintaining a balance between financial sustainability, convergence with economic reality in Europe and preservation of purchasing power, their concomitant application results in a sophisticated system that is complex to communicate.

52. Specifically, over six years, the underlying methodology (articles 2 to 4 of Implementing Rule for Article 64) was applied only once (in 2024) in its original form without the need to trigger any of the above mechanisms. By contrast the other five years the initial results of the underlying methodology were either capped under the sustainability clause, leading to a reduction of the scales (in 2021, 2022, 2025), or conversely were increased under the carry-forward mechanism (2023, 2026). Furthermore, in 2022, the exception clause was also triggered by a strong negative GDP in Contracting States, so the results were both reduced under the sustainability clause but also postponed to a year where the GDP would resume to the level it had before the economic drop. It resulted indeed in a postponement by one year.
53. The Office reported each year in detail on these results and on the process behind them. However, the constant comparison of the initial results of the underlying methodology with the final ones after application of the various clauses, is an additional factor of complexity both for the calculation and for the communication.
54. Another technical challenge arises from the interaction between site-specific adjustments based on PPP coefficients and the proportional application of the sustainability clause across duty stations. Although the method remains consistent in its logic and application, this redistributive mechanism has been challenged by staff representatives.
55. Finally, as the 2020 salary adjustment method was designed to guarantee an upper limit to the growth of salaries and pensions compatible with the long-term sustainability of the Office, it has been subject to litigation by active staff and pensioners: since its implementation, more than 1,300 individual appeals have been filed against the method (including over 1,000 by staff and more than 300 by pensioners). The two main litigation points are the sustainability clause and the non-application to pensioners of the periodical settlement.

2.2.10 Recruitment

56. Article 12(1) of the Implementing Rule for Article 64 of the Service Regulations requires that EPO's recruitment needs and the salary competitiveness be considered during the periodic review of the procedure.
57. During the period 2020-2024, there was no observed decrease in the number of candidacies per vacancy notice for job at the EPO. On the contrary, the EPO proved to be more and more attractive, ranked among the best places to work by local media.
58. This positive perception is confirmed by recruitment data: the EPO has maintained strong attractiveness, with a steadily increasing number of job applications and a growing average number of applications per vacancy. In 2020, the EPO received 6 319 applications: this number rose to 8 204 in 2022, then to 12 933 in 2024. The trend was particularly visible in 2024, when the number of examiner applications rose by 46% compared to 2023. The average number of applications per vacancy also increased significantly: from 118 in 2020 to 249 in 2024 (a 211% increase).

59. In parallel, staff turnover remained very low, confirming the Organisation's ability to retain staff once recruited. The proportion of leavers has remained below 0.5%¹⁵ each year:

Table 16: Staff retention

| Year | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Resignation only | 26 | 10 | 30 | 19 | 21 | 16 |
| Headcount year end | 6403 | 6261 | 6172 | 6118 | 6049 | 5971 |
| % resignations | 0,41% | 0.16% | 0.49% | 0.31% | 0.35% | 0.27% |

Source: EPO

60. These turnover rates confirm that the current salary method has no impact on the attractiveness of the EPO. The combination of motivating job contents, competitive employment conditions, predictable remuneration levels, as well as a comprehensive social package continues to ensure both attraction and stability of the EPO workforce.

3. Documents cited

61. Article 12(1) of the Implementing Rule for Article 64 of the Service Regulations; Article 64 of the Service Regulations; CA/19/20; CA/D 20/88; CA/D 3/14; CA/D 4/20; CA/D 8/02.

¹⁵ Excluding retirements and Young Professionals