European Patent Office | 80298 MUNICH | GERMANY

Mr António Campinos
President of the EPO

ISAR – Room 1081

European Patent Office
80298 Munich
Germany

Central Staff Committee
Comité central du personnel
Zentraler Personalausschuss

Tel. +49 -89-2399 - 4355
+43 -1-52126 - 305
+49 -30-25901 - 800
+31 -70-340 - 2028

centralSTCOM@epo.org

OPEN LETTER

Reference: sc20054cl – 0.3.1/4.2.2

Date: 27.03.2020

Review of the salary adjustment procedure, here: 4th draft proposal

Dear Mr President,

Please find in the attachment the fourth draft proposal for a salary adjustment procedure by the Central Staff Committee. Explanations on the proposed changes are as well attached, as announced in the video conference of the GCC SSPR on 25 March 2020.

This last video conference of the GCC SSPR followed the pattern we have observed for months now. The Central Staff Committee made further concessions which are far reaching, and yet another proposal. Your team did not move an inch. Instead, they piled a few more attacks on the salary adjustment procedure, which add to the already fundamentally flawed mechanism proposed by the Office. Referring to one of your favourite metaphors, we note that we have fully crossed the bridge while you firmly stay on your side, or even move away from us.

We have no indication that during the whole “consultation” process our comments and proposal were honestly taken into account by the administration.

We also note that the method proposed by your team does not address the base 2 scenario. It will not have any effect on the salary mass growth during a crisis. It will only cut the purchasing power in scenarios where the Office can afford to appropriately adjust the salaries. Statements by your team often are unsubstantiated allegations as they cannot be derived from past data. The Contracting States are currently increasing the debt at a pace far beyond what we have seen during financial crises. It is inconceivable that they would use this money for increasing civil servants’ salaries, as it would not contribute to overcoming a crisis.

European Patent Office
Grasserstraße 9
80339 Munich
Germany

www.epo.org

You had committed to incorporate the aspect of reversibility, but it is not included in your proposed method for the whole duration of the method, i.e. 6 years. Our method includes a full reversibility to a standard adjustment procedure at the end of the procedure.

Is this how we should understand the middle of the bridge in future?

We are now in a situation where you need to arbitrate between two proposals. Both proposals will achieve your aim, which is to limit the progression of the salary evolution in the coming years.

However there are fundamental differences between the two proposals.

Our proposal

1. has an immediate effect on long term liabilities since it immediately reduces the salary adjustments for a limited time;
2. strictly respects the equality of purchasing power, at all times and under all circumstances, by using data provided by Eurostat and ISRP;
3. does not entail legal risk as it treats all groups of staff equally; we are ready to defend it in front of staff and are confident that we can achieve it;
4. follows economic cycles underlying the base 2 scenario;
5. preserves the essence of the salary adjustment procedure.

Your proposal

1. will not have any impact during the emerging recession;
2. violates the principle of equality of purchasing power from the first application;
3. includes a poorly designed, overly complex and opaque mechanism to carry forward salary adjustments and turn them partly into unspecified bonuses[1] to pay to different groups of staff differently in an unclear and controversial way, with parameters such as recruitment and promotion policy entering into an incomprehensible and arbitrary equation;
4. constitutes a constant and continuous cutting mechanism independent of all parameters relevant to salary adjustments;
5. bears legal risks and will not stand in front of the tribunal, since it is not adapted for salary

[1] In view of recent experience, for example on the arbitrary and opaque implementation of the career system to the benefit of some top managers (e.g. introducing functional allowances for the Chief officers) and the few lucky, or the way the cash injections to the SSP have been designed by top management to their own benefit, there is a strong suspicion that an unclear and undefined mechanism in the salary adjustment procedure will again be used to unlawfully divert what should be a universal pensionable salary into massive cash transfers mainly to the benefit of top managers.

	adjustment in an international organisation; 6. will systematically erode purchasing power mainly during expansive economic cycles and therefore does not even qualify as a salary adjustment procedure but as a salary erosion procedure with a huge negative effect also on the pensions; 7. is not good for the EPOs competitiveness; 8. is unacceptable for staff.
It is therefore fit for purpose.	**It is therefore not fit for purpose.**

We urge you, before opting for one or the other, to have both yours and our proposal tested by expert statisticians, be they from Eurostat or ISRP or even the Advisory Group on Remuneration (the wise men), under your own direct supervision or Ms Simon' supervision. In order to have a neutral eye on both proposals, it is important that the opinion by the experts named above is gathered by you and Ms Simon and not by the departments that have chosen the consultants, organised the financial study and that also designed your proposal while organising a fig-leaf consultation.

During the meeting it was reported to us that you do not want to adapt your time framework, not even in the middle of a terrible pandemic. We regret this all the more since we have offered a solution to you that would allow you to have it decided by the October Council and therefore broadly keep your timeline without any legal risk, while allowing more time for a good faith consultation.

The EPO's staff has made great efforts in recent years, especially now during the Coronavirus pandemic, where they produce whilst working under difficult conditions. Nevertheless you want to proceed as if nothing had happened and introduce a salary adjustment procedure that continuously cuts the purchasing power of those colleagues that worked and still work hard to the benefit of the Office.

Be it as it may, should you choose for the June Council, please consider that our proposal does not involve any testing of any kind since it follows the accepted principles and data provided by Eurostat and ISRP. Furthermore, our proposal demands the same implementation and administrative work as before, and the department within the EPO dealing with the salary adjustment method can simply proceed with their administrative work as before. No further investment (time, resources and costs) for administrating a completely new salary adjustment procedure is needed.

We very much doubt, though, that the same can be said of the proposal of your advisors. We expect a lot of practical difficulties with it. At administrative and implementation level new procedures have to be created and adapted. In other words, it would be easier and safer, in all aspects, to go on with our proposal.

Even if the consultation has been so far very poorly conducted due to the overwhelming weight of a flawed study prepared and manipulated even before you arrived at the EPO, it is still time to come to an agreed solution with us. Such a solution would give meaning to the hitherto abused expression "*social dialogue*", demonstrating that it means something to you also in difficult times and on difficult subjects and not only during a chat around a coffee table.

Last night we came across the videos which you have prepared with your consultants, in which they also describe our proposals, in a way, though, that is neither correct nor respectful. During the meeting they confirmed that some proposals did have a great financial impact. Telling the contrary in the video is simply dishonest both from them and from you. We would be happy to have a debate with yourself, your team and your consultants in front of staff on the merits of your proposals and ours including our last one, which is attached to the current letter.

We sincerely hope that you will choose the path of true social dialogue.

Yours sincerely,

Michael Sampels

Michael Sampels
Acting Chairman of the Central Staff Committee

Annex

1. 4th draft proposal for a salary adjustment procedure by the Central Staff Committee
2. Explanations on some proposed changes

Annex 1: 4th draft proposal for a salary adjustment procedure by the Central Staff Committee

IMPLEMENTING RULE FOR ARTICLE 64 OF THE SERVICE REGULATIONS FOR PERMANENT AND OTHER EMPLOYEES OF THE EUROPEAN PATENT OFFICE

PROCEDURE FOR ADJUSTING THE REMUNERATION OF PERMANENT EMPLOYEES OF THE EUROPEAN PATENT OFFICE, APPLICABLE WITH EFFECT FROM 1 JANUARY 2021

CHAPTER I GENERAL PROVISIONS

Article 1

Adjustment timetable

(1) The levels of the basic salaries and allowances set out in Annex III to the Service Regulations are adjusted each year, with effect from 1 ~~July~~ January, in accordance with the provisions of Chapter II of the present procedure and on the basis of a proposal drawn up by the President of the Office after consulting the General Consultative Committee.

(2) The annual adjustment proposal shall be submitted to the Administrative Council for approval at its meeting in December of the year in question. An estimate of the cost of the proposed adjustments, together with the scales concerned, is submitted to the Budget and Finance Committee at its autumn meeting, if they are available in time.

(3) Before submitting his proposal, the President obtains confirmation from independent experts, appointed by him, that it is consistent with the provisions of this rule.

(4) The amounts of the daily subsistence allowance set out in Annex V to the Service Regulations and of the kilometric allowance referred to in Article 79 of the Service Regulations are adjusted by applying the arithmetic average rate of annual salary adjustment for Austria, Germany and the Netherlands to those in place.

CHAPTER II

ANNUAL ADJUSTMENT OF THE BASIC SALARIES AND ALLOWANCES SET OUT IN ANNEX III TO THE SERVICE REGULATIONS

Article 2

Annual adjustment of the reference scale~~s~~ ~~for:~~ Belgium

(1) With effect from 1 ~~July~~ January, the basic salary scale and allowance amounts set out in Annex III to the Service Regulations and applicable for Belgium are adjusted by a percentage corresponding to the Harmonised Index of Consumer Prices calculated for that country, corrected by the index for remuneration trends in the central government services of the reference countries ("specific indicator"), calculated in accordance with the procedure described in Article 3.

(2) This percentage adjustment is applied to the basic salary scale and allowance amounts in force as at 1 ~~July~~ January of the ~~previous~~ current year.

Article 3

Calculating the specific indicator

(1) The central government services of the following eight countries are taken as a reference: Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom.

(2) The specific indicator is obtained by performing the following operations:

(a) Establishing correspondence between the grades at each of the reference national administrations and those at the EPO.

(b) Calculating, for each of these grades and for each of two marital situations ("unmarried" and "married with two dependent children"), the gross maximum and minimum monthly remuneration as at 1 July of the adjustment year and as at 1 July of the previous year. This calculation takes account of all elements making up the remuneration paid to national civil servants. Any one-off payments made during the year are converted into corresponding monthly amounts.

(c) Calculating, for each of these grades and for each of the above marital situations, the net maximum and minimum monthly remuneration as at the two comparison dates. This is done by deducting, from gross remuneration, compulsory social security contributions (sickness, death, invalidity and long-term care insurance, pension scheme) and the income tax levied by the central government authority, calculated without taking non-automatic personal allowances into account.

(d) Neutralising the effect of double-counting of variations in specific compulsory deductions from the salaries of officials in the national civil services, if the same compulsory deductions are also made to EPO staff salaries, in accordance with instructions set out in the Annex.

Deductions from national civil service salaries for benefits not granted to staff of the EPO shall not be taken into account.

(e)~~(d)~~ Calculating, for each of these grades and for each of the above marital situations, the real-term trend indices for maximum and minimum remuneration. This is done by deflating the net remuneration trend indices by the national Harmonised Index of Consumer Prices over the 12-month period preceding the date of the annual adjustment (1 July).

(f)~~(e)~~ Determining for each of these grades and for each of the above marital situations, the average real-term trend indices per grade. This is done by calculating the arithmetical mean of the real-term trend indices for maximum and minimum remuneration calculated under (e)~~(d)~~.

(g)~~(f)~~ Determining an average trend index per grade. This is done by applying to the average real-term trend indices, calculated under (f)~~(e)~~, weightings of 0.3 and 0.7 respectively for the marital situations "unmarried" and "married with two dependent children".

(h)~~(g)~~ Determining an average trend index per reference country. This is done by weighting the grade indices, obtained under (g)~~(f)~~, by the grade distribution of staff in the central government services of the country concerned.

(i)~~(h)~~ Determining the average overall trend index (or "specific indicator"). This is done by applying the following coefficients to the country indices obtained under (h)~~(g)~~:

Belgium: ~~7.0~~ 7.1%

France: ~~16.3~~ 16.0%

Germany: ~~19.8~~ 21.1%

Italy: ~~15.0~~ 14.3%

Luxembourg: ~~5.2~~ 5.3%

Netherlands: ~~8.2~~ 8.5%

Spain: ~~11.9~~ 11.7%

United Kingdom: ~~16.6~~ 16.0%

(3) The national remuneration data used for the calculations described in paragraph 2 are those supplied by the national governments for the European Communities and the Co-ordinated Organisations.

Article 4

Determining the scales for countries other than Belgium

To obtain the basic salary scales and allowance amounts applicable in a member state other than Belgium, the new basic salary scales and allowance amounts applicable in Belgium are multiplied by the purchasing power parity coefficient relating to the country concerned and calculated with reference to Brussels in accordance with the provisions of Chapter III.

CHAPTER III

INTERIM ADJUSTMENTS

Article 5

(1) Within the reference period, each time that the relevant consumer price index in a country, as indicated in Article 6, shows an increase over three consecutive months of more than 6%, the President of the Office shall recommend that the Administrative Council provide for a special adjustment of remuneration. The first of the three consecutive months shall fall within the reference period.

(2) Each time the threshold of 6% is exceeded, the special adjustment shall be equivalent to the threshold, i.e. 6%. Any special adjustment shall take effect the month following the first month when the threshold is exceeded.

(3) The 6% threshold is measured as from the preceding 1 July or, if a special adjustment has already been granted during this period, as from the date of effect of this special adjustment.

(4) Any special adjustment granted during the reference period used for the calculation of the annual adjustment at 1 July shall be deducted from this annual adjustment.

CHAPTER IV

CONSUMER PRICE INDICES, COEFFICIENTS OF PURCHASING POWER PARITY AND DOUBLE COUNTING

Article 6

(1) The Harmonised Index of Consumer Prices for Belgium referred to in Article 2 and the purchasing power parity coefficients referred to in Article 4 are calculated by the International Service for Remunerations and Pensions in collaboration with the Statistical Office of the European Communities in accordance with the methodology approved by the decision-making bodies of the European Union after consulting national statisticians.

(2) The national price indices referred to in Article 3(2)(e) correspond to the Harmonised Index of Consumer Prices calculated by the Statistical Office of the European Communities.

(3) The double-counting effect is determined by the International Service for Remunerations and Pensions in accordance with the provisions of Article 3(2)(d).

CHAPTER V

PROVISIONAL ADJUSTMENTS AND POSSIBLE CORRECTIONS

Article 7~~6~~

Provisional adjustments

(1) Should the civil services of some reference countries not forward the information required under Article 3(3) in time for the President to submit his adjustment proposals in accordance with Articles 2 to 4, the President submits to the Administrative Council a provisional adjustment proposal based on the information available to him.

~~(2)~~ As soon as he is able to do so, the President submits to the Administrative Council a definitive adjustment proposal in accordance with Articles 2 to 4. This definitive adjustment takes effect on 1 ~~July~~ January of the year following that during ~~for~~ which it is calculated.

Article 8~~7~~

Data corrections

(1) If there was a mistake in the data used to calculate an adjustment ~~have to be corrected retroactively~~, the President, with the agreement of the independent experts referred to in Article 1(3), ~~may modify~~ modifies retroactively as appropriate the salary scales in force and submits them to the next meeting of the Administrative Council for approval.

(2) Paragraph (1) shall be applicable to payments made to staff in the administrative statuses provided for in Article 39 of the Service Regulations and to recipients of EPO pension benefits.

Article 9

Moderation clause

(1) The final specific indicator shall result from the calculation of the weighted average of the changes in percentage in real terms in the net remuneration of comparable grades in the National Civil Services of the reference countries, covering two reference periods with a weight of two-thirds for the reference period as defined in Article 3, (2), (b) and a weight of one-third for the preceding reference period. The value of the specific indicator used for the annual adjustment 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 adjustment value.

Alternative for Article 9(1) (further reducing volatility and increasing predictability)

(1) The final specific indicator shall result from the calculation of the weighted average of the changes in percentage in real terms in the net remuneration of comparable grades in the National Civil Services of the reference countries, covering ~~two~~ the last six reference periods with a weight of ~~two-thirds~~ 25% for the reference period as defined in Article 3, (2), (b) and a successively decreasing weight of 21%, 18%, 14%, 11% and 11% ~~one-third~~ for the preceding reference periods. The value of the specific indicator used for the annual

adjustment shall be subject to an upper limit of ~~2~~ 0,7 % and a lower limit of ~~-2~~ 0,7%. 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 adjustment value.

(2) The first paragraph shall not apply when Article 11 applies.

(3) The remainder of the annual adjustment resulting from the difference between the adjustment value calculated with the specific indicator and the adjustment value calculated with the limit shall be applied as from 1 April of the following year.

Article 10 ~~8~~

Nominal guarantee

~~(3)~~ In the event that the annual adjustment leads to a basic salary ~~or an allowance which is~~ lower than that currently in force ~~on 30 June of the year in question~~, this negative adjustment shall be set against future adjustments, and salaries and allowances shall be maintained at their level.

Article 11

Exception clause

(1) If there was a decrease in the real gross domestic product of the Contracting States the previous year and the specific indicator is positive, only part of the specific indicator shall be used to calculate the value of the adjustment. The remainder of the adjustment 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 9. The reference values of the gross domestic product are those calculated by the Statistical Office of the European Communities for the EPC Contracting States in the European Union, and by the competent national authorities for the other Contracting States, available at the time of calculation. The value of the GDP of the Contracting States, the consequences in terms of split of the specific indicator, and the application date are defined in accordance with the following table:

GDP of Contracting States	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) When the application of paragraph 1 has led to the fact that the value of the specific indicator did not serve the adjustment of the remunerations and the pensions, that value shall form the basis of the calculation of a future adjustment once the cumulative increase of the GDP of the Contracting States measured from the year where paragraph (1) 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 9. The evolution of the GDP of the Contracting States shall be regularly measured for this purpose.

(3) If relevant, the legal consequences resulting from the application of Article 9 and this Article shall continue to have full effect even after the date of expiry of this procedure as referred to in Article 12.

CHAPTER VI

INTERIM REPORT, EVALUATION OF THE PROCEDURE AND SUBSEQUENT MODIFICATIONS

Article 12

(1) After the adjustment with effect from 1 July 2022 the President shall submit an interim report to the Council on the application of the procedure.

(2) After the present procedure has been in operation for six years, the President will undertake a full review of its results in 2025. This review will take account of the EPO's recruitment needs, the competitiveness of its salaries, and any difficulties encountered in applying the procedure.

(3) In the light of this review, the President will make a report to the Administrative Council, and if appropriate submit proposals for change. However, until such changes are approved by the Administrative Council the present procedure will remain in force.

CHAPTER VII

DATE OF ENTRY INTO FORCE AND TRANSITIONAL MEASURES

Article 13

(1) The present procedure will for the first time apply with effect from 1 January 2021.

(2) In application of Article 10(2) of the former procedure, as a result of the examination of the impact on the purchasing power conducted under its Article 10(1), the salary, pensions and allowance scales for the affected countries are updated in order to correct for the relevant years the differential in purchasing power resulting from the application of Chapter IV of the former procedure. Salary and pension arrears will be paid out with the January 2021.

(3) Salary and allowance scales shall be adjusted at 1 July 2020 by a percentage equal to half of the average trend in Harmonised Index for Consumer Prices for the European Union for the period 1 July 2019 – 1 July 2020 as provided by Eurostat.

(4) During the first three years of application of the procedure, the upper limit mentioned in Article 9 (1) is reduced to 0,4% and the provisions of Article 9(3) do not apply.

(5) When drafting the report under Article 12(1) after three years of application, the President will compare the actual evolution of the salary scales in Belgium resulting from the salary adjustment method described under Chapter II and Article 13 (4) with the evolution which would have resulted from an indexation according to the HICP for the Euro-area increased by 0,3% for each corresponding year. Should the actual evolution be higher, then Article 13(4) will also apply for one more year.

(6) After six years of application the President will again compare the actual evolution of the scale in Belgium with the evolution which would have resulted from an indexation according to the HICP for the Euro-area increased by 0,3%. If the actual evolution of the scale in Belgium over the six years period is lower than the evolution which would have resulted from an adaptation with the HICP of the Euro-area plus 0,3% each year and if an adaptation of the salary scales under the provisions of chapter II and Article

9(1) would have led to an evolution higher than the adaptation with the HICP for the Euro-area plus 0,3% each year then the salary scales in Belgium will be adapted with effect from 1.1.2026 to reach the latter and the other scales will be adapted according to Article 4.

(7) The present procedure will be applied in the light of Articles 33(2)(b) and 46 of the European Patent Convention.

****

ANNEX

METHOD FOR AVOIDING DOUBLE-COUNTING

Article 3(2)(d) of the Implementing Rule for Article 64 of the Service Regulations introduces the principle of avoiding double-counting in order to ensure better compliance with the principle of parallelism with the evolution of remuneration in the national civil services.

To ensure proportionality of changes in the reference countries' social costs, the specific indicator shall be calculated as follows:

The changes to social costs which are comparable to those in the EPO are identified according to the definition in Article 3(2)(d).

A correction is calculated which neutralises the identified changes to social costs by using current salary data but with deductions of the relevant contribution made at the rates applicable in the previous year.

Annex 2: Explanations on some proposed changes

On the temporary mechanism for limiting arbitrarily the salary increase

This feature is a non-negotiable feature of our proposal. Without any such feature you will have to go to the Council and explain to staff why you want to implement your proposal. Without us.

International organisations need to attract and retain high calibre staff from all its member states and pay them equally for the same work (Noblemaire principle).

While international organisations of the UN type apply this principle by choosing the highest paid civil service and adding a margin, European Organisations have also started from such a level (above the highest paid civil service) and maintain this level by applying the principle of parallelism of evolution with civil servants. In essence, the specific indicator is the tool that guarantees that our salaries do not diverge from national civil service salaries but strictly follow their evolution (in our case following evolution in a pool of 8 representative member states).

We consider that **departing temporarily** from the principle of parallelism, by acting on the specific indicator, is a reasonable effort to ask from staff and we are ready to support it. This is why we have designed mechanisms (moderation and exception clauses based only on the specific indicator) and we have topped these mechanisms with a transitional clause (Article 13(4)) that will further constrain the evolution of the specific indicator during three years, and even further constrain the inflation reference in the base city, together constituting a global cap. This during a three years period, which can even be prolonged to a fourth year, under some circumstances. We are not ready to go any further than this time limit.

Our proposal, by acting on the specific indicator (limited to 0,4%) and using a further constraint (Euro-area HICP +0,3%) as a comparator to limit the evolution in all scales through a limitation to the basis scale in Belgium) allows to maintain throughout the whole procedure the second fundamental principle, i.e. the equality of purchasing power amongst the different sites. The two basic principles of the salary adjustment procedure (equality of purchasing power and parallelism) are kept intact at the end of the procedure. With this we ensure reversibility.

In contrast, your procedure is a continuous cutting mechanism that will systematically drive salaries down through the whole period of the salary adjustment procedure and beyond, and erode them without any objective reason or criteria for doing so and without following the economic cycles. This amounts to arbitrariness. It further rests on arbitrary parameters that are included in the salary adjustment procedure, like the recruitment and promotion pattern. It also does not provide the necessary stability required by the jurisprudence. It ignores the provisions of the convention that salaries and pensions must be adjusted in the same way and that primarily the fees must be adjusted in order to balance income of the EPO.

It puts an undue burden on staff when so much effort is asked from them and when the career of many has been destroyed, already leading to massive savings.

It will destroy EPO competitiveness. It is apparent from the report on Article 10(1) that the EPO is already unable to recruit from the richest countries and even from the UK. The massive use of contracts for all new recruits aggravates the matter. This should warrant further raising salaries and not cutting them. We therefore consider such a mechanism wholly inappropriate and cannot and will not support it. For good reasons.

Reducing further volatility and increasing predictability

We have noticed and understood your concern about the volatility of some parameters used in the salary adjustment procedure and the impact of this volatility on the predictability of the results, in particular the specific indicator.

This concern is already addressed with our earlier proposal under article 9(1) which is copied from the Co-ordinated Organisations (+2%/–2% range and average over 2 years for the specific indicator). However, in order to further accommodate your concern we are ready to propose a more important smoothing of the specific indicator by decreasing the range of its movement to +0,7%/–0,7% and by averaging it over a longer period. We suggest averaging it over a six years period (instead of two) and using the weightings used by Eurostat and ISRP for smoothing the evolution of the rent parity. As your experts should be able to confirm, this will further reduce volatility of the specific indicator and thereby increase predictability of all future adjustments. We have included a detailed alternative proposal for Article 9(1) in our 4th draft Salary Adjustment procedure which is attached as Annex 1.

On double counting

As we have already indicated earlier we consider that the provision aiming at avoiding double counting of social contributions is an important safeguard for staff. Therefore we consider that the Office should not remove it from the procedure. As shown in the report on Article 10(1) our own contributions to the EPO social system have increased considerably in the last years and are likely to go on increasing. This puts in particular an additional burden on the younger employees whose salaries and pensions are already lower, whose professional experience and diplomas are no longer properly recognised and whose career progression is severely compromised. This will automatically lead in future to further increases in the rate of contribution to healthcare or LTCI to finance the same benefits on a lower salary mass.

On correcting the differences of purchasing power resulting from the current procedure

We welcome that you propose to correct the differences for the past and to start afresh with re-establishing the correct parities at the beginning of the new procedure. We regret that you have not yet decided to implement it in a clean way, i.e. by adapting all scales retroactively in order to have also the contributions to the RFPSS and to the SSP being paid. This slight modification would in particular benefit the newcomers wo have been affected.

We also regret and do not understand that although you have recognised the inequality of purchasing power resulting from the current method and are ready to correct it, you nevertheless perpetuate the same flaws by reinstating the exception clause or introducing the sustainability clause in the new adjustment procedure.

On interim adjustments

This provision exists in all international organisations and was removed arbitrarily by your predecessor. Luckily we did not have a situation of high inflation over the period and it had in practice no effect. However, should a situation arise in future this clause is an important mechanism for protecting the purchasing power.

The advisory group was not in favour of removing it when this was done. The clause we are proposing is mainly based on what exists at the Co-ordinated organisations and is therefore a tested provision that would only be triggered in case of a considerable erosion due to inflation. It seems only reasonable to us that the EPO should warrant such a clause to its staff.

On nominal guarantee

We welcome that you have kept the nominal guarantee intact in your proposal. We had suggested in our earlier proposal to waive the nominal guarantee in case of a severe crisis (two consecutive years with decrease in GDP). This would have addressed the situation in case of a severe crisis combined with a low inflation or deflation. This was coupled to a mechanism on the specific indicator, limiting symmetrically both the upside and the downside of it. Since we have now proposed to limit only the upside evolution of the specific indicator while accepting its downside evolution for a predetermined period, we have removed our proposal for waiving the nominal guarantee in some conditions, and, *on this point*, we therefore support the proposal of the Office.