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OPEN LETTER

Review of the salary adjustment procedure

Dear Mr President,

We thank you for the invitation to a face-to-face kick-off meeting of the Sub-Committee of the GCC on SSPR for the review of the Salary Adjustment Procedure (the “Salary Method”) and look forward to discussing this topic of fundamental importance to all active staff and pensioners with the administration.

We propose that the work of the Sub-Committee be conducted in two parts as laid down in the provisions of the current salary adjustment procedure.

The first part of the discussion would lead to a report of the Sub-Committee to the President in line with Article 10, paragraph 1. Relevant recent figures on recruitment should be shortly provided to the Sub-Committee in order for discussions to start right after the summer break, for example mostly in September leading to a report at the latest for the end of October. The Sub-Committee would then go on with the discussions ending up with your report according to Article 10 (2) of the current Salary Adjustment Procedure and proposals for possible modifications to be decided by the Administrative Council at the latest in its June 2020 session to take effect from 1 July 2020.

In preparing these important discussions we submit our preliminary analysis of which elements we find essential in our Salary Method and which existing elements have led to issues in the current Salary Method. Staff is quite attached to the essential principles of the Salary Method, but we are open to discussing desirable adjustments.

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Essential principles:

The Salary Method of the EPO has been in force since 1988, i.e. for thirty years, and is based on the following principles which apply to all the big groups of International Organisations, being

- the **principle of equality of purchasing power** amongst the different places of employment and
- the **principle of parallelism** of evolution of the purchasing power with the purchasing power of national civil servants.

Whilst the procedure evolved in the thirty years, it retained these principles. The same goes for the EU institutions or the Co-ordinated Organisations, whose system was adopted at the creation of the EPO. We see no reason for the EPO to now deviate from these principles, all the more since the parallel evolution with national civil services also acts as a guarantee for the Council delegations that our salaries do not drift apart from their own national salaries.

The moderation and exception clauses introduced more recently by International organisations and the EPO are further safeguards for the Council to control salary evolution.

Problems encountered during the application of the current procedure:

The current procedure was introduced by your predecessor without any consensus with the Staff representation, for the first time in EPO history. We did not challenge the principle of introducing a moderation and an exception clause as was done in other organisations, but we highlighted¹ that the new articles governing their application at the EPO (Article 8 (1) and (2) and Article 9) were badly drafted and prone to introducing lasting inequality of purchasing power amongst staff if they were applied.

Furthermore, the last minute introduction of Article 11 by the Administrative Council without consultation of staff is unlawful. Prior to that incident the President and the Staff Committee have always been able to defend together a joint proposal to the Council for decision.

Application of these flawed provisions has produced inequality of purchasing power during the period covered by the current Salary Method (2014-2019) and therefore triggered litigation in the affected places, mostly The Hague and some residence-countries of pensioners, notably Ireland.


¹ See Annex 2 to [GAC/AV 9/2014](#), Opinion of the GAC members appointed by the Staff Committee. In this document the deletion of former Article 5, which aimed at protecting staff and pensioners from a surge of inflation, was also criticized.

The Central Staff Committee (as well as SUEPO²) is looking forward to put an end to the existing litigation by using the provisions of Article 10 of the current Salary Method. This implies analysing the difficulties³ and remedying them by implementing a one-off transitional measure⁴ for compensating the losses of purchasing power in application of Article 10(2). The Sub-Committee of the GCC on SSPR should analyse the financial impact of Article 8 over the years of application of the procedure as a part of its mandate.

When adjusting salaries in International organisations, *“the methodology is an important factor in ensuring that the results are stable, foreseeable and clearly understood”*⁵. This is not only a legal requirement for international organisations in view of the jurisprudence. A fair Salary Method is also recognised by all as a determining factor for a stable working environment acting as a guarantee for social peace over its whole period of application in a very sensitive area.

We look forward to the discussions with your specialists in the Sub-Committee, so that a line can be drawn under past litigation in this area and for jointly agreeing a Salary Method for the coming years in line with past practice of all Presidents but your predecessor. We trust that you will consider the above elements when elaborating your proposals for an adapted Salary Method for the coming years to the benefit of the EPO and its staff.

Yours sincerely,



Jesus Areso y Salinas
Acting Chairman of the CSC

² See [su19006hl](#) , letter by SUEPO- The Hague: Appeals against the salary/pension adjustment in 2015-2016 – Offer for amicable settlement

³ See Annex 1 to [GCC DOC 13 2016](#), especially pages 4 and 5 (Staff representation opinion and suggestions)

⁴ See Article 10(2) of the Salary Method
In the light of this review, the President will make a report to the Administrative Council, and if appropriate submit proposals for change, including in order to correct a differential in purchasing power resulting from application of Chapter IV.

⁵ see for example ILO-AT judgment No. 1419