



Personalausschuss
Staff Committee
Le Comité du Personnel

Welcome to the General Assembly!

We will start shortly

You can ask questions any time via **sli.do** using the code **# MSC_GA**





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The EPO salary adjustment procedure

Why it is not fit for purpose and how to fix it

Financial Study 2019 by Oliver Wyman & Mercer

▪ October 2019

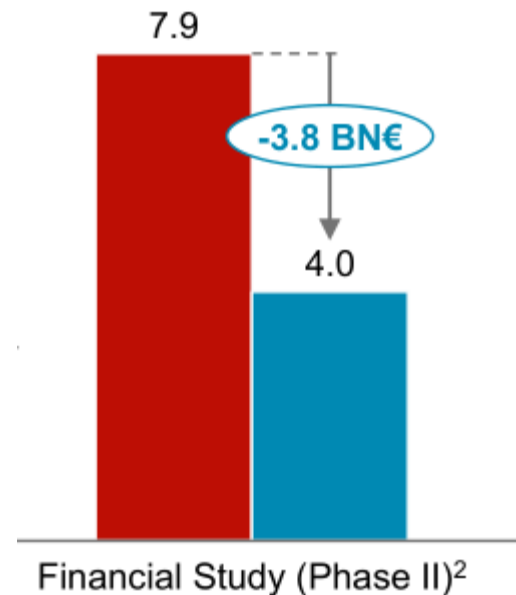
Publication of Financial Study (Phase II)
(CA/83/19)

President's decision:

- select Base 2 scenario with coverage gap of **€3.8 BN**
- add on top an arbitrary **€2.0 BN** buffer.

Total: **€5.8 BN**

- Proposal of **16 financial measures** to overcome the alleged gap



Counter-analysis

- SUEPO financed an analysis by Ernst & Young which identified:
 - a series of **conservative assumptions** made when comparing to assumptions usually being applied by the EPO.
 - **technical mistakes** (contradiction to general principles as stipulated by IDW (Institut der Wirtschaftsprüfer) of discounting financial positions) and considerations in determining and interpreting the outcome of the 2019 Financial Study.

Excessively overcautious and indicates the clear intention of the EPO to find a financial gap where there isn't any for the purpose of reducing staff benefits.

Financial bundle of measures

- **May 2020**

Bundle of measures for the period **2020 – 2038** (CA/18/20)

Out of **16 measures**, **6 measures** were chosen to overcome the alleged gap of **€5.8 bn** (= **€3.8 BN Base 2 scenario** + **€2.0 BN arbitrary buffer**)

Measure 1 “**Salary Adjustment Procedure**”: expected savings = **€2 BN** affecting EPO active staff and pensioners

The €2 BN expected savings actually correspond to the arbitrary buffer decided by the President.

President's Intranet communiqué of 09-04-2020

- **Four promises**

1. *“We proposed ten cost-saving measures by the consultants. We have taken only one – the Salary Adjustment Method – and **we have chosen the salary adjustment method with the lowest intensity** in order to limit the impact on our staff.”*
2. *“There is **no desire to cut staff purchasing power...***
3. *... or impose **unnecessary savings.**”*
4. *“There is a desire, however, to **make sure that we have a stable and predictable method** that generates savings, ensures that salaries continue to grow, even above eurozone inflation and even in times of financial crisis, and, above all, make sure we can do so for many years into the future”*

Measure 1: “Salary Adjustment Procedure”

- Fundamental principles in International Organisations
 - equality of purchasing power among the places of employment (CPI/HICP x PPP)
 - parallelism with the evolution of the salaries of civil servants in member states (SI)

Measure 1: “Salary Adjustment Procedure”

- New salary adjustment procedure at the EPO as of 1 July 2020 (CA/19/20)
 - equality of purchasing power among the places of employment (CPI/HICP x PPP)
 - parallelism with the evolution of the salaries of civil servants in member states (SI)
 - **growth in salary mass shall not exceed Eurozone inflation + 0.2%**

***“As soon as you introduce a minimum or a maximum,
distortions are to be expected”
(Advisory Group on Remuneration)***

Measure 1: "Salary Adjustment Procedure"

Results at the EPO for the year 2020 (seen on 04-11-2020)

Country	Calculated	Capped	Difference
AT	2,73%	0,36%	-2,37%
BE	1,80%	0,24%	-1,56%
DE	3,78%	0,50%	-3,28%
NL	3,81%	0,50%	-3,30%



This is equivalent to a pay cut of at least 1 step

President's promises vs The results

1. "we have chosen the salary adjustment method with the lowest intensity"

			ID	Measure name
			1	Adjust method for collective salary adjustment
Parameters				
Low	Medium	High		
Inflation + 0.25% ³	Inflation ³	Inflation - 0.25% ³		

President's promises vs The results

1. "we have chosen the salary adjustment method with the lowest intensity"

ID		Measure name
1		Adjust method for collective salary adjustment
Parameters		
Low	Medium	High
Inflation + 0.25% ³	Inflation ³	Inflation - 0.25% ³
Very High		
Munich:	0.3% BELOW DE inflation	
The Hague:	1.2% BELOW NL inflation	

President's promises vs The results

2. *“There is no desire to cut staff purchasing power ”*

President's promises vs The results

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Munich:

0.3% BELOW DE inflation

The Hague:

1.2% BELOW NL inflation

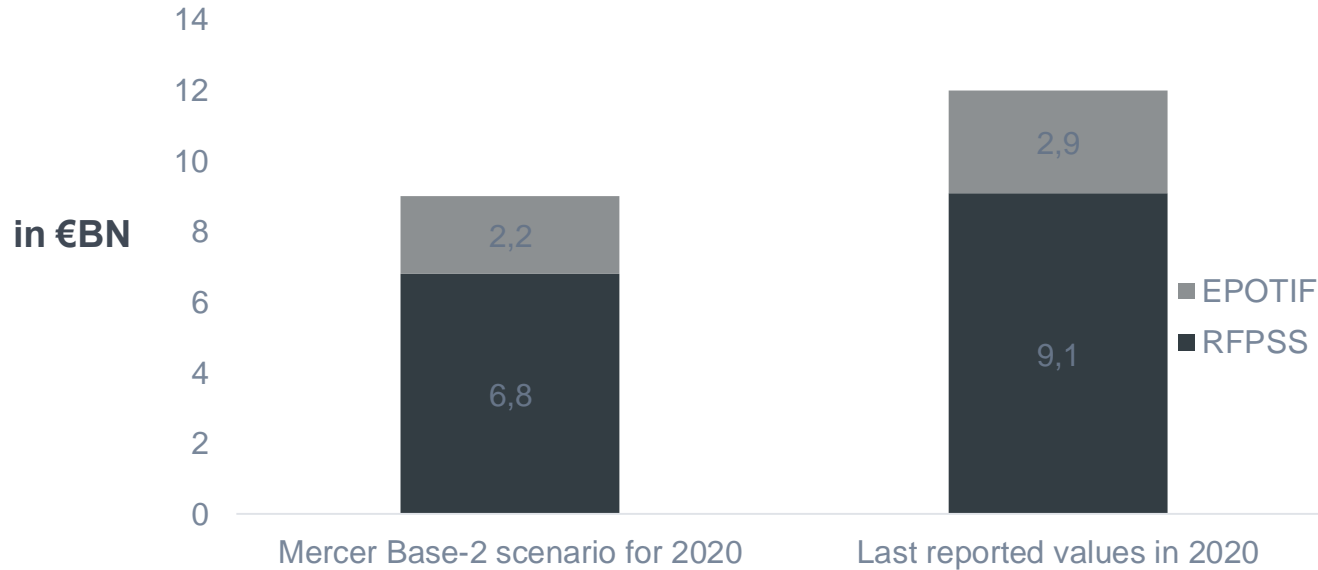
***Nobody lives under Eurozone inflation.
Distortions were to be expected.***

President's promises vs The results

3. *“There is no desire to make **unnecessary savings**.”*

President's promises vs The results

3. "There is no desire to make *unnecessary savings*."



**€3 BN more in EPO funds (RFPSS+EPOTIF)
than Base-2 scenario**

President's promises vs The results

4. “make sure that we have a stable and **predictable** method”

- Draft budget 2021 (CA/50/20) foresees a salary adjustment of **+2,2%**.
The result of +0,5% is -77% below.
- Advisory Group on Remuneration (GCC/DOC 17/20):
“The new salary adjustment method will save over the period 2020-2025 already €1 BN.”
It saves in 5 years already half of the €2 BN expected until 2038.
- Even this assessment seems to be very conservative. The salary adjustment in 2021 of 0.5% instead of 3.8% will already contribute € 0.95 BN to the savings that will be made until the end of 2025.

The savings are above all predictions.

Benchmark

- **Co-ordinated Organisations (CO) +4.2%** adjustment for NL and DE
 - ESA
 - NATO
 - OECD

- **European Union +3.2%** adjustment
 - **+0.7%** will be adjusted as of 1 January 2021
 - **+2.5%** will be paid when EU Gross Domestic Product is positive (expected in 2021)

- **Civil servants**
 - DE > 1,51% adjustment
 - NL > 2,75% adjustment

Measure 1: “An industrial accident...”

- **...which**

- breaks four promises of the President,
- scores below benchmarks,
- raises the issue of trust in management for SP2023 (e.g. New Normal)

- **...has long-term side effects**

- contributions to health insurance
- ceilings and lump-sums of the education allowance

- **...won't improve in 2021: 0% (for the pandemic work of 2020)**

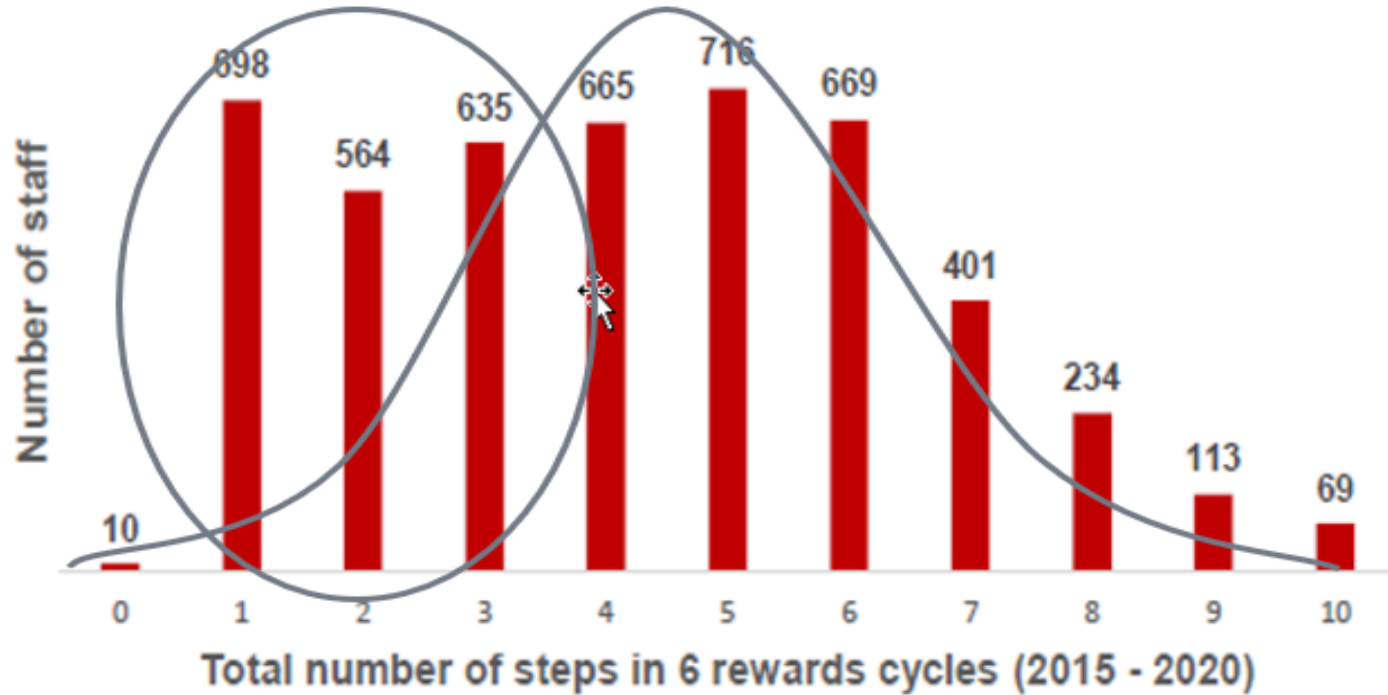
Bleeding staff more than expected and unnecessarily is unsustainable

How to recover the loss? Not with the career...

- Pay cut of -3.3% for 2020 is equivalent to at least 1 step
 - 3% = 1 step in G10
 - 2,5% = 1 step in G8
 - 2,4% = 1 step in G7

- A pensionable reward of 1 step will only cover part of the loss
 - only possible for 60% of staff per year,
 - double step needed to recover

How to recover the loss? Not with the career...



Management's “fixes”

- **New career system: “catch-up mechanism”**
 - 1 automatic step every 5 years (if none for 4 years)
 - not applicable at the end of a grade
- **Salary adjustment procedure: “carry-forward mechanism”**

Difference of -3.3% is put into a cumulative pool to be redistributed in 2022, but:

 - distributed as a lump-sum and not to pensioners,
 - no adjustment of the salary scales, not pensionable

It's a “bonus” not an adjustment

Staff representation proposals for repairing

- CSC open letter, published 17-11-2020
 - **Transitional measures: Adapting the scales as a compensation for postponing the adjustment from July 2020 to January 2021** (Article 9(2) of CA/D 4/20)
 - **Amendments to the new salary adjustment procedure**

“carry-forward mechanism” shall lead to a real **adjustment** of the salary and pension **scales after 3 years** (mid-term review of the SAP)

“pensionable” NOT “bonus”

Meetings with the President on 18-11-2020

- *“Measure 1 is producing the results we wanted.”*
- *“I don’t think staff is furious. I meet much more staff than you do.”*
- *“Everyone will be capping salary adjustments next year. We’re just ahead of everyone. Everybody will be doing like us.”*
- *“Until you have proven the career system doesn’t work, I won’t change it.”*

Meetings with the President on 18-11-2020

- *“In 2021, I just want to review the performance assessment system in terms of:
 - production,
 - quality (= timeliness)
 - behaviour (?!)”*

Timeline & Contacts

- 26-11-2020 : GCC meeting (General Consultative Committee)
- 15-12-2020 : Administrative Council

- To share your thoughts/feelings about the SAP:

Administration: president@epo.org; vp4office@epo.org

Staff Representation: msc@epo.org; centralstcom@epo.org

Thank you for listening !