1 December 2023

2023 annual update: +2.7 %

(1.7 % of which has been included since January)

Specific indicator (= change in purchasing power of national civil servants)	
2023 annual indicator	-1.8 %
Already taken into account (intermediate update)	-1.9 %
Not yet taken into account	**+0.1 %**
Joint index (= cost of living changes, Belgium/Luxembourg)	
2023 annual index	+4.6 %
Already taken into account (intermediate update)	+3.7 %
Not yet taken into account	**+0.9 %**
2023 update	
2023 annual update	+2.7 %
Intermediate update	+1.7 %
Residual update (backdated to July)	**+1.0 %**

The updating of remuneration and pensions, based on the Method, developed by **Union Syndicale** 50 years ago, is aimed at guaranteeing that these develop in parallel with the remuneration of national civil servants in the Member States. Although past data has shown us that this parallel development has been broadly in line with inflation in the long term, significant fluctuation is possible from year to year.

This year, as in 2022, particularly high inflation in Belgium and Luxembourg led to an intermediate update (+1.7 %), which has been included in our remuneration and pensions since June and backdated to January 2023. This high inflation has been only very partially compensated in the Member States and national civil servants have once again suffered a 1.8 % loss of purchasing power, in addition to the 3.9 % loss seen the previous year. Due to parallel development, we will also be subject to this 1.8 % loss of purchasing power.

Before we explain the details of the 2023 remuneration and pensions update, it is worth noting that the Method was secured following a number of protracted strikes in the 1980s and 1990s. **Union Syndicale** was already at the forefront of the fight to secure an automatic method for the adjustment of remuneration, whereas the Council and other trade unions argued in favour of an adjustment that would be negotiated on an annual basis.

How does the Method work?
On the basis of data provided by the Member States and checked by Eurostat, Eurostat draws up a report detailing changes in the purchasing power of civil servants in a 'basket' of 10 Member States (= **specific indicator**) and inflation in Belgium and Luxembourg, based on national price indices but also taking into account our spending pattern and a staff distribution of around 80 % in Belgium and 20 % in Luxembourg, depending on the percentage of staff assigned to Belgium and Luxembourg. It should be noted that until 2020 the basket comprised 11 Member States, with the United Kingdom.

Once Eurostat has published its report, the Commission takes note of it, produces a report on the financial implications, informs the other institutions and asks the PMO to modify its IT program accordingly. The new salary scale is then published for information purposes in the C series of the Official Journal around mid-December, at which point we receive our payslips with the new amounts.

Changes in the purchasing power of national civil servants (specific indicator)

From July 2022 to June 2023, changes in purchasing power were at both ends of the spectrum across the ten Member States in the basket. In some countries, the change was very negative (-5.3 % in Italy and -4.6 % in Sweden) whilst it was very positive in others (+ 6.1 % in Belgium). Changes in purchasing power are weighted according to the GDP of the various Member States in the basket. As a result, the figures for Germany (-3 %), France (-2 %) and Italy (-5.3 %) weigh over 60 % in this basket, which would explain why the overall result is a negative one (-1.8 %) despite the fact that purchasing power increased in half of the Member States.

During the two years of high inflation (2022 and 2023), the impact on our purchasing power has therefore been relatively negative: our purchasing power has decreased by 5.7 %. Or rather, it would have decreased by 5.7 % had we not managed to secure the 'unfreezing' of the 2.5 % salary increase blocked since 2020 as a result of the financial crisis. This 5.7 % decrease can be explained by the fact that, with the exception of Belgium (which saw a 2.6 % increase over the two years), civil servants from all Member States experienced a loss of purchasing power (-12.1 % in Poland, -8.7 % in Sweden, -8.3 % in Germany, etc.). It is essentially the situation in Germany that is driving our purchasing power down (accounting for -2.35 % of the -5.7 % decrease).

Clearly, the colleagues with the lowest salaries are those who are disadvantaged the most from this loss of purchasing power. It is hoped that the salary increases that will come into force next year in Germany will mean that at least part of this loss can be recovered.

Cost of living changes in Belgium and Luxembourg (BE-LUX joint index)

The change in the cost of living from July 2022 to June 2023 was +4.6 %, taking into account our spending pattern and a weighting of around 80 %/20 % between Belgium (+4.9 %) and Luxembourg (+3.0 %).

Combining the -1.8 % loss in purchasing power and the +4.6 % change in the cost of living gives an update of +2.7% applicable for the whole of the period June 2022 to June 2023.

Intermediate update

In June 2023, our remuneration and pensions underwent an intermediate update of +1.7 %, backdated to January 2023, owing to the sharp rise in the cost of living in Belgium and Luxembourg. That intermediate update was calculated on the basis of price changes between July 2022 and December 2022, i.e. +3.7 %, and on half of the projected change in national civil servants' purchasing power between July 2022 and June 2023. At that time, purchasing power was expected to fall by -3.9 % (though in the end it fell by -1.8 %), and the percentage taken into account was 1.9 %. Consequently, the intermediate update was 1.7 %, which has to be deducted from the December update (backdated to July 2023).

The 2.7 % update for 2023 was therefore split into 1.7 % (June 2023) + 1.0 % (December 2023).

Increase in the pension contribution: +1.0 %

Together with the update of remuneration and pensions, we will also see an increase of 1 % in our pension contribution, which will also be backdated to July 2023.

The rate of contribution to our pension scheme is calculated on the basis of Articles 83 and 83a of the Staff Regulations and Annex XII thereto. All contributions from a given year should make it possible to finance the payment of all rights acquired during that same year. Eurostat therefore calculates the foreseeable amount of the pension for all staff, taking into account the likelihood of career progression and changes to the salary scale until expected retirement age, as well as the fact that, in any given year, all colleagues will acquire pension rights corresponding to 1.8 %, 1.9 % or 2 % of their final salary, depending on the date of their entry into service. Depending on likely fluctuations in interest rates, Eurostat then calculates the amount currently necessary in order to finance the payment, in a more or less distant future, of rights acquired this year. This amount is then compared to total staff remuneration. This year the amount corresponds to 35.1 %, one-third of which is charged to staff and two-thirds of which is borne by Member States. This year, the one-third charged to staff is therefore 11.7 %. However, according to Article 2 of Annex XII to the Staff Regulations, the contribution rate may not vary by more than one percent from one year to the next. The rate will therefore increase from 10.1 % to 11.1 % this year.

Why this increase? As explained above, the method of calculating pension contributions is based on likely developments. Since it is not possible to predict the future, it is therefore necessary to look to the past for the answers. Changes to salary levels (in the course of an official's career and following changes to salary scales) and interest rates are estimated on the basis of average levels over the last 30 years. However, interest rates in real terms (after inflation) have been negative in recent years, while some 30 years ago they stood at around + 5 %. The average rates over 30 years therefore fall slightly each year. Since it is necessary to calculate the amount that would currently be necessary in order to finance benefits in several decades' time, the lower the interest rate, the higher the amount necessary in the present day. A 0.1 % decrease in the interest rate would result in a 0.3 % increase in our pension contributions.

As a reminder: when this calculation method was introduced in 2004, Member States required previous fluctuations to be measured over the preceding 12 years, which is far too short a time period to predict future long-term fluctuations with some stability. From 2004 to 2013, the contribution rate changed almost every year, increasing from 8.25 to 10.90 %. Since 2014, the period taken into account has gradually been extended to 30 years and the rate gradually fell to 9.8 % (owing to the inclusion of years stretching further back) before increasing to 11.1 % (given that those 'earlier' years no longer form part of the calculation).

Combined effect of the residual update (+1.0 %) and the increase in pension contribution (+1.0 %)

The annual update covers all salaries and allowances (expatriation, dependent child, etc.), whereas the pension contribution is calculated solely on the basis of the basic salary. In addition, the contribution is deducted from the taxable amount and an increase in the contribution therefore reduces the amount of tax[1]. On average, a 1 % increase in the contribution has an impact of -0.7 % on net salary. This is obviously only an average: those colleagues who do not receive any allowances will notice the increase more, as will colleagues who do not pay any tax or only low amounts of tax, because their salaries are lower. As with the loss of purchasing power, once again the least well-off will be those who will feel the effects more.

It is even possible that, in certain specific cases, the reduction owing to the pension contribution could exceed by a few euros the increase corresponding to the residual update, with a recovery of those few euros backdated over six months.

But lastly, what conclusions can be drawn?

Looking at the long-term evolution, one can conclude that the Method is working well and achieving its objective of ensuring a change in our level of purchasing power similar to that of national civil servants. Admittedly, this sometimes means a decrease and sometimes an increase in our purchasing power. But we are being treated exactly as national governments treat their own civil servants.

Eurostat has calculated the evolution of our purchasing power from 2003 to 2013 and from 2013 to 2023. We have lost around 14 % of our purchasing power over the entire period (-10.2 % until 2013 and -4 % since then). This loss is due to a decrease in purchasing power of national civil servants (-6 % and + 1.3 %, i.e. -4.8 %), the pension contribution and the 'solidarity levy' (-1.8 % and -3.2 %, i.e. -4.9 %), but above all due to the fact that the Method was not applied between 2011 and 2014 following arbitrary decisions by the legislator (-5.8 %). If we add the effect of the levy to that of the other decisions by the legislator, it is clear that, of the 14 % loss of purchasing power, 8.6 % was directly imposed on us by the legislator while the rest is attributable to the pension contribution (Annex XII) and parallel development.

[1] However, it should be noted that the update does not affect taxation because the taxation scales are updated in the same proportions as the salary scale. If the pension contribution did not change, all staff members would see their net salary increase by exactly + 1 %.

Not only does the Method work properly, but it protects us from the fact that certain Member States seem to wish to reduce our pay with the result (or possible aim?) of making the EU's civil service a less appealing prospect. It is when the Member States take over that our civil service is undermined. There is no doubt that the current budgetary situation will lead to further attacks on the Method, aimed at introducing other exception clauses, for example in the event of high inflation. But **Union Syndicale** will continue, with the staff's help, to oppose any distortion of the Method.

The Executive Committee

Bernd 	Frances 	Michael 	William 	Mohamed 
Kerstin 	Agnes 	Felix 	Magali 	Isabelle