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**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

**on data pertaining to the budgetary impact of the 2022 annual update of remuneration
and pensions of the officials and other servants of the European Union and the
correction coefficients applied thereto**

1. OBJECTIVE OF THE REPORT

The objective of the present report is to fulfil the obligation of the Commission under Article 65(1) of the Staff Regulations and the Conditions of Employment of Other Servants of the European Union (SR) to provide data pertaining to the budgetary impact of remuneration and pensions of Union officials in the light of the 2022 updates of the remuneration and pensions of the officials and other servants of the EU and the correction coefficients applied thereto.

The 2022 updates of the remuneration and pensions of the officials and other servants of the EU are implemented in accordance with Annex XI to the SR and shall take place before the end of the year. They are based on statistical data prepared by the Statistical Office of the EU in agreement with the national statistical offices of the Member States that reflects the situation of the Member States as of 1 January 2022 and 1 July 2022, respectively.

This year the Commission Report on the data pertaining to the budgetary impact of remuneration and pensions of Union officials in the light of the 2022 updates provides information concerning:

- data pertaining to the budgetary impact of the intermediate update of remuneration and pensions and correction coefficients applied thereto that took place in June 2022 with retroactive effect to 1 January 2022. This update concerned all EU staff. It was triggered following a substantial change in the cost of living in Brussels and Luxembourg between June and December 2021;
- data pertaining to the budgetary impact of the annual update of remuneration and pensions and correction coefficients applied thereto that will take place in December 2022 with retroactive effect to 1 July 2022;
- data pertaining to the budgetary impact of the application of the exception clause that took place in December 2020 with retroactive effect to 1 July 2020 and its subsequent recovery to be implemented with the annual update of remuneration and pensions that will take place in December 2022 with retroactive effect to 1 July 2022.

2. BACKGROUND INFORMATION

Regulation (EU, Euratom) No 1023/2013 of the European Parliament and of the Council of 22 October 2013 amended the mechanism for pay update, known as 'the method', by allowing for an automatic update of all salaries, pensions and allowances. To that effect, the relevant amounts and weightings ('correction coefficients') contained in the SR should be understood as reference amounts and weightings ('correction coefficients') which are subject to a regular and automatic update.

Furthermore, the Council and the European Parliament also agreed, as enounced in Article 65(4) of the SR, that no update of the remuneration and pensions of the EU staff serving in Belgium and Luxembourg shall be made in the years 2013 and 2014. In addition, as a result of the global approach to settle the disputes among EU Institutions regarding the 2011 and 2012 adjustments of remuneration and pensions, a limited adjustment of salaries and pensions for 2011 and 2012 of 0 % and 0.8 % respectively, was agreed.

In the period 2004-2022¹, EU staff endured a significant loss in terms of real purchasing power. During this period the EU staff lost around 11.7 % of their purchasing power, due to the combined effect of the reforms of the SR in 2004 and in 2013 and cuts in salary adjustments. Over the same period civil servants in central governments of the Member States lost 3 %.

¹ Eurostat calculates each year the loss/gain of purchasing power by the national civil servants and the EU officials. The data base starts in 2004 when the SR was significantly changed. The underlying principles of the statistical calculation of the annual salary adjustments/updates for the period 2004-2013 and 2014-2022 are essentially the same – although it should be noted that the underlying sample of EU Member States used to establish the global specific indicator has increased from 8 (for the period beginning 2004) to 11 (for the period 2014-2020) and then 10 (after withdrawal of UK). Prior to 2004 data for the whole EU15 was used.

The limited adjustment of salaries and pensions in 2011 and 2012 and the freeze of remuneration and pensions in 2013 and 2014, as agreed by the European Parliament and the Council, resulted in around € 3 billion savings over the 2014-2020 Multiannual Financial Framework (MFF) and around € 500 million per year in the long-term. In addition, specific measures with no direct budgetary effect, such as increased working hours and reduced annual leave with no salary compensation are worth around € 1.5 billion for the institutions.

3. LEGAL PROVISIONS ON THE UPDATE OF THE REMUNERATION AND PENSIONS OF THE OFFICIALS AND OTHER SERVANTS OF THE EU AND THE CORRECTION COEFFICIENTS APPLIED THERETO

3.1. Update of the remuneration and pensions of the officials and other servants of the EU (Article 65(1), 2nd paragraph of the SR)

Article 65(1), 2nd paragraph of the SR provides that certain amounts referred therein which fix basic salaries, different allowances and coefficients, shall be updated annually in accordance with Annex XI. The Commission shall publish the updated amounts within two weeks after the update in the C series of the OJ of the EU for information purposes.

Furthermore, Article 65(3) of the SR stipulates that these amounts (referred to in Article 65(1), 2nd paragraph) shall be understood as amounts, the actual value of which at a given point in time, is subject to update without intervention of another legal act.

Article 65a of the SR provides that the rules for implementing Article 64 and 65 of the SR are set out in Annex XI.

In accordance with Article 3 of Annex XI to the SR, the update of the remuneration and pensions under Article 65 of the SR derives directly from changes in the purchasing power of salaries in national civil services (Specific Indicator) and the changes in the cost of living in Belgium and Luxembourg (Joint Index).

The Specific Indicator measures changes in the net remuneration, after taking national inflation into account, of national civil servants in Member States' central governments. Eurostat calculates this indicator on the basis of information supplied by the ten Member States referred to in Article 1(4) of Annex XI.

The United Kingdom left the EU with effect 1 February 2020 and is now a 'third country'. The transition period introduced by the Withdrawal Agreement expired with effect as from 31 December 2020. Consequently, the UK is no longer included in the core sample of Member States under Article 1(4) of Annex XI for Specific Indicator calculation purposes (the remaining sample of ten Member States continues to represent at least 75% of the remaining EU27 Gross Domestic Product).

The Joint Index measures changes in the cost of living in Belgium and Luxembourg for EU officials according to the distribution of staff serving in these two Member States. Eurostat calculates this index on the basis of price information provided by the Belgian and Luxembourgish authorities and staff numbers information from internal databases of the EU institutions.

Furthermore, Article 10 of Annex XI to the SR sets a moderation clause i.e. the value of the Specific Indicator shall be subject to an upper limit of +2 % and a lower limit of -2 %. If the value of the Specific Indicator exceeds this limit, then the value of the limit shall instead be used to establish the annual update. The limit will then apply with effect from 1 July and the remainder of the annual update shall be applied with effect from 1 April of the following year.

Article 11 of Annex XI to the SR sets an exception clause applicable in case of a decrease in the Union real Gross Domestic Product (GDP) as forecasted by the Commission. Under Article 11 of Annex XI to the SR, the exception clause shall apply if the value of the Specific Indicator is positive, but there is a decrease in the Union GDP for the current year. In such a case, depending on the magnitude of the EU GDP decrease, part or the entirety of the Specific Indicator shall be used to calculate the annual update and the remainder shall be applied as of a later date in the following year or when the cumulative increase of the Union GDP measured from the year in which the exception clause applied becomes positive.

Finally, pursuant to Article 8 of Annex XI to the SR, where the cost of living in a specific place of employment as measured by the implicit indices² increased by more than 6 % or 10%, the intermediate or the annual update shall take effect at a date, which is earlier than the default date of implementation (i.e. earlier than 1 July for the annual update and 1 January for the intermediate update). In such cases, depending on the magnitude of the increase of the cost of living the intermediate update shall take effect on 1 or 16 November, and the annual update shall take effect on 1 or 16 May.

3.2. Update of the correction coefficients applied to the remuneration and pensions of the officials and other servants of the EU within the EU (Article 64, 2nd paragraph)

Under Article 64 of the SR an official's remuneration expressed in euros shall be weighted at a rate above, below or equal to 100 %, depending on living conditions in the various places of employment. No correction coefficient shall be applicable in Belgium and Luxembourg, having regard to the special referential role of those places of employment as principal and original seats of most of the institutions.

Furthermore, the correction coefficients shall be created or withdrawn as well as annually updated in accordance with Annex XI. With respect to the update, all values shall be understood as reference values. The Commission shall publish the updated values within two weeks after the update in the C series of the OJ of the EU for information purposes.

Pursuant to Article 8 of Annex XI to the SR, for places with a high cost-of-living increase (as measured by the change in the implicit indices), the correction coefficient shall come into effect before 1 January in the case of the intermediate update of correction coefficients, or 1 July in the case of the annual update of correction coefficients. For the annual update where the cost of living measured by the implicit indices increased by more than 6 %, the annual update shall take effect on 16 May instead of 1 July and on 1 May where the cost of living measured by the implicit indices increased by more than 10 %.

For the intermediate update, where the cost of living measured by the implicit indices increased by more than 6 %, the intermediate update shall take effect on 16 November instead of 1 January and on 1 November where the cost of living measured by the implicit indices increased by more than 10 %.

In accordance with Article 3 of Annex XI to the SR, the update of the correction coefficients applicable to remuneration and pensions shall be determined on the basis of the ratios between the corresponding economic parities referred to in Article 1 of Annex XI and the exchange rates specified in Article 63 of the SR for the relevant countries.

The economic parities for remuneration establish the purchasing power equivalence of the remuneration paid in Brussels, as the reference city, with that paid in the other places of employment, except Luxembourg, for which no correction coefficient is applicable. Eurostat calculates those parities in agreement with the national statistical bodies of the Member States.

The economic parities for pensions establish the purchasing power equivalence of the pension paid in Belgium, as the reference country, with that paid in the other countries of residence. Eurostat calculates those parities in agreement with the national statistical bodies. Under Article 20 of Annex XIII to the SR, the weightings ('correction coefficients') apply only to the part of the pension corresponding to pension rights acquired before 1 May 2004. The minimum applicable correction coefficient to pensions shall be 100.

Under Article 17(3) of Annex VII to the SR, specific weightings ('correction coefficients') are applicable to certain transfers made by officials and other servants.

3.3. Update of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(1) of Annex X to the SR)

Articles 11, 12 and 13 of Annex X to the SR lay down provisions on payments of remuneration to officials and other servants serving in third countries. Remuneration

² The implicit index corresponds to the product of the Joint index for Brussels and Luxembourg, multiplied by the parity change in the place of employment concerned.

shall be paid in euros in the EU and shall be subject to the weighting ('correction coefficient') applicable to the remuneration of officials employed in Belgium, however upon request of an official all or part of it may be paid in the currency of the country of employment. In that event, it is subject to the weighting ('correction coefficient') for this place of employment and is converted on the basis of the corresponding exchange rate.

In order to ensure as far as possible that officials, temporary and contract staff of the Union enjoy equivalent purchasing power irrespective of their place of employment, the weighting ('correction coefficient') shall be updated once a year according to the rules laid down in Annex XI to the SR. With respect to the update, all values shall be understood as reference values. The Commission shall publish the updated values within two weeks after the update in the C series of the OJ of the EU for information purposes.

To establish the purchasing power equivalence of the remuneration paid in Brussels with that paid in the other places of employment in third countries, Eurostat calculates the economic parities. The weighting ('correction coefficient') is the factor obtained by dividing the economic parity by the exchange rate. The exchange rates used are established in accordance with the rules for the implementation of the general budget of the EU and correspond to the date of application of the weightings ('correction coefficients').

3.4. Intermediate update of the remuneration and pensions of the officials and other servants of the EU within the EU (Article 65(2) of the SR)

Article 65(2) provides that in the event of a substantial change in the cost of living, the amounts referred to in Article 65(1) and the weightings referred to in Article 64 shall be updated in accordance with Annex XI. The Commission shall publish the updated amounts and weightings ('correction coefficients') within two weeks after the update in the C series of the OJ of the EU for information purposes.

In accordance with Article 4(1) of Annex XI to the SR, an intermediate update of remuneration and pensions, taking effect on 1 January, shall be effected in the event of a substantial change in the cost of living between June and December (by reference to the sensitivity threshold defined in Article 6 of Annex XI to the SR) and with due allowance being made for the forecast of the change in purchasing power during the current annual reference period. The intermediate updates shall be taken into account in the annual salary update.

Furthermore, under Article 6 of Annex XI to the SR, an intermediate update is to be made for all places (including Brussels and Luxembourg) if the sensitivity threshold has been reached or exceeded in Brussels and Luxembourg (as measured by the Joint Index between June and December). If that sensitivity threshold for Brussels and Luxembourg is not reached, an intermediate update is only to be made for those places where the sensitivity threshold has been reached or exceeded.

In accordance with Article 7 of Annex XI to the SR, the amount of the intermediate update shall be the Joint Index, multiplied, where appropriate, by half of the Specific Indicator forecast if this is negative.

The correction coefficients are the ratio between the relevant economic parity and the exchange rate provided for in Article 63 of the SR multiplied, if the sensitivity threshold is not reached in Belgium and Luxembourg, by the amount of the update.

3.5. Interim updates of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(2) of Annex X to the SR)

Further to the annual update of the remuneration of officials, temporary staff and contract staff of the EU serving in third countries pursuant to Article 13(1) of Annex X to the SR (*see point 3.3 above*), where in the case of a given country, the variation in the cost of living measured on the basis of the weighting ('correction coefficient') and the corresponding exchange rate is found to have exceeded 5 % since the last update, an interim update of the weighting ('correction coefficient') shall take place in accordance with the procedure laid down in Article 13(1) of Annex X to the SR.

To establish the purchasing power equivalence of the remuneration paid in Brussels with that paid in the other places of employment in third countries, Eurostat calculates the

economic parities. The weighting ('correction coefficient') is the factor obtained by dividing the economic parity by the exchange rate. The exchange rates used are established in accordance with the rules for the implementation of the general budget of the EU and correspond to the date of application of the weightings ('correction coefficients').

4. 2022 UPDATES OF THE REMUNERATION AND PENSIONS OF THE OFFICIALS AND OTHER SERVANTS OF THE EU AND THE CORRECTION COEFFICIENTS APPLIED THERETO

The Commission takes note of the various updates of the remuneration and pensions of the officials and other servants of the EU, which are being implemented in accordance with Annex XI to the SR during the reference period of twelve months to 1 July 2022 and which take place before the end of 2022. These updates, as described in detail in points 4.1 to 4.5 of this chapter of the report, are based on statistical data prepared by the Statistical Office of the EU (Eurostat) in agreement with the national statistical offices of the Member States that reflects the situation as at 1 July 2022 of the Member States³.

4.1. 2022 Intermediate update of the remuneration and pensions of the officials and other servants of the EU within the EU (Article 65(2) of the SR)

In accordance with Articles 65(2) of the SR and 4 and 6 of Annex XI to the SR, the remuneration and pensions in those places in which there has been a substantial change in the cost of living had to be updated.

Eurostat has calculated, in agreement with the national statistical bodies⁴, that the change in the cost of living for Belgium and Luxembourg, measured by the Joint Index, over the period from June 2021 to December 2021 was 3.5%.

Changes in the cost of living outside Belgium and Luxembourg during the reference period were measured by the implicit indices calculated by Eurostat⁵. These indices were calculated by multiplying the Joint Index by the change in the economic parity.

The sensitivity threshold for a substantial change in the cost of living is the percentage corresponding to 6 % for a twelve-month period (3 % for a six-month period).

Since the Joint Index for the reference period (June 2021 – December 2021) was 103.5 (i.e. 3.5 %), this variation exceeded the specified threshold (± 3.0 %). In consequence, the remuneration and pensions of the officials and other servants of the EU for all places of employment shall be updated following the annual update procedure.

Eurostat has also calculated that the forecast Global Specific Indicator (hereinafter 'GSI') for the reference period July 2021 – July 2022 was -2.3 %. Pursuant to Article 5 of Annex XI to the SR, if the forecast produces a negative percentage, half of it must be taken into account for the calculation of the intermediate update (-1.1 %).

According to Article 7 of Annex XI to the SR, the amount of the update is obtained by multiplying together the Joint Index and half of the Specific Indicator, if it is negative.

³ In particular, the following Eurostat reports are referred to:

- Eurostat Report of 28 October 2022 on the 2022 annual update of remuneration and pensions of EU officials in accordance with Articles 64 and 65 and Annexes XI to the Staff Regulations, applicable to officials and other servants of the European Union, adjusting with effect from 1 July 2022 the remuneration of active staff and the pensions of retired staff, and updating with effect from 1 July 2022 the correction coefficients applied to the remuneration of active staff serving in Intra-EU and Extra-EU duty stations, to the pensions of retired staff according to their country of residence, and for pension transfers.
- Eurostat Report of 31 May 2022 on the intermediate update of remuneration and pensions of EU officials in accordance with the Articles 64, 65 and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union.
- Eurostat Reports of 10 May 2022 and 3 November 2022 on the interim update of weightings (correction coefficients) applicable to the remuneration of officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations in accordance with Article 64 and Annex X and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union.

⁴ Eurostat Report of 31 May 2022 on the intermediate update of remuneration and pensions of EU officials in accordance with the Articles 64, 65 and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union.

⁵ *Idem*

The calculated general intermediate update of the remuneration and pensions in Belgium and Luxembourg was therefore 2.4 %.

The correction coefficients are the ratio between the relevant economic parity and the exchange rate multiplied, if the sensitivity threshold is reached for Brussels and Luxembourg, by the amount of the intermediate update.

In line with Article 8 of Annex XI, because the implicit indices measured in Slovenia and Estonia were above the 6% threshold, the intermediate update took place with retroactive effect to 16 November 2021.

As a general intermediate update of the nominal remuneration and pension of European officials in Belgium and Luxembourg took place, all correction coefficients applicable to all intra-EU places of employment, pensions and transfers were updated together with the reference amounts laid down under Article 65(1) of the SR.

Hence, on 15 June 2022 the Commission published in the C series of the OJ the updated amounts referred to Article 65(1), 2nd paragraph of the SR and the correction coefficients applicable from 1 January 2022 to the remuneration and pensions of the officials and other servants of the EU serving within the EU⁶, as shown in Annex IV of the present report.

4.2. 2022 Annual update of the remuneration and pensions of the officials and other servants of the EU (Article 65(1), 2nd paragraph of the SR)

In accordance with Article 1 of Annex XI to the SR, Eurostat has drawn up a report on changes in the cost of living in Belgium and Luxembourg, changes in the purchasing power of remuneration in national civil services, and the economic parities from which the various weightings ('correction coefficients') derive⁷.

The average change in the purchasing power of national civil servants' remuneration in the reference period measured by the Specific Indicator is equal to -3.9 %.

The change in the cost of living in Belgium and Luxembourg in the reference period, as measured by the Joint Index calculated by Eurostat is equal to 8.6 %.

According to Article 3(2) of Annex XI to the SR, the amount of the update is obtained by multiplying together the Specific Indicator and the Joint Index calculated by Eurostat. The calculated update of the remuneration and pensions in Belgium and Luxembourg is therefore 4.4%. Under Article 3(5) of Annex XI to the SR, no weighting ('correction coefficient') is applicable in Belgium or Luxembourg.

In line with Article 4(2) of Annex XI to the SR, the intermediate update (2.4%) shall be taken into account in the annual salary update i.e. a remainder 2% is to be implemented in the annual update.

Following ECFIN forecast in 2020 subsequently confirmed by Eurostat measurement that the EU GDP decreased by 5.9% in 2020 compared to 2019, the exception clause was triggered and the GSI measured for 2020 (2.5%) was suspended. In 2022, ECFIN concluded that the EU GDP had reached its pre-crisis level during the reference period of the 2022 annual update⁸. On this basis, the Specific Indicator suspended since 2020 (2.5 %) will form part of the 2022 annual update.

In view of the above, the 2022 annual update of the reference amounts will reflect both the remainder of the annual update (2%) and the recovery of the Specific Indicator (2.5%), suspended since 2020 as a result of the application of the exception clause.⁹

⁶ OJ C 231/4, 15.6.2022.

⁷ Eurostat Report of 28 October 2022 on the 2022 annual update of remuneration and pensions of EU officials in accordance with Articles 64 and 65 and Annexes XI and of the Staff Regulations, applicable to officials and other servants of the European Union, adjusting with effect from 1 July 2022 the remuneration of active staff and the pensions of retired staff, and updating with effect from 1 July 2022 the correction coefficients applied to the remuneration of active staff serving in Intra-EU and Extra-EU duty stations, to the pensions of retired staff according to their country of residence, and for pension transfers.

⁸ See the Commission Winter 2022 economic forecast published on 10 February 2022.

⁹ Only the figures of the intermediate update (2.4%) and the six-month residual element of the 2022 annual update (2.0%) together with the recovery of the 2020 Specific Indicator (2.5%, i.e. 4.5%) trigger automatic updates of the amounts and weightings ('correction coefficients') in the Staff Regulations. It should be underlined however that the Eurostat report (see reference in footnote 7) indicates that the overall figure of

The GSI (-3.9 %) exceeds the margins laid down in Article 10 of Annex XI to the SR (upper limit of +2 % and lower limit of -2 %). At the same time, when combined with the recovery of the exception clause (2.5%), i.e. the suspended Specific Indicator from 2020, the overall evolution of staff purchasing power remains within the margins laid down in Article 10 of Annex XI (-1.5%). Therefore, the moderation clause is not triggered.

As the GSI is negative and the forecast evolution of GDP in real terms is positive (2.7%)¹⁰, the exception clause under Article 11 of Annex XI to the SR does not apply.

Hence, by the end of 2022 the Commission is going to publish in the C series of the OJ the updated amounts referred to Article 65(1), 2nd paragraph of the SR applicable from 1 July 2022 to the remuneration and pensions of officials and other servants of the European Union, as shown in Annex I of the present report.

4.3. Annual update of the correction coefficients applied to the remuneration and pensions of the officials and other servants of the EU within the EU (Article 64, 2nd paragraph)

In accordance with Article 1 of Annex XI to the SR, Eurostat has drawn up a report on changes in the cost of living in Belgium and Luxembourg, changes in the purchasing power of remuneration in national civil services, and the economic parities from which the various weightings ('correction coefficients') derive¹¹.

Outside Belgium and Luxembourg, the update to remuneration and pensions is obtained by multiplying the adjustment in Belgium and Luxembourg by the change in weightings ('correction coefficients') and in the exchange rate.

The weightings ('correction coefficients') applicable to remuneration, pensions and transfers of part of remuneration have been calculated by Eurostat as follows.

4.1.1. Weightings ('correction coefficients') for staff outside Belgium and Luxembourg

Eurostat has calculated, in agreement with the national statistical bodies the economic parities which establish the purchasing power equivalence of the remuneration paid in Brussels with that paid in the other places of employment as at 1 July 2022.

The weightings ('correction coefficients') applicable to the remuneration of officials and other servants employed in the Member States other than Belgium and Luxembourg are determined by the ratios between these economic parities and the exchange rates applicable as at 1 July 2022.

Pursuant to Article 8 of Annex XI to the SR, in case where the implicit index changed by more than 6 %, the update shall take effect on 16 May. This is the case in Sofia, Copenhagen, Tallinn, Madrid, Zagreb, Varese, Nicosia, Budapest, Warsaw, Bucharest, Bratislava and Stockholm. According to the same Article, in case where the implicit index changed by more than 10 %, the update shall take effect on 1 May 2022. This is the case in Prague, Athens, Riga, Vilnius and Lisbon.

Hence, by the end of 2022 the Commission is going to publish in the C series of the OJ the correction coefficients applicable from 1 May, 16 May and 1 July 2022 to the remuneration and pensions of officials and other servants of the European Union as shown in Annex I of the present report.

4.1.2. Weightings ('correction coefficients') for pensions outside Belgium and Luxembourg and weightings ('correction coefficients') for transfers

Eurostat has calculated, in agreement with the national statistical bodies, the economic parities which establish the purchasing power equivalence of the pension paid in Belgium with that paid in the other countries of residence as at 1 July 2022.

The weightings ('correction coefficients') calculated for the pensions of individuals living outside Belgium and Luxembourg in the various countries are determined by the

the twelve-month update for 2022 is 7%, which is the mathematical result of multiplying index (i.e. $102,4 \times 104,5 = 107$).

¹⁰ The European Economic Forecast issued by DG ECFIN on 11 November 2022 estimated that the GDP growth for the EU as a whole for 2022 in real terms will be 3.3 %, and in 2023, 0.3 %.

¹¹ Eurostat Report of 28 October 2022 on the 2022 annual update of remuneration and pensions of EU officials (see footnote 2 above).

ratios between these economic parities and the exchange rates applicable as at 1 July 2022. Under Article 20 of Annex XIII to the SR, the weightings ('correction coefficients') apply only to the part of the pension corresponding to pension rights acquired before 1 May 2004.

Under Article 17 of Annex VII to the SR, these weightings ('correction coefficients') are directly applicable to transfers made by officials and other servants.

Pursuant to Article 8 of Annex XI to the SR, in case where the implicit index changed by more than 6 %, the update shall take effect on 16 May. This is the case in Bulgaria, Denmark, Estonia, Ireland, Greece, Hungary, Croatia, Poland, Portugal, Romania and Sweden. According to the same Article, in case where the implicit index changed by more than 10 %, the update shall take effect on 1 May. This is the case in are Czechia, Latvia, Lithuania and Slovakia.

Hence, by the end of 2022 the Commission is going to publish in the C series of the OJ the correction coefficients applicable from 1 May, 16 May and 1 July 2022 to the pensions paid outside Belgium and Luxembourg and the weightings ('correction coefficients') for transfers of remuneration by officials and other servants of the European Union as shown in Annex I of the present report.

4.4. 2022 Annual update of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(1) of Annex X to the SR)

The statistics available to the Commission included a list of 141 places of employment. However economic parities were not presented where data was unavailable or unreliable due to local instability or other reasons.

The correction coefficients for all extra-EU places of employment were calculated with effect as of 1 July 2022. The annual update sets out the weightings ('correction coefficients') derived from the parities communicated by Eurostat for 1 July 2022.

Hence, by the end of 2022 the Commission is going to publish in the C series of the OJ the weightings ('correction coefficient's) applicable from 1 July 2022 to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries, as shown in Annex II of the present report.

4.5. 2022 Interim updates of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(2) of Annex X to the SR)

4.1.3. For the period August 2021 – January 2022

The statistics available to the Commission¹² showed that for certain third countries the variation in the cost of living measured on the basis of the weighting ('correction coefficient') and the corresponding exchange rate had exceeded 5 % since weightings ('correction coefficients') applicable to remuneration of officials, temporary staff and contract staff of the European Union serving in third countries and payable in the currency of their country of employment had been last laid down, i.e. since 1st July 2021.

In accordance with the second paragraph of Article 13 of Annex X to the SR, in such case, an interim update of the weighting ('correction coefficient') had to take place, in accordance with the procedure laid down in Annex XI to the SR.

As detailed under Chapter 4.1 above, an intermediate update took place with retroactive effect to 1 January 2022. As a result of the update of the amounts referred to under Article 65 of the SR, all weightings ('correction coefficients') applicable to remuneration of officials, temporary staff and contract staff of the European Union serving in third countries and payable in the currency of their country of employment have been updated, regardless of the 5% threshold laid down under Article 13 of Annex X to the SR.

¹² Eurostat Report of 10 May 2022 on the interim update of weightings (correction coefficients) applicable to the remuneration of officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations in accordance with Article 64 and Annex X and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union.

The interim update set out the weightings ('correction coefficients') derived from the parities communicated by Eurostat for 1 August, 1 September, 1 October, 1 November, 1 December 2021 and 1 January 2022, respectively.

Hence, on 15 June 2022, the Commission published in the C series of the OJ six monthly tables showing which countries are affected, respective weightings ('correction coefficients') and the applicable dates for each one¹³, as shown in Annex V of the present report.

4.1.4. *For the period February 2022 – June 2022*

The statistics available to the Commission¹⁴ show that for certain third countries the variation in the cost of living measured on the basis of the weighting ('correction coefficient') and the corresponding exchange rate had exceeded 5% since weightings ('correction coefficients') applicable to remuneration of officials, temporary staff and contract staff of the EU serving in third countries and payable in the currency of their country of employment had been last laid down.

In accordance with the second paragraph of Article 13 of Annex X to the SR, in such case, an interim update of the weighting ('correction coefficient') had to take place, in accordance with the procedure laid down in Annex XI to the SR.

The interim update set out the weightings ('correction coefficients') derived from the parities communicated by Eurostat for 1 February, 1 March, 1 April, 1 May and 1 June 2022, respectively.

Hence, by the end of 2022 the Commission is going to publish in the C series of the OJ five monthly tables showing which countries are affected, respective weightings ('correction coefficients') and the applicable dates for each one, as shown in Annex III of the present report.

5. BUDGETARY IMPACT OF THE 2022 UPDATES OF THE REMUNERATION AND PENSIONS OF THE OFFICIALS AND OTHER SERVANTS OF THE EU AND THE CORRECTION COEFFICIENTS APPLIED THERETO

This section provides a detailed estimate of the budgetary impact of the updates affecting EU staff remuneration and pensions in 2022.

5.1. 2022 Intermediate update of the remuneration and pensions of the officials and other servants of the EU (Article 65(2) SR)

The update of the amounts referred to in Article 65(1), second paragraph of the SR has a financial impact on all budgetary lines related to staff expenditure in all institutions and agencies subject to the SR.

In EUR million

	Heading VII			Other headings (I to VI)		
	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>
Estimated impact on expenditures	+ 177.4	+ 177.4	+ 177.4	+ 51.6	+ 51.6	+ 51.6
Estimated impact on revenues	+ 31.3	+ 31.3	+ 31.3	+ 8.7	+ 8.7	+ 8.7

¹³ OJ C 231/10, 15 June 2022.

¹⁴ Eurostat Report of 3 November 2022 on the interim update of weightings (correction coefficients) applicable to the remuneration of officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations in accordance with Article 64 and Annex X and Annex XI of the Staff Regulations applicable to officials and other servants of the European Union.

5.2. 2022 Intermediate update of the correction coefficients applied to the remuneration and pensions of the officials and other servants of the EU within the EU (Article 64, 2nd paragraph & Article 20(1) of Annex XIII)

The update with effect on 1 January 2022 of the correction coefficients applied to the remuneration and pensions of EU staff in the Member States outside Brussels and Luxembourg has a financial impact on several budgetary lines related to staff expenditure.

In EUR million

	Heading VII			Other headings (I to VI)		
	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>
Estimated impact on expenditures	+ 4.8	+ 4.8	+ 4.8	+ 8.0	+ 8.0	+ 8.0

5.3. 2022 Annual update of the of the remuneration and pensions of the officials and other servants of the EU (Article 65(1), 2nd paragraph of the SR)

The annual update of the amounts referred to in Article 65(1), second paragraph of the SR has a financial impact on all budgetary lines related to staff expenditure in all institutions and agencies subject to the SR.

In EUR million

	Heading VII			Other headings (I to VI)		
	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>
Estimated impact on expenditures	+ 75.7	+ 151.5	+ 151.5	+ 22.3	+ 44.5	+ 44.5
Estimated impact on revenues	+ 12.2	+ 24.3	+ 24.3	+ 3.4	+ 6.8	+6.8

5.4. 2022 Annual update of the correction coefficients applied to the remuneration and pensions of the officials and other servants of the EU within the EU (Article 64, 2nd paragraph & Article 20(1) of Annex XIII)

The annual update with effect on 1 July 2022 of the correction coefficients applied to the remuneration and pensions of EU staff in the Member States outside Brussels and Luxembourg has a financial impact on several budgetary lines related to staff expenditure.

In EUR million

	Heading VII			Other headings (I to VI)		
	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>
Estimated impact on expenditures	- 1.8	- 3.7	- 3.7	+ 3.7	+ 7.4	+ 7.4

5.5. Recovery of the Specific Indicator (2.5%) suspended as a result of the exception clause implemented in the 2020 annual update under Article 11 of Annex XI to the SR

The recovery of the Specific Indicator (2.5%) suspended as a result of the exception clause with effect on 1 July 2022 applied to the remuneration and pensions of EU staff

has a financial impact on all budgetary lines related to staff expenditure in all institutions and agencies, to which the SR apply.

In EUR million

	Heading VII			Other headings (I to VI)		
	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>	<i>Year 2022</i>	<i>Year 2023</i>	<i>Subsequent years</i>
Estimated impact on expenditures	+ 94.7	+ 189.4	+ 189.4	+ 27.8	+ 55.6	+ 55.6
Estimated impact on revenues	+ 15.2	+ 30.4	+ 30.4	+ 4.2	+ 8.5	+ 8.5

5.6. Savings generated through the application of the exception clause in 2020 and the automatic suspension of the Global Specific Indicator (2.5%).

The application of the exception clause in 2020 postponed the implementation of the 2020 GSI. This has a financial impact on all budgetary lines related to staff expenditure in all institutions and agencies, to which the SR apply.

In EUR million

	Heading VII				Other headings (I to VI)			
	<i>Year 2020</i>	<i>Year 2021</i>	<i>Year 2022</i>	<i>Subsequent years</i>	<i>Year 2020</i>	<i>Year 2021</i>	<i>Year 2022</i>	<i>Subsequent years</i>
Estimated impact on expenditures	- 110.0	- 220.0	- 234.6	- 1.0	- 23.5	- 47.5	- 50.2	- 0.2
Estimated impact on revenues	- 19.1	- 38.6	- 40.8	- 0.2	- 4.0	- 8.0	- 8.5	-0.0

5.7. 2022 Annual update of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(1) of Annex X to the SR)

The annual update with effect on 1 July 2022 of the weightings ('correction coefficients') applied to the remuneration of EU staff affected in third countries has a financial impact on several budgetary lines related to staff expenditure within Heading VII.

In EUR million

	Heading VII		
	<i>Year 2021</i>	<i>Year 2022</i>	<i>Subsequent years</i>
Estimated impact on expenditures	+ 0.92	+ 1.84	+ 1.84

5.8. 2022 Interim updates of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries (Article 13(2) of Annex X to the SR)

5.1.1. For the period August 2021 – January 2022

The interim update with effect on 1 August 2021, 1 September 2021, 1 October 2021, 1 November 2021, 1 December 2021 and 1 January 2022 of certain weightings ('correction coefficients') applied to the remuneration of EU staff affected in third countries has a financial impact on several budgetary lines related to staff expenditure within Heading VII.

In EUR million

	Heading VII		
	<i>Year 2021</i>	<i>Year 2022</i>	<i>Subsequent years</i>
Estimated impact on expenditures	- 0.04	- 0.07	- 0.07

5.1.2. *For the period February 2022 – June 2022*

The interim update with effect on 1 February 2022, 1 March 2022, 1 April 2022, 1 May 2022 and 1 June 2022 of certain weightings ('correction coefficients') applied to the remuneration of EU staff affected in third countries has a financial impact on several budgetary lines related to staff expenditure within Heading VII.

In EUR million

	Heading VII		
	<i>Year 2021</i>	<i>Year 2022</i>	<i>Subsequent years</i>
Estimated impact on expenditures	- 0.01	- 0.01	- 0.01

6. EFFECTS AND SUSTAINABILITY OF THE 'METHOD' IN A HIGH INFLATION ENVIRONMENT

6.1. Background

On 6 September 2022, the Council adopted its position on the draft general budget of the European Union for the financial year 2023. In its statement, the Council noted that the current inflationary environment puts the EU budget under significant pressure, requiring the mobilisation of special instruments that could be used otherwise. Furthermore, it expressed concerns over the detrimental effect that automatic wage indexation may have on the economic and social situation within the EU. In this regard the Council requested the Commission under Article 241 TFEU and by the end of September 2022, to '*evaluate the effects and sustainability of the automatic salary update of the EU staff in a high inflation environment and to submit to it any appropriate proposals to alleviate the pressure for administrative expenditure*'.

The Commission's reply to the Council request was submitted on 29 September 2022. In its reply, the Commission explained that it did not have the necessary definitive statistical data to do such an evaluation by the end of September 2022. Furthermore, the Commission recalled that the effects and sustainability of the automatic salary update for EU staff, since its introduction into the SR in 2014 by the European Parliament and the Council, have been comprehensively addressed in April 2022 in the Commission Report on the application of Annex XI to the SR and Article 66a thereof¹⁵, though not in a high inflationary context, which emerged after the period analysed for the purposes of the April 2022 report. Finally, the Commission noted that the present report on the budgetary impact of the annual salary update, which is due pursuant to Article 65 SR by the end of 2022, would provide an assessment of the effects and sustainability of the 2022 automatic salary update in a high inflation environment.

6.2. Functioning of the Method in a high inflation environment

Further to the assessment of the effects and sustainability of the method of automatic salary update since its introduction in 2014, as detailed in the Commission Report on

¹⁵ COM(2022) 180 final.

Annex XI¹⁶, the following main conclusions could be drawn following the completion of the 2022 update cycle:

- By reflecting Member States' policies in terms of remuneration evolution, the GSI ensures that EU staff share the same evolution of purchasing power as the civil servants in the central governments of the Member States¹⁷. This remains valid also for the 2022 update where, in general, the EU Member States decided not to match inflation for their civil servants. This decision has been fully reflected by the Method with the same impact over EU civil servants (i.e. -3.9%)¹⁸.
- The Joint Index measuring inflation for EU staff in Brussels and Luxembourg has demonstrated its relevance in a high inflation context. As it has been designed to reflect the specific consumption patterns of EU staff, rather than that of the population in general, it gave results significantly lower than national inflation measured in Belgium and Luxembourg. Concretely, this year, the Joint Index (8.6%) is around 20% lower than national inflation measured in Belgium and Luxembourg between July 2021 and July 2022 (i.e. 10.5% and 10.3% respectively). This impacted significantly the figure of the 2022 annual update (4.4%).
- Many EU Member States introduced one-off social measures to protect national civil servants' purchasing power. Most of these one-off social measures, which are not captured by the Method, had an impact on the civil servants in the central governments of the Member States but did not apply to EU civil servants.
- Concerning the implementation of the principle of equal purchasing power among EU staff regardless of their place of employment, the current Method has proven equally efficient. In particular, the mechanisms laid down under Article 8 of Annex XI to the SR, put in place to deal with high inflation situations in particular Member States of the EU, was triggered, to better align the inflationary context in a number of Member States as explained under Chapter 4.

Overall, in the high inflation environment observed during the reference period, the Method resulted in an annual update of 4.4% corresponding to less than half of the inflation measured at national level in the same period. This confirms that the remuneration of EU staff is not an indexation upon inflation. At the same time, this figure demonstrates the challenges for the overall attractiveness of the EU public service as it further reinforces the trend of purchasing power loss by EU staff.

6.3. Budgetary impact and sustainability of the 2022 automatic update in a high inflation environment

The 2022 annual update of remuneration and pensions (4.4%) is the highest measured since the entry into force of the amendments to the SR introducing the current Method for salary and pension updates in 2014. This results from both the high inflation context and the evolution of the real salaries of civil servants in the central governments of the Member States.

Factors, such as the COVID-19 outbreak and Russia's war of aggression against Ukraine, contributed to the high inflation environment observed during the relevant reference period for the 2022 annual update.

However, as described under Chapter 6.2, the Method results in an annual update of 4.4%, corresponding to less than half of the inflation measured at national level in the same period. This moderation effect of the Method in a period of high inflation shows the relevance in a period of high inflation of the choice made by the co-legislators in 2014 to only mirror the purchasing power of Member States' officials. If indeed Member States' public finances have determined and considered as sustainable a given level of purchasing power for their national civil servants (increasing or decreasing the

¹⁶ *Idem.*

¹⁷ In substance, the Method for the pay update is based on the principle of a parallel development of purchasing power with national civil servants. The principle of parallel development of purchasing power means that the purchasing power of EU staff members follows, both upwards and downwards, the evolution of the average purchasing power of civil servants in national central governments.

¹⁸ For example, two Member States representing one third of the sample granted a significant gain of purchasing power to their civil servants. Nonetheless, the average reflected by GSI results in a strong loss of purchasing power (i.e. -3.9%) for EU staff. It should also be noted that in case all EU 27 Member States would be part of the sample, the corresponding value would be lower -4.6%.

purchasing power of their civil servants in function of the inflation in their Member State) applying the same evolution to the EU civil servants is likely to be equally adequate from a budgetary perspective.

As the Commission report on Annex XI¹⁹ concluded that the Method was adequate (with possible improvements with regard to correction coefficients), the sustainability and budgetary impact of the 2022 annual update in a high inflation context cannot be considered in isolation from the other features of the Method such as the Joint Index measuring inflation for EU staff in Brussels and Luxembourg or the exception clause.

As described under Chapter 6.2 the Joint Index measuring inflation for EU staff in Brussels gave results significantly lower than national inflation measured in Belgium and Luxembourg and therefore contributed to limit the budgetary impact of the automatic annual update.

In addition, in 2020, as a result of the COVID-19 pandemic, the forecasted evolution of the real GDP was negative (-7.4%)²⁰. In light of this, the exception clause provided under Article 11(1) of Annex XI to the SR applied. Given that the Union GDP decrease was greater than 3%, the specific indicator (2.5%) was not used at that time to calculate the value of the update of remuneration and pensions. As now the EU GDP has again reached its 2019 level²¹, the specific indicator not used in 2020 (2.5%) shall form part of the 2022 update, in accordance with Articles 10 and 11(4) of Annex XI to the SR.

The application of the exception clause in the period 2020-2022 limited the annual updates during this period and thus limited significantly the expenditures for the EU budget, i.e. around 750 million euros until the end of the current MFF (see Chapter 5.5).

It is to be emphasised that the above-mentioned cumulated EUR 750 million savings is superior to the budgetary impact of the 2022 annual update, including the recovery of the GSI suspended by the triggering of the exception clause in 2020 (Chapter 5). This, together with the statistical data pertaining to and the results of the 2022 annual update exercise, allow the Commission to conclude that the Method is fit to function in a high inflation context. The consideration of the 2022 annual update exercise supplements and corroborates the conclusions of the Commission report on Annex XI.

The Commission will continue to closely monitor the functioning of the Method and the evolution of the underlying economic conditions in the EU Member States during the next cycles of implementation of the Method.

Annexes:

- (1) Draft Publication in the C series of the Official Journal of the EU – 2022 Update of the remuneration and pensions of the officials and other servants of the EU and the correction coefficients applicable thereto
- (2) Draft Publication in the C series of the Official Journal of the EU – 2022 Update of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries
- (3) Draft Publication in the C series of the Official Journal of the EU – Interim update of the weightings ('correction coefficients') applicable to the remuneration of officials, temporary staff and contract staff of the EU serving in third countries
- (4) Publication in the C series of the Official Journal of the EU – 2022 Intermediate update of the remuneration and pensions of the officials and other servants of the European Union and the correction coefficients applied thereto²²

¹⁹ COM(2022) 180 final.

²⁰ In 2021, the final figure measured by Eurostat for the 2020 decrease of the EU GDP in real terms was -5.9%.

²¹ The Autumn 2022 economic forecast published by DG ECFIN projected the EU economy to grow by 3.3% in 2022 and by 0.3% in 2023 in spite of the current international geopolitical situation, signalling the end of the COVID-19 related economic downturn.

²² OJ C 231/4, 15.6.2022.

- (5) Publication in the C series of the Official Journal of the EU – 2022 Intermediate update of weightings (correction coefficients) applicable to the remuneration of officials, temporary staff and contract staff of the European Union serving in Extra-EU Delegations²³

²³ OJ C 231/5, 15.6.2022.