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EUROPEAN COMMISSION

Brussels, 31.8.2010  
COM(2010) 449 final

**REPORT FROM THE COMMISSION TO THE COUNCIL**  
**2006-2008 Report on the financial situation of the Community unemployment benefit**  
**scheme for former members of the temporary staff and contract staff who are**  
**unemployed after the termination of their service in a European Union institution**

## REPORT FROM THE COMMISSION TO THE COUNCIL

### **2006-2008 Report on the financial situation of the Community unemployment benefit scheme for former members of the temporary staff and contract staff who are unemployed after the termination of their service in a European Union institution**

#### **SUMMARY**

Under Article 28a(11) and Article 96(11) of the Conditions of Employment of Other Servants of the European Communities (CEOS), every two years the Commission must present a report to the Council on the financial situation of the Community unemployment benefit scheme and the Special Unemployment Fund. This report sets out the situation for the period 2006-2008; however, in the interests of comparability with the previous report, the 2005 figures are also given as a matter of course.

The current financial situation of the Unemployment Fund is satisfactory from an accounting perspective as its accumulated reserves increased from € 205 000 at the end of 2005 to €16 160 000 at the end of 2008.

However, the new CEOS, which entered into force on 1 May 2004 with the creation of the category of member of the contract staff, made significant changes to the rules on contributions to the Fund, the population covered and the eligibility criteria. As a result, the scheme went through a transitional stage in 2005-2008 and did not yet seem to have reached a stable operating speed by the end of that period, particularly as regards the changing number of future beneficiaries. Regular monitoring is therefore necessary.

With the creation of the category of member of the contract staff and the growth in EU agencies, contributions to and payments by the Fund had in fact doubled by 2008 compared to what they were in 2005. Receipts rose sharply in 2006 and more gradually in 2007 and 2008, while payments increased mainly in 2007 and 2008. This time-lag meant that the annual surplus rose from €755 000 in 2005 to € 410 000 in 2006 and € 275 000 in 2007, which in 2008 was then converted, in financial terms, into a slight deficit of €30 000.

## **1. REGULATORY FRAMEWORK**

### **1.1. Description of the scheme**

The entry into force of the new Staff Regulations on 1 May 2004 put an end to the old scheme, which ran from 1985 to April 2004.

The old scheme covered temporary staff against the risk of unemployment when they left the service. The Community unemployment allowance was paid in addition to any national benefits that former staff could claim. Temporary staff who had worked a minimum of six months could claim benefits for up to two years. The top-up Community unemployment allowances had both a lower limit and an upper limit. Neither limit had ever been changed. Cover under the Community health insurance scheme (5.1% of the unemployed person's reference basic salary) was met by the Unemployment Fund.

If the member of the temporary staff so requested, the old scheme continued to apply for a transitional period for people who were already unemployed and for contracts which had been concluded before 1 May 2004 and would end after that date.

The new scheme - applicable since May 2004 - also provides unemployment cover for the new category of contract staff.

This entitlement is now limited to a third of the period actually spent working as a member of the temporary or contract staff, and may not exceed 36 months. The upper limit (which only applies from the seventh month of unemployment), and the lower limit for temporary staff, have been revised. There are also upper and lower limits for contract staff, but they are different from those for temporary staff. They will be adjusted annually from now on (like salaries).

### **1.2. Legal references**

- Article 28a of the Conditions of Employment of Other Servants of the European Communities (CEOS) introduced by Article 33 of Council Regulation No 2799/85 of 27 September 1985 (OJ L 265, 8.10.1985); amended by Council Regulation No 723/2004 of 22 March 2004 (OJ L 124, 27.4.2004).
- Commission Regulation No 91/88 of 13 January 1988 laying down provisions for implementing Article 28a(2) of the Conditions of Employment of Other Servants of the European Communities (OJ L 11, 15.1.1989).
- Commission Rules of 14 July 1988, common accord having been recorded by the President of the Court of Justice of the European Communities on 4 July 1989, laying down the detailed arrangements for applying the provisions relating to the grant of the unemployment allowance to members of the temporary staff, implementing Article 28a(10) of the Conditions of Employment of Other Servants of the European Communities.
- Article 96 and Article 5 of the Annex to the Conditions of Employment of Other Servants of the European Communities introduced by Council Regulation No 723/2004 of 22 March 2004 (OJ L 124, 27.4.2004).
- Annual regulations on the adjustment of salaries, pensions and other allowances.

## 2. THE FINANCIAL SITUATION OF THE UNEMPLOYMENT FUND

The situation of the Unemployment Fund is set out below in two different ways. In the first point (“Accounting situation”) the figures are set out as they appear in the accounts: a financial operation is listed for the year in which it was entered in the accounts (“Accounting situation”). However, some receipts and payments relate to operations which began in the year preceding the entry. In the second point (“Financial situation”) the figures are set out in line with the accrual accounting system. To this end, the entries must be listed under the year in which they originated.

### 2.1. Accounting situation: 2005-2008 operating results and accumulated balances

Table 1 gives a summary of receipts and payments as entered in the accounts and the resulting current balance.

The amounts recorded under “unemployment allowances” systematically include the basic unemployment allowance, any family allowances and, for the original scheme only, the effect of the weighting. Any social benefits received at a national level (including unemployment benefits, family allowances, sickness benefits, maternity benefits, etc.) are deducted.

Contributions to the Community sickness insurance scheme (JSIS) are covered in their entirety by the Community unemployment scheme (5.1% of the unemployed person’s reference basic salary). Personal contributions to the JSIS are not deducted from Community unemployment benefit.

**TABLE 1 UNEMPLOYMENT FUND - ACCOUNTING SITUATION - Operating result (2005-2008)**

DESCRIPTION		2005 EUR	2006 EUR	2007 EUR	2008 EUR
A. Payments					
1. Unemployment allowances	a	5 264 751.97	5 086 221.18	7 277 351.67	10 583 794.51
2. JSIS contributions	b	659 104.95	541 882.56	114 433.38	1 460 168.26
<b>Total payments</b>	<b>d=a+b</b>	<b>5 923 856.92</b>	<b>5 628 103.74</b>	<b>7 391 785.05</b>	<b>12 043 962.77</b>
B. Receipts					
1. European Commission	e	2 110 681.51	3 363 455.21	4 081 629.15	4 531 993.81
2. European Parliament	f	1 241 365.82	1 554 274.75	1 439 364.01	1 320 043.73
3. European Ombudsman	g	31 205.04	42 023.30	46 861.06	40 855.64
4. Council of Ministers	h	185 739.79	205 057.05	202 188.15	211 178.46
5. Court of Justice	i	634 018.19	677 879.58	701 984.82	663 944.98
6. Court of Auditors	j	195 702.12	220 056.91	176 775.35	176 144.10
7. Economic and Social Committee	k	125 482.95	144 281.81	140 338.16	113 030.61
8. Committee of the Regions	l	121 444.29	127 089.22	118 342.71	89 003.88
9. Agencies and Offices	m	2 032 624.27	2 744 847.03	3 413 446.78	4 021 233.21
<b>Total receipts</b>	<b>n=Σe-m</b>	<b>6 678 263.98</b>	<b>9 078 964.86</b>	<b>10 320 930.19</b>	<b>11 167 428.42</b>
C. Accounting corrections	o	122.83	153.51	-446.48	1 159.05
<b>D. Current balance</b>	<b>p=n-d+o</b>	<b>754 529.89</b>	<b>3 451 014.63</b>	<b>2 928 698.66</b>	<b>-875 375.30</b>

The Unemployment Fund uses two management instruments for its receipts and payments: a current account for receiving payments and paying allowances, and a number of term accounts for investing surpluses accumulated in the current account.

The first part of Table 2 shows operations on the current account; the second part of the table shows the income from the term accounts, as well as the movements between the two accounts. The third part shows the total accumulated surpluses for the two accounts.

**TABLE 2 UNEMPLOYMENT FUND - ACCOUNTING SITUATION - Trend in accumulated balance (2005-2008)**

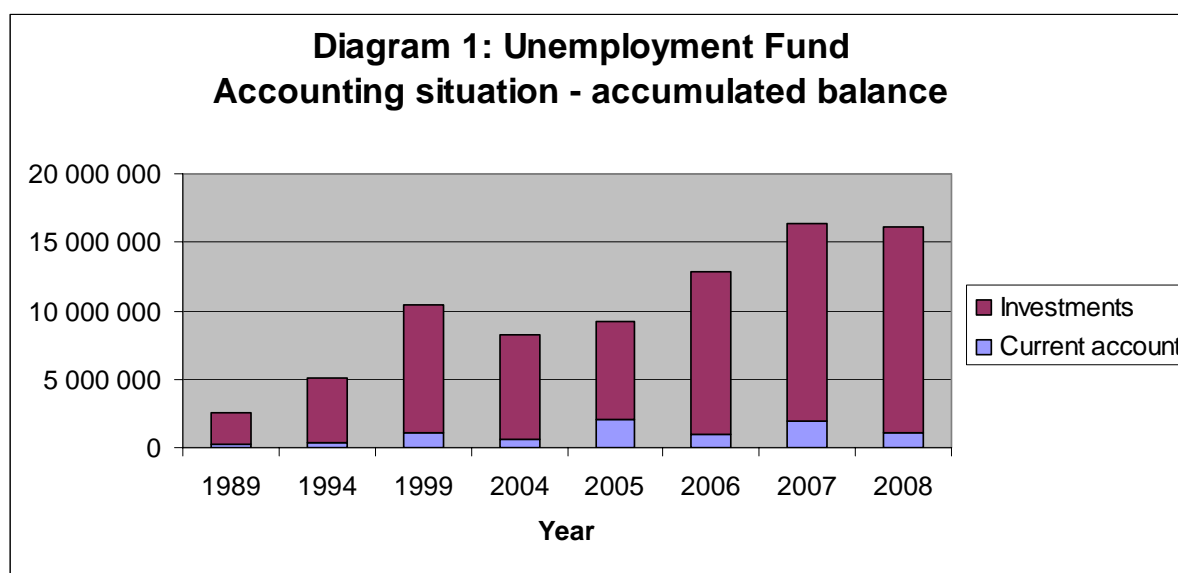
DESCRIPTION		2005 EUR	2006 EUR	2007 EUR	2008 EUR
<b>I. Current account</b>					
A. Current account balance on 1/1	b	663 371.07	2 017 900.96	968 915.59	1 997 614.25
B. Current balance	a	754 529.89	3 451 014.63	2 928 698.66	-875 375.30
C. Investment of surpluses (-) and Recovery of funds invested (+)	c	0.00	-4 500 000.00	-1 900 000.00	0.00
	c	600 000.00	0.00	0.00	0.00
<b>D. Current account balance on 31/12</b>	<b>d=a+b+c</b>	<b>2 017 900.96</b>	<b>968 915.59</b>	<b>1 997 614.25</b>	<b>1 122 238.95</b>
<b>II. Fixed term investments</b>					
E. Financial investments on 1/1	e	7 620 850.76	7 186 249.53	11 905 352.99	14 361 095.19
F. Payments from (+) and into (-) current account	f	-600 000.00	4 500 000.00	1 900 000.00	0.00
G. Interest	g	165 441.77	219 263.46	555 695.52	679 276.42
H. Banking operations	h	-43.00	-160.00	46.68	370.67
<b>I. Financial investments on 31/12</b>	<b>i=</b>	<b>7 186 249.53</b>	<b>11 905 352.99</b>	<b>14 361 095.19</b>	<b>15 040 742.28</b>
<b>III. Accumulated surplus</b>	<b>j=d+i</b>	<b>9 204 150.49</b>	<b>12 874 268.58</b>	<b>16 358 709.44</b>	<b>16 162 981.23</b>

The surplus increased by 40% in 2006 and 23% in 2007. It fell by 1% in 2008. With an accumulated surplus of almost €6.2 million in 2008, the current situation of the Fund is therefore satisfactory from an accounting perspective.

Table 3 and diagram 1 also list the accumulated five-year balances mentioned in the previous report and thus show the trend of the cumulative balance in the long term (1985-2008).

**TABLE 3 UNEMPLOYMENT FUND - ACCUMULATED BALANCE - Operating result (1989-2008)**

DESCRIPTION	1989 EUR	1994 EUR	1999 EUR	2004 EUR	2005 EUR	2006 EUR	2007 EUR	2008 EUR
Current account	257 078	386 573	1 037 493	663 371	2 017 901	968 916	1 997 614	1 122 239
Investments	2 263 758	4 676 893	9 328 799	7 607 437	7 186 250	11 905 353	14 361 095	15 040 742
<b>Total</b>	<b>2 520 836</b>	<b>5 063 466</b>	<b>10 366 292</b>	<b>8 270 808</b>	<b>9 204 151</b>	<b>12 874 269</b>	<b>16 358 709</b>	<b>16 162 981</b>



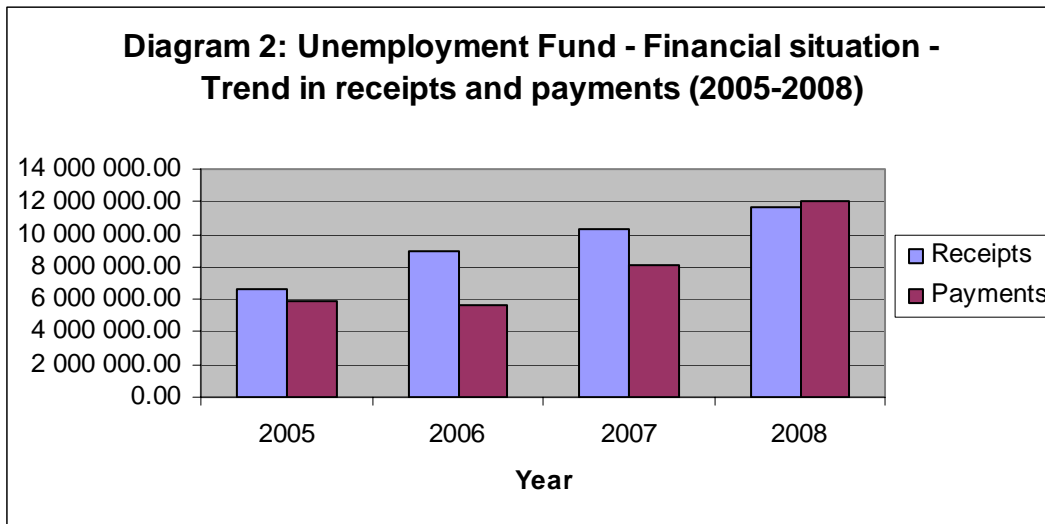
## 2.2. Financial situation: 2005-2008 operating results

Some of the receipts entered in the accounts at the start of year N are amounts deducted from salaries at the end of year N-1, and some of the unemployment allowance payments made and entered at the start of year N cover periods of unemployment at the end of year N-1. In accordance with the principles of accrual accounting, these accounting entries should be entered in year N-1.

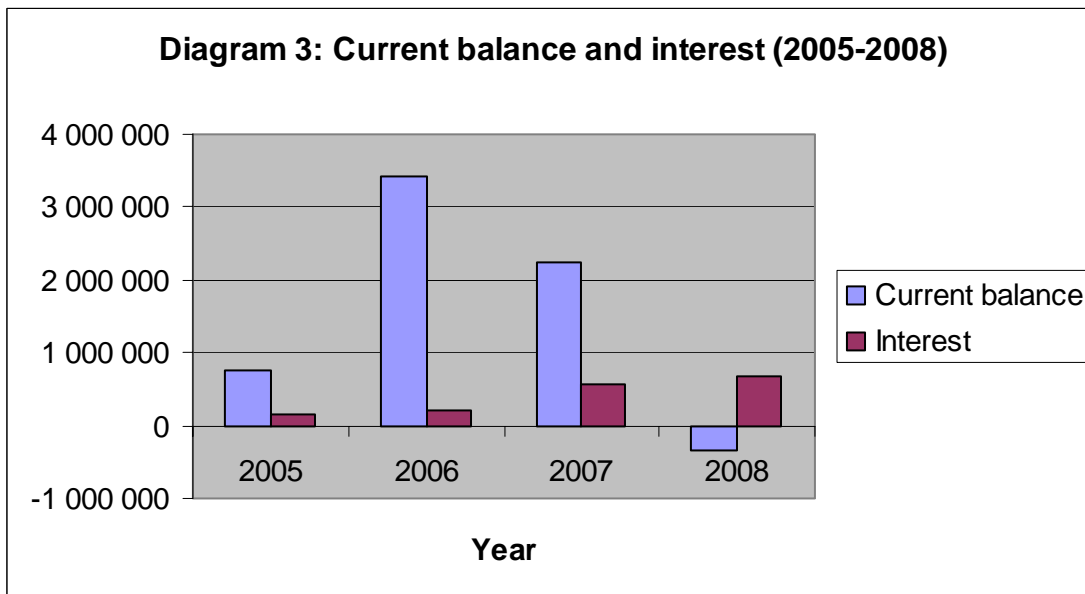
Table 4 and diagram 2 show receipts and payments according to this principle and therefore indicate the Unemployment Fund's annual "financial" situation as regards receipts and payments.

**TABLE 4 UNEMPLOYMENT FUND - FINANCIAL SITUATION -  
Operating result (2005-2008)**

DESCRIPTION		2005 EUR	2006 EUR	2007 EUR	2008 EUR
<b>A. Payments</b>					
1. Unemployment allowances	a	5 264 751.97	5 080 747.95	7 428 758.42	11 011 432.53
2. JSIS contributions	b	615 303.77	531 939.45	699 909.32	1 012 543.75
<b>Total payments</b>	<b>d=a+b</b>	<b>5 880 055.74</b>	<b>5 612 687.40</b>	<b>8 128 667.74</b>	<b>12 023 976.28</b>
<b>B. Receipts</b>					
1. European Commission	e	2 126 994.82	3 351 028.04	4 081 632.35	4 531 990.61
2. European Parliament	f	1 205 134.80	1 505 654.56	1 439 364.01	1 452 093.77
3. European Ombudsman	g	31 205.04	42 023.30	47 101.38	45 518.52
4. Council of Ministers	h	185 739.79	205 057.05	203 245.29	212 010.04
5. Court of Justice	i	633 950.62	677 879.58	702 149.61	731 878.65
6. Court of Auditors	j	195 702.12	220 056.91	177 709.62	176 669.29
7. Economic and Social Committee	k	127 381.43	142 383.33	141 025.23	124 584.11
8. Committee of the Regions	l	121 444.29	127 089.22	118 923.40	98 392.56
9. Agencies and Offices	m	2 007 383.77	2 751 030.14	3 450 859.66	4 319 259.26
<b>Total receipts</b>	<b>n=Σe-m</b>	<b>6 634 936.68</b>	<b>9 022 202.13</b>	<b>10 362 010.55</b>	<b>11 692 396.81</b>
<b>C. Accounting corrections</b>	o	122.83	153.51	-446.48	1 159.05
<b>D. Current balance</b>	<b>p=n-d+o</b>	<b>755 003.77</b>	<b>3 409 668.24</b>	<b>2 232 896.33</b>	<b>-330 420.42</b>



Receipts increased sharply in 2006 compared with the previous year (36%) and continued to grow in 2007 (15%) and 2008 (12%). Payments fell in 2006 (-5%) and increased sharply in 2007 (45%) and 2008 (48%). This time-lag between receipts and payments led to substantial surpluses in 2006 and 2007 but a slight deficit in 2008. This deficit is offset by interest on investments. Diagram 3 sets out the current balance and the interest for 2005-2008.



This trend in receipts and payments is largely due to the creation of new agencies and the introduction since 2004 of a new category of staff: contract staff employed for a fixed period (maximum three years). The recruitment of contract staff over the period 2004-2007 led to an increase in receipts with no immediate effect on payments, whereas when the first contracts came to an end, giving the right to an unemployment allowance, payments increased considerably from 2007.



### **2.3. Financial situation: breakdown of payments and receipts by institution and for all the agencies in 2005-2008**

Table 5 provides a breakdown of payments and receipts by institution and for all the agencies. The first part of the table gives absolute figures, the second part the percentages for each institution and all the agencies as a proportion of total payments and receipts.

TABLE 5

**UNEMPLOYMENT FUND - FINANCIAL SITUATION**  
**Breakdown of payments and receipts by institution (2005-2008)**

Year	2005		2006		2007		2008	
Description	Payments	Receipts	Payments	Receipts	Payments	Receipts	Payments	Receipts
INSTITUTION								
<b>I. In Euro</b>								
A. European Commission	3 210 946.10	2 126 994.82	2 340 522.01	3 351 028.04	4 365 642.75	4 081 632.35	6 462 045.50	4 531 990.61
B. European Parliament	970 392.73	1 205 134.80	735 850.83	1 505 654.56	884 197.13	1 439 364.01	1 248 878.68	1 452 093.77
C. European Ombudsman	14 480.86	31 205.04	0.00	42 023.30	22 913.44	47 101.38	12 140.98	45 518.52
D. Council of Ministers	30 604.00	185 739.79	0.00	205 057.05	422 087.68	203 245.29	386 075.29	212 010.04
E. Court of Justice	138 047.90	633 950.62	246 113.33	677 879.58	346 817.49	702 149.61	467 809.42	731 878.65
F. Court of Auditors	70 128.81	195 702.12	45 083.51	220 056.91	46 898.95	177 709.62	69 454.36	176 669.29
G. Economic and Social Committee	427 156.84	127 381.43	290 816.99	142 383.33	259 964.67	141 025.23	399 696.69	124 584.11
H. Committee of the Regions	188 211.92	121 444.29	196 412.96	127 089.22	354 684.97	118 923.40	335 101.34	98 392.56
I. Agencies	830 086.58	2 007 383.77	1 757 887.76	2 751 030.14	1 425 460.68	3 450 859.66	2 642 774.02	4 319 259.26
<b>Total</b>	<b>5 880 055.74</b>	<b>6 634 936.68</b>	<b>5 612 687.40</b>	<b>9 022 202.13</b>	<b>8 128 667.74</b>	<b>10 362 010.55</b>	<b>12 023 976.28</b>	<b>11 692 396.81</b>
	<b>% of payments</b>	<b>% of receipts</b>	<b>% of payments</b>	<b>% of receipts</b>	<b>% of payments</b>	<b>% of receipts</b>	<b>% of payments</b>	<b>% of receipts</b>
<b>II. As a % of the total</b>								
A. European Commission	54.6%	32.1%	41.7%	37.1%	53.7%	39.4%	53.7%	38.8%
B. European Parliament	16.5%	18.2%	13.1%	16.7%	10.9%	13.9%	10.4%	12.4%
C. European Ombudsman	0.2%	0.5%	0.0%	0.5%	0.3%	0.5%	0.1%	0.4%
D. Council of Ministers	0.5%	2.8%	0.0%	2.3%	5.2%	2.0%	3.2%	1.8%
E. Court of Justice	2.3%	9.6%	4.4%	7.5%	4.3%	6.8%	3.9%	6.3%
F. Court of Auditors	1.2%	2.9%	0.8%	2.4%	0.6%	1.7%	0.6%	1.5%
G. Economic and Social Committee	7.3%	1.9%	5.2%	1.6%	3.2%	1.4%	3.3%	1.1%
H. Committee of the Regions	3.2%	1.8%	3.5%	1.4%	4.4%	1.1%	2.8%	0.8%
I. Agencies	14.1%	30.3%	31.3%	30.5%	17.5%	33.3%	22.0%	36.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

