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REPORT TO THE EUROPEAN PARLIAMENT AND THE COUNCIL
EQUIVALENCE BETWEEN OLD AND NEW CAREER STRUCTURES

Article 6 of the Staff Regulations

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O– FOREWORD AND POLITICAL ABSTRACT

The 2004 reform of the Staff Regulations had two main priorities: firstly to modernise the European public administration and especially its career system that had been in force for more than 40 years and, secondly, to secure considerable financial savings in real terms. On the latter objective, the initial target was explicit: more than EUR 1 billion savings over the following 15 years. Seven years only after the adoption of the reform, it is difficult to assess what would be the real savings over the whole period. However, on a long term perspective, simulations tend to show a very significant financial impact of the 2004 reform both on the wage bill and on pensions. Eurostat has in this regard calculated the savings connected with the implementation of the reform. They estimate that in the long term (50 years ahead), the 2004 reform will save more than EUR 1.5 billion each year compared to a situation without the reform. One can therefore conclude that the 2004 reform is a success as far as budgetary discipline is concerned.

As regards the modernisation of the Staff Regulations and the revamping of the career system, the 2004 reform aimed at simplifying the old system built on four categories of staff, while promoting a merit based career progression. Whereas the new system was supposed to ensure, on average, the same career perspectives for officials as the previous system, it was designed to allow the best-performing officials to be rewarded for their efforts through new career perspectives. This report provides a first indication of whether and to what extent this goal has been achieved.

More precisely, the report shows that fast-career officials are better off on average under the new rules than under the previous Staff Regulations. However, the report emphasises that the impact on careers of the 2004 rules differs significantly according to the types of careers. Clerical officers for instance have benefited strongly from the new system of careers, largely regardless of their individual merits. Conversely, career perspectives for junior administrators – if this group is taken as a whole - are significantly less attractive than under the previous rules.

The report also analyses the impact of the transitional measures applicable to officials who were appointed before May 2004 with a focus on the impact on management positions. It concludes that the introduction of the new career structure, combined with the convergence towards the new salary grid, has produced a certain number of unexpected results, with a clear disconnection in some cases between the level of responsibilities and the level of remuneration. One could therefore conclude that the budgetary savings obtained with the 2004 reform have been unevenly distributed across the staff, to the particular detriment of the function group of administrators, taken as a whole.

This conclusion should be borne in mind if any further amendment of the Staff Regulations is contemplated. In particular, if the European Union wishes to attract the most talented and dedicated officials, while maintaining a diversified geographical base, it should probably rebalance the burden of economies across groups of staff.

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Article 6(3) of the Staff Regulations states that "*the Commission shall [...] submit a report to the budgetary authority each year on the evolution of average careers in the two function groups in all institutions, which will state whether the principle of equivalence has been respected and, if not, to what extent it has been breached.*". In addition, Article 6(4) provides that "*to ensure that this system remains consistent [...], the rates laid down in Annex I, point B, shall be reviewed at the end of a five-year period starting on 1 May 2004 on the basis of a report, submitted by the Commission to the Council, and a proposal by the Commission.*". The Commission has accordingly prepared a technical report for submission to the European Parliament and the Council¹. This report attempts to compare the 'old' and 'new' career structures and finds some discrepancies. The first part of the report explains the legal framework, the methodology used and the main hypotheses on which it is based. The second part details the results according to the different types of careers.

I – BACKGROUND, LEGAL CONTEXT AND METHODOLOGY

Provision is made for equivalence between 'old' and 'new' career structures to be checked regularly. According to Article 6(5) of the Staff Regulations, "*equivalence shall be assessed, as a result of promotion and seniority over a given period on the assumption that staff numbers remain unchanged, between the average career before 1 May 2004 and the average career of officials recruited thereafter*". This definition leaves the notion of 'average career' open.

A first approach would start from the assumption that there is equivalence between old and new career structures if the **overall increase of the basic monthly salary** over an average career (i.e. the career of a hypothetical average official recruited at the average age for recruitment for officials in his/her function group/category, who is promoted after a period equal to the average duration spent in each relevant grade and eventually retiring at the average retirement age for his/her function group/category) is the same under the previous and the new Staff Regulations. Checking whether the principle of equivalence has been respected would therefore only entail calculating the increase between the first salary when joining the Institutions and the last salary when retiring from them, and checking such increase under both the previous and the current Staff Regulations.

While this first approach is straightforward and relatively easy to implement, it does not fully take into account the spirit of the reform of the Staff Regulations. The reform was intended to change the structure of officials' careers by paying them less at the beginning but offering more promotions and scope for higher salaries at the end of the career. This means that the difference between first and last salaries is likely to be greater in the new career structure, resulting in economies in overall salary expenditure under the new rules.

In order to ensure maximum comparability, it has been decided to define "remuneration" for present purposes as the basic salary, thus excluding factors such as possible allowances under Annex VII of the Staff Regulations, which are technically considered to form part of the "remuneration" under Article 62 of the Staff Regulations but which vary according to the official's personal circumstances.

¹ Annex XIII of the Staff Regulations also states that "with the Report provided by the Commission under Article 6(3) of the Staff Regulations, the Commission shall also provide information on the financial implications of the promotion percentages provided for in this Annex and the integration of officials in service before 1 May 2004". This information can be found in Annex I.

It has therefore been decided to consider the **accumulated basic remuneration over the whole career**, i.e. the sum of all payments of monthly basic salary received from recruitment until retirement. It should be mentioned that even after removing associated benefits (see above) this basic salary is still not what officials actually earn. This is for two further reasons:

1) net salaries are significantly reduced by the various compulsory deductions (see box 1, *From basic to net salary*);

2) net salaries of almost 50% of staff recruited **before 01/05/2004**, are reduced by the so-called 'multiplication factor', which ensures financial neutrality of the 2004 reform, by reducing their basic salary provided for in Article 66 of the Staff Regulations (see box A1 in Annex 1).

BOX 1, FROM BASIC TO NET SALARY

<i>Box 1, From basic to net salary</i>				
This report considers the basic salary as defined by the salary scale in Art. 66 of Staff Regulations. However, such salary is subject to a number of compulsory deductions, some of which are in compensation of social benefits (pension scheme, sickness insurance, accident). The following table gives the rate of the contributions/taxes which affect officials' salaries as at 1 January 2010.				
Tax / contribution		Rate		
Pension contribution		11,6 %		
Sickness insurance		1,7 %		
Accident insurance		0,1 %		
Income Tax		Up to 45 %		
Special levy		5,5 %		
The fact that the bases on which the contributions are assessed are not completely identical combined with the progressiveness of the income tax result in a global contribution rate being extremely wide across the salary scale, ranging from 13,4% for an AST1 to 40,5% for an AD16 step 3. The following table gives some examples of monthly salaries net from compulsory deductions according to various grades as at 1 January 2011:				
Grade	Basic salary (euro)	Salary after contributions	Global Taxation rate	Marginal taxation rate
Secretary AST1/1	2 654	2 299	13,4%	13%
Technical Assistant AST3/1	3 398	2 726	19,8%	25%
Administrator AD5/1	4 350	3 414	21,5%	29%
Head of Unit AD9/1	7 128	5 240	26,5%	40%
Director AD14/1	13 216	8 386	36,5%	51%
Director general AD16/3	18 371	10 925	40,5%	51%
It is useful to keep those contribution rates in mind, especially when reading the various tables in the report, which display only basic salaries.				
It is worth mentioning that officials may benefit, depending on their family and expatriation status, from family and expatriation allowances, the rules of which are described in Section 1 and 2 of Annex VII to the Staff Regulations.				

In addition, in order to take into account the fact that the reform of the Staff Regulations extended the duration of officials' careers by raising the pensionable age to 63 years, the

average career adjusted for pensionable age, i.e. the average yearly remuneration (accumulated remuneration over the career divided by the number of years of career), has been taken into account. This compensates for the fact that a higher number of years mechanically increases the accumulated remuneration, while having an ambiguous effect on the equivalence between old and new career structures.

Simulations have also been performed assuming different speeds of careers (i.e. the time spent in each grade of the salary scale). This is a critical point under the new Staff Regulations; while differences in remuneration according to the speed of career were limited under the old rules, the new Staff Regulations include incentives which reward fast careers. Indeed, under the new staff Regulations, officials with fast careers tend to earn around 15 % more over a whole career than those with normal careers whereas slow-career officials earn around 9 % less (see Annex 2). As a result, averaging remuneration for slow and fast careers is not equivalent to considering the remuneration for an average career. This report therefore considers 'slow careers' as being careers for which promotions occur with seniority in grade 25 % higher than for normal careers. Likewise, 'fast careers' have been considered as careers for which promotions occur with seniority in grade 25 % lower than for the normal career. **Average remuneration for careers** can therefore be compared under both 'old' and 'new' systems, by calculating the average remuneration in respect of a fixed proportion of slow, normal and fast careers representing the career distribution of the Commission (see Annex 3).

Based on this assumption, the report compares four types of careers corresponding to the main profiles recruited before and after the Staff Regulation reform: secretaries/clerks (ex-C category), assistants (ex-B), junior administrators (with no experience) and administrators (with experience). It should be mentioned that the comparison between old and new career structures takes place within each of these four types of careers. Cross-career comparisons introduce further complications, such as having to calculate the percentage of officials who change function group/category, and to take account of the average age at which this happens etc. Global career comparison has also been avoided: that approach would have to take into account changes over time in the proportion of officials recruited into each function group/category. While this would appear to be relevant to assessing the global budgetary impact of the recruitment policy since the Reform, it would go beyond the terms of reference laid down in Article 6 of the Staff Regulations.

It should be mentioned that any comparison has to be based on an assumption concerning the relationship between changes in prices and changes in pay. This report is based on the assumption that they change in parallel. If that assumption turns out to be wrong, the results of the comparison of career structure would be significantly different (see box 2, *What does parallelism mean?*).

BOX 2, WHAT DOES PARALLELISM MEAN?

Box 2, What does parallelism mean?

This report assumes that prices and remunerations increase in parallel over time. In general, the average yearly salary earned during the whole career, expressed in euros of reference year 2004, is derived as follows:

Assuming p_k is the inflation rate in year k (with $k > 2004$), any given sum of money s in Euro of year t , represents $\tilde{s} = \frac{s}{\prod_{k=2004}^{k=t} (1 + p_k)}$ in Euro of year 2004 (with $p_{2004} = 0$).

Let $r_t(g, s)$ be the remuneration in current Euro corresponding to grade g and step s in the salary scale of year t .

Let i_t be the adjustment rate used when adapting the salary scale of officials in year t compared to year $t-1$ ($t > 2004$ and $i_{2004} = 0$) Each year, the scale is adapted so that $r_{t+1}(g, s) = r_t(g, s)(1 + i_{t+1})$. It results that the remuneration corresponding to grade g and step s in the salary scale of year t is related to the corresponding remuneration in the salary scale of 2004 by the relation:

$$r_t(g, s) = r_{2004}(g, s) \prod_{k=2004}^{k=t} (1 + i_k).$$

This sum, expressed in constant Euro of year 2004 writes:

$$\tilde{r}_t(g, s) = \frac{r_{2004}(g, s) \prod_{k=2004}^{k=t} (1 + i_k)}{\prod_{k=2004}^{k=t} (1 + p_k)}$$

The average yearly remuneration, A , gained during a whole career lasting N years starting in 2004 expressed in Euro of 2004 is:

$$\begin{aligned} \tilde{A} &= \frac{1}{N} \sum_{t=2004}^{t=2004+N} \tilde{r}_t(g_t, s_t) = \frac{1}{N} \sum_{t=2004}^{t=2004+N} \frac{r_{2004}(g_t, s_t) \prod_{k=2004}^{k=t} (1 + i_k)}{\prod_{k=2004}^{k=t} (1 + p_k)} \\ &= \frac{1}{N} \sum_{t=2004}^{t=2004+N} \left(r_{2004}(g_t, s_t) \prod_{k=2004}^{k=t} \frac{(1 + i_k)}{(1 + p_k)} \right) \end{aligned}$$

with (g_t, s_t) being the grade and step reached in year t .

The hypothesis of parallelism in the report means that i_k and p_k are equal for any year k so that $\prod_{k=2004}^{k=t} \frac{(1 + i_k)}{(1 + p_k)} = 1$ and therefore $\tilde{A} = \frac{1}{N} \sum_{t=2004}^{t=2004+N} r_{2004}(g_t, s_t)$.

If one were to abandon this hypothesis, the result of the comparison between old and new career structure as it appears in the report would be quite different. For instance, if salary adjustments were merely 0.5 percentage points lower than the inflation each year, i.e. a ratio $\prod_{k=2005}^{k=t} \frac{(1 + i_k)}{(1 + p_k)} \approx (1.005)^{t-2004}$, the average yearly remuneration of an AD5 would be 8% lower than if parallelism were secured.

It is therefore worth emphasising that parallelism should be regarded as a strong hypothesis for the future. If purchasing power of officials proved to deteriorate regularly in the coming years, it is highly likely that the principle of equivalence would be breached for all staff categories.

It should be mentioned that, because the new Staff Regulations have been in place for only five years, no official has had their whole career under the new rules, so that several parameters cannot be calculated, such as the average age of retirement. In addition, average seniorities per grades of people recruited since the reform are biased because only the best performing officials have been promoted so far. For such reasons, the rates shown in Annex Ib of the new Staff Regulations have been used for the purpose of comparing the new career structure to the old one. Observed data have been used only to check whether actual careers are broadly in line with the provisions of the Staff Regulations.

The data used in this report are basically that of the Commission. However figures provided by other Institutions are in line with Commission's ones (see Annex 4).

II – MAIN FINDINGS: OVERALL EQUIVALENCE EXCEPT FOR SECRETARIES/CLERKS

The methodology adopted in the report leads to the conclusion that, except for secretarial careers, the ‘old’ and ‘new’ career structures are broadly in line, though with a slight advantage for the former. However ‘fast-career’ officials have a significantly more remunerative career under the new Staff Regulations. Indeed, the remuneration scheme of the pre-2004 Staff Regulations tended to smooth over the differences in career speeds. It is clear that the new **Staff Regulations tend to better remunerate fast promotions**. This means that for all function groups/categories, officials with rapid careers are much better off under the new scheme.

1°) EXPERIENCED ADMINISTRATORS CAN HAVE EQUIVALENT CAREER STRUCTURES PROVIDED THEY ARE RECRUITED AT GRADE AD7 IN THE NEW SCALE

Since 1 May 2004, experienced administrators (i.e. administrators for whom recruitment was conditional on at least some years of working experience) have been recruited mainly in grades AD6 (75 %) and AD7 (25 %). In addition to these, it should be mentioned that a significant number of AD5 officials recruited since May 2004 had de facto substantial experience even though this was not a requirement for taking part in the competition. In particular, when one looks at recruitments since May 2004, the total number of AD5 officials aged over 30 when recruited — who are thus likely to have at least some years of work experience before joining the Commission — is the same as the total number of AD6 and AD7 recruited within the same period. The concept of equivalence applied here refers to the type of careers offered by type of competitions, irrespective of the actual profile of the persons recruited. Based on such structure of recruitment, it is highly likely that a comparison of average careers of Commission staff based on their individual background rather than on the competition they have passed would show a significant disadvantage for the staff recruited after May 2004.

Based only on the grade of recruitment and when comparing the accumulated remuneration of an average official recruited as AD6 with that of an average official recruited as A7 under the old Staff Regulations, a gap of about 10 % in favour of those recruited under the old Staff Regulations appears. This gap is not reduced when account is taken of the increase in pensionable age because staff recruited since 2004 are older than those recruited before 2004 and therefore do not have a longer career when retiring at the age of 63. This **disadvantage for AD6 compared to A7** is even more pronounced in the case of slow careers and can still be observed even for fast careers. Consequently, the new structure penalises the average careers of AD6 officials compared to those recruited as A7 (by 11 %, see table in section IV).

The picture is different when comparing **A7 careers** with careers of officials recruited at the **AD7 grade**. In this specific situation, the overall remuneration is **almost equal** between the old and the new Staff Regulations. Whereas slow-career officials are now paid 7 % less over a full career than under the old system, those with fast careers tend to earn 8 % more under the new scheme. Overall, **the average remuneration is virtually equal for new and old careers**.

TABLE 1: COMPARISON BETWEEN OLD AND NEW CAREER STRUCTURES AT RECRUITMENT, AFTER 10/20 YEARS AND AT RETIREMENT AGE (GRADE AND BASIC* SALARY PER MONTH)

Career steps	Recruitment	10 years	20 years	Retirement
A7 Old career structure	34 years old A7 / 2 (EUR 5 770*)	44 years old A5 / 3 (EUR 8 264)	54 years old A4 / 5 (EUR 10 972)	61 years old A4 / 8 (EUR 12 479)
AD7 New career structure normal	37 years old AD7 / 2 EUR 5 802***	47 years old AD10 / 1 EUR 8 065***	57 years old AD12 / 2 EUR 10 758***	63 years old AD13 / 3 EUR 12 684***
slow	AD7 / 2 EUR 5 802***	AD8 / 2 EUR 6 565***	AD11 / 1 EUR 9 125***	AD12 / 2 EUR 10 758***
fast	AD7 / 2 EUR 5 802***	AD10 / 2 EUR 8 404***	AD13 / 2 EUR 12 172***	AD14 / 3 EUR 14 351***

* Monthly basic salary based on salary scale as of 1.7.2010. Basic salary before any deductions of contributions and taxes (see box 1). It should be mentioned that over the period 2000-2004, approximately 15% of the recruitments on A7/A6 reserve lists were recruited at grade A6 at 40 ½ years old on average. There has been no similar type of career under the new Staff Regulations.

*** Without taking account of multiplication factor applied to staff recruited before 01/05/2004 (see box A1/annex 1).

2°) JUNIOR ADMINISTRATORS EARN SIGNIFICANTLY LESS IN THE NEW SCHEME THAN IN THE OLD ONE, AND THE GAP ONLY PARTIALLY CLOSES WITH THE INCREASE OF THE PENSIONABLE AGE.

The majority (57%) of administrators recruited since 1 May 2004 have entered at grade AD5 through competitions where no professional experience was required. This profile corresponds to that of junior administrators recruited in grade A8 under the old Staff Regulations. It should be mentioned that many AD5 administrators do in fact have a significant number of years of experience, which was not the case for A8 Administrators. This is explained by the fact that before 2004, A8 competitions were mostly organised at the same time as A7 competitions for which experience was needed. On the contrary, since 1 May 2004, only a very limited number of general competitions have been organised at grades above AD5. As a result, people interested in joining the Institutions had to apply, even if they had experience, for competitions where experience was not required. However, as mentioned in section II)1°), the concept of equivalence applied here refers to the type of careers offered by type of competitions, irrespective of the actual profile of the persons recruited.

Assuming equal length of careers, the **new structure implies a 9% decrease in overall remuneration for AD 5 as compared to A8**. This difference can be as much as 14 % for slow careers. Only fast-career officials are slightly better off in the new scheme (an average 1 % increase in overall remuneration for 25% of officials). It is true that the picture is less

unfavourable if the increase in pensionable age is taken into account; since junior administrators are recruited younger than experienced administrators, the additional time that they spend in service in order to qualify for full pension rights enables them to reach higher grades with higher remuneration than in the old system. In this case, the above figures are 4% less, 7% more and roughly 10% less, respectively. All in all, **assuming equal length of careers**, the average of careers under the new Staff Regulations displays a **significant disadvantage at the expense of new junior administrators**. The apparent disadvantage only becomes less (3% overall) if one factors in the circumstance that they are supposed to work longer in order to qualify for full pension rights.

TABLE 2: COMPARISON BETWEEN OLD AND NEW CAREER STRUCTURES AT RECRUITMENT, AFTER 10/20 YEARS AND AT RETIREMENT AGE (GRADE AND BASIC* SALARY PER MONTH)

Career steps	Recruitment	10 years	20 years	Retirement
A8 Old career structure	30 years old A8 / 1 (EUR 4 861*)	40 years old A6 / 2 (EUR 6 734)	50 years old A4 / 3 (EUR 9 967)	61 years old A4 / 8 (EUR 12 479)
AD5 New career structure normal	30** years old AD5 / 1 EUR 4 350***	40 years old AD8 / 1 EUR 6 300***	50 years old AD11 / 1 EUR 9 125***	63 years old AD13 / 3 EUR 12 684***
slow	AD5 / 1 EUR 4 350***	AD7 / 2 EUR 5 802***	AD10 / 1 EUR 8 065***	AD12 / 2 EUR 10 758***
fast	AD5 / 1 EUR 4 350***	AD9 / 1 EUR 7 128***	AD12 / 2 EUR 10 758***	AD14 / 4 EUR 14 750***

* Monthly basic salary on salary scale as of 1.7.2010. Basic salary before any deductions of social security contributions and taxes (see box 1).

** For the purpose of the simulation, the recruitment age for junior administrators is supposed to be the same in the old and the new career structures. The actual recruitment age in the period 2004-2009 of AD5 is however slightly higher (31.6 years for the Commission) while including experienced people.

*** Without taking account of multiplying factor applied to staff recruited before 01/05/2004 (see box A1/annex 1).

It should be mentioned that the table above only concerns non-managerial careers. In particular, the difference in salary at retirement between the new fast career and the career under the old rules (EUR 14 750 compared to EUR 12 479) holds only for non-manager officials. Of course, it is likely in practice that many officials with fast careers will reach managerial positions. In that case, as it appears from the table below, the maximum possible salaries under the old and new rules are closer.

**TABLE 3: MINIMUM AND MAXIMUM GRADES FOR SELECTED MANAGEMENT POSITION
(BASIC SALARY PER MONTH IN EURO)**

	Head of Unit		Director		Director General	
	<i>Old Staff Reg</i>	<i>New Staff Reg</i>	<i>Old Staff Reg</i>	<i>New Staff Reg</i>	<i>Old Staff Reg</i>	<i>New Staff Reg</i>
Minimum grade / step (salary)	A5 / 1 (7 389)	AD9 / 1 (7 128)***	A2 / 1 (12 881)	AD14 / 1 (13 216)***	A1 / 1 (14 515)	AD15 / 1 (14 954)***
Maximum grade / step (salary)	A3 / 8 (15 173)	AD14 / 5 (14 954)***	A2 / 6 (16 560)	AD15 / 5 (16 919)***	A1 / 6 (18 371)	AD16 / 3 (18 371)***

Note: The basic salaries in the columns corresponding to data of the new Staff Regulations do not include the management allowance. Basic salary before any deductions of contributions and taxes (see box 1). These salaries are only applicable to staff recruited after 1.5.2004. For staff recruited before that date, Annex XIII to the new Staff Regulations applies (see Annex 1 to this report). The basic salaries mentioned here are mere upper and lower bounds and do not reflect the actual duration spent in the relevant grades.

*** Without taking account of multiplying factor applied to staff recruited before 01/05/2004 (see box A1/annex 1).

3°) CAREERS OF TECHNICAL AND ADMINISTRATIVE ASSISTANTS ARE BROADLY EQUIVALENT UNDER THE OLD AND NEW STAFF REGULATIONS.

Under the old Staff Regulations, technical and administrative assistants were recruited at grade B5. They have all been recruited as AST3 under the new scheme. The new assistants are on average almost three years older than ex-Bs, which means that the increase in pensionable age from 60 to 63 has a limited impact on the length of their careers.

For a career of normal speed (i.e. with duration in grades consistent with the average duration in the Commission), assistants in the new system earn 5% less than in the old system (4% when taking into account retirement at 63 years old). Those with slow careers on average earn 10% less than in the old system, but fast-career assistants earn around 4% more under the new rules than under the old Staff Regulations. The upshot is that **the averages of careers are broadly equivalent** in the old and new systems, with new careers being only 3% less favourable than old careers.

TABLE 4: COMPARISON BETWEEN OLD AND NEW CAREER STRUCTURES AT RECRUITMENT, AFTER 10/20 YEARS AND AT RETIREMENT AGE (GRADE AND BASIC SALARY* PER MONTH)

Career steps	Recruitment	10 years	20 years	Retirement
B Old career structure	34 years old B5 / 2 (EUR 3 739*)	44 years old B3 / 3 (EUR 5 072)	54 years old B2 / 5 (EUR 6 570)	60 years old B1 / 5 (EUR 7 779)
AST3 New career structure normal	36 years old AST3 / 1 EUR 3 398***	46 years old AST6 / 1 EUR 4 921***	56 years old AST8 / 1 EUR 6 300***	63 years old AST9 / 3 EUR 7 740***
slow	AST3 / 1 EUR 3 398***	AST5 / 2 EUR 4 532***	AST7 / 2 EUR 5 802***	AST8 / 3 EUR 6 841***
fast	AST3 / 1 EUR 3 398***	AST6 / 2 EUR 5 128***	AST9 / 2 EUR 7 428***	AST11 / 2 EUR 9 508***

* Monthly basic salary on salary scale as of 1.7.2010. Basic salary before any deductions of contributions and taxes (see box 1).

*** Without taking account of multiplying factor applied to staff recruited before 01/05/2004 (see box A1/annex 1).

4°) THE PRINCIPLE OF EQUIVALENCE OF CAREERS IS CLEARLY BREACHED IN THE CASE OF SECRETARIES/CLERKS, WITH NEW RECRUITS EARNING A LOT MORE IN THE NEW SYSTEM THAN IN THE OLD ONE.

Under the previous Staff Regulations, secretaries/clerks were recruited at grade C5 and could reach grade C1. The maximum range of remuneration between the beginning and the end of a clerk's career would go from 1 to 1.9 i.e. up to EUR 5 250 per month. Under the new rules, clerks enter at grade AST1 (1 300 of them have been recruited since 1 May 2004, i.e. more than 25 % of all officials recruited since then) and can in theory reach grade AST 11, which means a maximum **range of remuneration going from 1 to 3.9, up to more than EUR 10000 per month.**

In terms of overall remuneration over the career, clerks recruited after 1 May 2004 with an average career earn 6% more in the new remuneration scale. With adjustment for the increase in pensionable age, a **newly recruited clerk will get an average yearly remuneration 14 % higher** than that of clerks whose whole careers were completed under the old rules.

It should be mentioned that, assuming that old and new career profiles have the same total number of years of activity (23.2 years on average calculated over the Commission population), a normal career will end at grade AST7, with a salary of EUR 5 802 per month. Assuming an extra six years of service in order to reach the pensionable age (63 years), new secretaries/clerks with normal careers would reach grade AST9 (more than EUR 7 000 per month) These results are based on the assumption that a career starts at the average age of recruitment. However, it should be borne in mind that a secretary recruited at the age of 23 will reach grade AST11 (up EUR 9 000 per month).

It goes without saying that clerks hired at grade AST1 are not supposed to keep the same kind of job all along their careers. They are recruited with higher qualifications today than

previously required for C categories. The more they gain experience and are trained, the more responsibilities they can get. This goes in parallel with their prospects of promotion.

The fact remains that the advantage of the new system is even more obvious for fast careers. Simulations show that fast-career secretaries/clerks will have a yearly remuneration over their career on average 30% higher than under the old. Even slow-career clerks will on average earn more under the new Staff Regulations. A further point to note is that **slow-career secretaries/clerks earn more** under the new rules **than normal-career secretaries/clerks** do under the old rules. All in all, the **average remuneration for careers of secretaries/clerks under the new Staff Regulations is 16% above the average for careers under the old rules.**

TABLE 5: COMPARISON BETWEEN OLD AND NEW CAREER STRUCTURES AT RECRUITMENT, AFTER 10/20 YEARS AND AT RETIREMENT AGE (GRADE AND BASIC* SALARY PER MONTH)

Career steps	Recruitment	10 years	20 years	Retirement
C Old career structure	34 years old C5 / 2 (EUR 2 881*)	44 years old C3 / 4 (EUR 3 710)	54 years old C2 / 8 (EUR 4 620)	60 years old** C1 / 7 (EUR 5 084)
AST1 New career structure normal	34 years old AST1 / 1 EUR 2 654***	44 years old AST4 / 1 EUR 3 844***	54 years old AST7 / 1 EUR 5 568***	63 years old AST9 / 1 EUR 7 128***
slow	AST1 / 1 EUR 2 654***	AST3 / 2 EUR 3 540***	AST6 / 1 EUR 4 921***	AST7 / 3 EUR 6 046***
fast	AST1 / 1 EUR 2 654***	AST5 / 2 EUR 4 532***	AST8 / 2 EUR 6 565***	AST11 / 1 EUR 9 125***

* Monthly basic salary on salary scale as of 1.7.2010. Basic salary before any deductions of contributions and taxes (see box 1).

** The actual retirement age observed in the Commission over the period 2000-2004 for C-grade officials was 57,2 i.e. significantly lower than that of other Institutions (see Annex 4). This is partly explained by the inclusion of some beneficiaries of invalidity pensions. It has therefore been decided to show here the statutory pensionable age (60 years old prior to 2004).

*** Without taking account of multiplying factor applied to staff recruited before 01/05/2004 (see box A1/annex 1).

III – CONCLUSION

This report is based on certain hypotheses concerning length of careers and promotion rates, which are however believed to be highly plausible. The fact that the new Staff Regulations have been in force only since May 2004 makes it very difficult to anticipate future behaviour of newly recruited staff. In particular, retirement age and career length are highly hypothetical. It is therefore important to continue monitoring the equivalence of careers.

However, this report has identified some differences between the old and new career structures. In particular, experienced administrators tend to earn less under the new career structure, whereas secretaries/clerks earn significantly more under the new rules.

TABLE 6: DIFFERENCE BETWEEN OLD AND NEW CARRIER STRUCTURES

	Slow career	Normal career	Fast career	Average careers
Clerks ex C / AST 1	+6%	+14%	+30%	+16%
Assistants ex B / AST 3	-10%	-4%	+4%	-3%
Junior administrators ex A8 / AD5	-10%	-4%	+7%	-3%
Administrators ex A7 / AD6	-17%	-12%	-2%	-11%
Administrators ex A7 / AD7	-7%	-2%	+8%	-1%

Source: DG HR

Note: "+" means that the new career structure is more favourable than the old one in terms of average yearly remuneration over the career (adjusted for change in pensionable age).

ANNEX 1

Financial implications of the promotion rates (percentages) provided for in Annex XIII to the Staff Regulations and integration of officials in service before 1 May 2004 into the new career system, including application of the attestation procedure

Annex XIII to the Staff Regulations provides for transitional measures applicable to officials who were appointed before 1 May 2004. It lays down rules designed progressively to ease officials from the old career paths into the ones provided for by the new Staff Regulations. One aspect of this progressive integration is that the rates in Annex I.B are not directly applicable to the previous career structure and are temporarily replaced by ad hoc rates. This annex gives some statistics about the career paths of the officials concerned by Annex XIII, measured by their salary increase over the period 2004-2009, which can be read as a direct proxy for the financial implications of this transition period². Section a) of this annex gives actual salary increase of each of the four categories of officials existing prior 1 May 2004, section b) analyses in more details the impact of the attestation procedure and section c) points out some inconsistencies that Annex XIII has introduced especially as regards higher grades and management positions.

A) IMPACT OF ANNEX XIII ACROSS CATEGORIES OF OFFICIALS

The method followed here is to calculate the amount by which the basic salary of officials in service before 1 May 2004 and still in service in May 2009 increased between these two dates. This increase is compared with the increase that would have ensued had no change been made to the Staff Regulations. It is also compared with the increase that would have occurred if the officials concerned had benefited from the average salary increase under the new remuneration scale.

The calculation shows that all officials recruited before 1 May 2004 have benefited from a salary increase higher than they would have received if no change had been made to the Staff Regulations. This advantage is limited for category A, where the salary increase has been 0.1 percentage point per year more than it would have been without any reform of the Staff Regulations and only slightly less (-0.1 percentage points) than it would have been if the officials concerned had benefited from the rates in Annex I.B to the new Staff Regulations .

For category B, the advantage over the old Staff Regulations has been more significant than for A grades. Assistants have increased their salary by 0.5 percentage points more each year than under the old rules. This is even more than the increase provided for in the new Staff Regulations.

In the cases of former categories C and D, the observed salary increase takes no account of the attestation procedure provided for in Article 10(3) of Annex XIII to the Staff Regulations. On that basis, the salary increase for categories C and D has been 1.5 times higher than it would have been under the old rules. The resulting advantage is 0.6 percentage points per year for category D and 0.7 percentage points for category C. This increase is, however,

² The results in this annex are based on data related to Commission staff. They may not be directly applicable to other Institutions since the implementation of Annex XIII may differ from one Institution to the other.

significantly below the increase provided for in the new Staff Regulations for the assistants function group.

B) IMPACT OF THE ATTESTATION PROCEDURE

The attestation procedure, whereby ex-category C and D officials may change career (qualitative change) and become members of the assistants function group without restriction, has helped further increase their remuneration.

The computation shows that, after five years, the attestation procedure has had a very significant impact in terms of salary increase for those who have benefited from it. Attested C grades, for instance, have received a salary increase almost twice as high as under the old Staff Regulations. The difference is even higher for D grades whose salary increase has been almost three times what it would have been had the old Staff Regulations remained in place.

However, on average, the overall impact of the attestation procedure on categories C and D has been more limited. The average yearly salary increase for all category D officials was only 0.1 percentage point more than without the attestation procedure and 0.2 percentage points as regards category C officials. This can be explained mainly by the fact that, during the period from 1 May 2004 to 1 May 2009, only a limited fraction of all the officials potentially eligible benefited from the attestation procedure (28% of officials in category C and only 12% of officials in category D).

C) IMPACT ON HIGHEST GRADES AND MANAGEMENT POSITIONS

The catching-up process by which old career paths are progressively converted into the new ones relies heavily on the promotion system. In fact, the catching-up process does not start until the first promotion after 1 May 2004. Until they are promoted, officials keep the same multiplication factor as provided for in Article 7 of Annex XIII, as calculated on 1 May 2004.

However, there has been no transition process for the types of post listed in Annex Ia to the Staff Regulations. In particular, before 1 May 2004 Directors-General and Deputy Directors-General were all at grade A1 only. Since then, however, Directors-General may be at either grade AD15 or AD16. Directors too can now reach grade AD15. All officials occupying a post of Director before 1 May 2004 were put in grade AD15, as were former A3 officials promoted to Director since then. However, Directors in post prior to 1 May 2004 who have been appointed Director-General since that date have not been automatically promoted (actually only a very limited fraction of them have been promoted). They are therefore not yet converging towards the new career paths.

This lack of synchronisation between the introduction of the new career structure in terms of type of post occupied and convergence towards the new salary grid has produced a certain number of unexpected results:

- some staff in the Commission who do not occupy a function of a Director-General were nevertheless paid more, in May 2009, than those who do;
- officials occupying a post of Director before 1 May 2004 and appointed Director-General since then, have received an average salary increase over the period May 2004 to May

2009 almost three times smaller than the salary increase received by those who were Heads of Unit prior to 1 May 2004 and who have been appointed Directors since then;

- some heads of Unit appointed Director since 1 May 2004 but who have not yet been promoted to a higher grade since then earn less than Heads of Unit in their own Directorate. They sometimes even earn less than some administrators working in their Directorate.

It should be mentioned that the new career structure may have greater effects as regards salary structure within Units than originally anticipated. For example, it is not impossible that a head of Unit might earn less than all other officials working in his or her Unit, including his or her secretary. This latter hypothetical example is not specifically caused by the provisions of Annex XIII, but by the types of post listed in Annex Ia. Heads of Unit may be appointed at grade AD9, whereas administrators can reach grade AD14 (i.e. five grades more as opposed to only one grade more under the previous Staff Regulations) and secretaries/clerks grade AST11 (two grades more than the entry grade of Heads of Units). However, Annex XIII with the convergence of the multiplication factor amplifies some of these effects of the new career structure in some cases.

BOX A1, MULTIPLICATION FACTOR

Box A1, Multiplication factor

The 2004 Staff Regulations created a new career system, moving in two stages from categories A, B, C and D to the AD and AST function groups. The transition affected not just the grades, but also the pay scale. At the end of the transition period, which varies for each official, basic salaries are brought into line with the new pay scale so that all officials in the same grade and step will receive the same basic pay. Pays of officials are therefore progressively inserted into the new pay scale (as provided for by Article 7(7) of Annex XIII on transitional measures of the Staff Regulations).

These transitional measures initially served the purpose of ensuring that the basic pay would not be reduced as a result of the entry into force of the revised Staff Regulations on 1st May 2004 thanks to the multiplication factor. Equally, they foresee that basic pay will become at the end of the transitional period equal to that provided for in the new pay scale. Once this happens, the multiplication factor will be 1.

More precisely, on 1st May 2004, basic salaries remained unchanged, but were instead calculated by reference to the new pay and career scale. The multiplication factor, as calculated on 1st May 2004, expresses the relationship between the salary received on that date and the salary provided for by the new salary grid ("reference salary"). Until officials are promoted for the first time under the revised Staff Regulations (after 1st May 2004), the basic salary remains below the reference salary for the grade and step in the new salary grid. When officials are promoted, the relationship between the new basic salary and the reference salary changes. A new multiplication factor is calculated. The basic salary is then progressively brought into line with the reference salary. This is done in one of two ways:

For officials with a multiplication factor lower than 1

For the vast majority of staff whose basic salary is below the reference salary provided for by the new scale after their first promotion, the salary increases every two years while remaining in the first step of that grade, until the basic salary reaches the reference salary for that grade's first step. With each two-yearly salary increase, the recalculated multiplication factor will approach 1,0. Once that point is reached, official continue to progress in salary and in step.

For officials with a multiplication factor higher than 1

For another smaller group of officials, however, promotion under the new career system means that their new basic salary is higher than the reference salary, resulting in a multiplication factor greater than 1. In order to avoid unjust enrichment and to ensure that at the end of the transitional period all staff in the same grade and step receive the same basic pay, the multiplication factor has to be reduced to one – indeed, the Courts have confirmed that a factor greater than 1 is an "anomaly" which should not be tolerated. Two years after promotion, on the occasion of the advancement in step, the part of the multiplication factor which exceeds 1 is converted into seniority in the step. This means that officials advance directly to step 2, 3, 4 or 5, depending on the value of their base salaries.

In addition to such multiplication factor, the transition period also provides for a so called protection of nominal income by which an official cannot earn less than what he/she would have received under the old rules through automatic advancement in step in the grade formerly occupied by him/her.

More than five years after the transitional period has started, the multiplication factor is not yet equal to 1,0 for all officials. On 1 January 2011, more than 50% of officials in the Commission recruited before 1 May 2004 have a multiplication factor below 1. This means that they earn less than the salary corresponding to their grade/step in the salary scale. The difference between the salary actually received and the salary corresponding to the grade is still very significant for some officials. The reduction can represent up to 20% salary off, with an average 6% reduction for those who have not reached the end of the transition.

The multiplication factor concerns potentially all grades, including top management grades resulting in some director generals AD15/AD16 earning actually 10% less than they would without multiplication factor.

ANNEX 2

The remuneration scale in the new Staff Regulations makes a fast career more remunerative overall than under the previous rules, whereas those with slow careers earn less. However, this difference is not symmetrical i.e. the benefit from a fast career is greater than the penalty for a slow one. Table A1 illustrates this effect: an official appointed at grade AD5 with a normal career (i.e. being promoted according to the multiplication rates set out in Annex IB of the Staff Regulations) will earn on average 85 000 € per year over his/her whole career. If he/she spends 25% time less in each grade than for a normal career (for instance 3 years in grade AD9 instead of 4), he/she will earn 17% more each year over his/her whole career. If, on the contrary, he/she spends 25% more time in each grade (e.g. 5 years in grade AD9 instead of 4), he/she will earn 10% less over his/her whole career. This asymmetrical effect is more or less the same according to the grade of appointment: those with slow careers earn, on average, 9% less whereas those with fast careers earn 15% more.

TABLE A1: DIFFERENCE OF REMUNERATION UNDER THE NEW STAFF REGULATIONS DEPENDING OF CAREER SPEED

Career type (grade at appointment)	Normal career (average yearly basic salary in €)	Slow career (% difference with normal)	Fast career (% difference with normal)
AD5	85 243	-10%	17%
AD7	91 703	-8%	14%
AST1	48 588	-10%	18%
AST3	57 206	-9%	14%

Source: European Commission, DG HR

Note: basic salary (as of 1st May 2004) excluding yearly adjustments.

ANNEX 3

Table A2 shows the proportion of officials in each grades who have been promoted after a shorter (or longer, as the case may be) period of time compared to the average seniority before promotion of all the officials between the period 2000-2004. A shorter (longer) period means 25% less (or more) than the average.

It follows that, assuming that 60% of officials have normal careers, 20% have slower careers and 20% faster careers, the results are in line with the observed data in the Commission during the period 2000-2004.

TABLE A2: PROPORTION OF OFFICIALS WITH LONGER / FASTER CAREERS

OLD STAFF REGULATION (in %, period 2000-2004)		
grade	At least 25% longer	At least 25% faster
A5	26	32
A6	19	14
A7	19	15
A8	13	24
Average A	21	22
B2	14	16
B3	23	17
B4	18	12
B5	19	32
Average B	19	19
C2	13	12
C3	19	19
C4	19	11
C5	21	36
Average C	19	20

ANNEX 4

Tables A3 to A6 below compare career data as between the Commission and the other Institutions/bodies who have replied to the Commission's questionnaire.

Data related to other Institutions and bodies are broadly in line with that of the Commission. Some differences are visible especially where the sample of officials concerned is very small in some bodies. When less than 10 people are concerned, the data is marked with a *.

It should be mentioned that while the average pension age of Commission official is lower than that of other Institutions and bodies, the average recruitment age tends to be younger as well.

TABLE A3: AVERAGE PENSION AGE (2000-2004)

OLD STAFF REGULATION						
career	Parliament	Council	Commission	Court of Justice	EESC	CoR
A	62,2	61,5	60,6	61,1	61,4	63,2*
B	63,5	61,5	59,7	61,5	60*	59,6*
C	62,4	60,9	57,2	62,4	60	61,7*

TABLE A4: AVERAGE RECRUITMENT AGE (2000-2004)

OLD STAFF REGULATION						
grade	Parliament	Council	Commission	Court of Justice	EESC	CoR
A7	34,4	35,0	34,1	34,0	37,0	36,2
A8	29,5	n.a.	30,2	n.a.	29,5*	29,2*
B5	35,6	37,0	33,6	38,1	34,3*	35,0*
C5	37,0	37,0	34,0	36,4	37,4	36,7

TABLE A5: AVERAGE RECRUITMENT AGE (2004-2009)

NEW STAFF REGULATION						
grade	Parliament	Council	Commission	Court of Justice	EESC	CoR
AD7	33,9	34,0	36,9	32,2	41,3*	33,6*
AD6	37,9	37,0	37,4	38,5*	37,7	36,9*
AD5	33,3	33,0	31,6	33,1	33,4	33,8
AST3	36,6	36,0	36,3	36,3	35,7	37,7
AST1	34,2	33,0	34,0	33,6	33,9	33,1

TABLE A6: AVERAGE SENIORITY BEFORE PROMOTION (IN YEARS 2000-2004)

OLD STAFF REGULATION						
grade	Parliament	Council	Commission	Court of Justice	EESC	CoR
A5	5,1	8,7	6,9	7,1	5,8	2,2*
A6	4,8	4,3	5,0	4,5	5,7	4,7*
A7	5,3	4,0	4,6	3,9	4,8	2,1*
A8	2,6	n.a.	2,1	3,9	1,3*	n.a.
B2	5,1	7,2	7,6	7,1	8,0*	6,7*
B3	5,3	5,2	6,1	6,4	4,5*	1,8*
B4	5,0	2,6	5,5	5,9	4,2*	2,8*
B5	3,2	2,2	2,4	2,3	1,9	n.a.
C2	6,7	11,6	8,4	9,7	7,8	3,8*
C3	5,3	6,5	5,8	6,6	6,0	3,4
C4	6,1	3,1	5,6	5,7	2,8	2,5
C5	3,1	2,7	2,6	2,9	1,9	n.a.