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WORKING DOCUMENT

on Implementation of the 2014 staff reform package at the Commission - Big savings but not without consequences for staff

Committee on Budgetary Control

Rapporteur: Isabel García Muñoz

Implementation of the 2014 staff reform package at the Commission - Big savings but not without consequences for staff

Summary

The European Union employs around 60 000 staff, under different types of contracts – permanent and short-term – in the EU and third countries. Their terms of employment are set in the Staff Regulations of Officials and the Conditions of Employment of Other Servants of the European Union (the "SR"). Around half of EU staff are employed by the Commission, which is responsible for proposing reforms to the SR. Commission staff's pay cost €3.2 billion a year, or around 2 % of the total EU budget.

In the context of the budgetary negotiations for the 2014-2020 multiannual financial framework (MFF), the EU adopted a package of measures to reduce expenditure on staff and improve human resources (HR) management. The 2014 staff reforms package included a 5 % reduction in staff posts, temporary salary and pension freezes and a revision of the SR.

The Court's conclusions

The Court concluded:

- The cost-cutting measures have produced significant savings for the EU budget. In all, savings under the 2014–2020 MFF are likely to reach €4.2 billion, more than what was originally agreed. The Commission also expects the long-term savings resulting from changes in the retirement age, career structure and pensions to result in a reduction in EU administrative expenditure of €19.2 billion over the period 2014 to 2064.
- However, the impact of the 2014 reforms package on HR management has been mixed. Changes in the career structure have helped to better align pay and responsibility levels and corrected side effects of the 2004 SR reform. Raising the retirement age and reducing recruitment is contributing to an ageing workforce. The Commission is placing greater reliance on contract staff to cope with increased workloads and fewer recruitment opportunities, although the impact on the Commission's departments varies considerably. Finally, less favourable conditions of employment have reduced the attractiveness of working for the EU at a time when it is struggling to attract sufficient staff from a number of Member States.
- In addition, the Commission carried out little assessment of the likely HR management consequences of the cost-saving and non-financial measures in the reforms package. Its monitoring arrangements did not enable it to identify negative consequences fully or at the appropriate time.
- Overall, the 2014 staff reforms package has been successful in achieving the desired cost savings as well as some improvements in HR management. However, some of the negative consequences for DGs and staff might have been avoided or mitigated earlier if the reforms had been better prepared and monitored.

Based on these conclusions, the Commission will need to update its workload management, HR monitoring and reporting arrangements, and carry out a prior assessment of any potential new package of staff reform measures.

The Commission's position

- The Commission agrees with the Court's recommendations and did implement internal strategies to mitigate some effects of the reform.
- However, as the Commission was not in control of the timing of the decision-making process during the negotiations, it was not possible to formally analyse the potential impact of all the measures.

The Court's recommendations

1. Develop a workforce management plan (target implementation date: by end 2021)

The Commission should establish a workforce management plan with a particular emphasis on:

1.1 Identifying which tasks are carried out by which categories of staff, so that it can better align its HR policies and practices with its institutional needs and identify which roles contribute most to its objectives;

1.2 Drawing up an action plan to attract, develop and retain people from a broad range of professional experience and nationalities.

2. Enhance the framework for monitoring and reporting on HR issues (target implementation date: by end 2021)

The Commission should improve its monitoring and reporting of HR issues at corporate level. It should use the available data and indicators to identify workforce risks that could endanger its objectives.

3. Assess needs and potential impacts before any further revision of the Staff Regulation (target implementation date: before any further revision of the Staff Regulations)

The Commission should better identify issues to be addressed, and determine the objectives and potential financial and non-financial impacts of the proposal and accompanying measures.

The Rapporteur's Recommendations

The European Parliament,

- Welcomes the Court's special report, its findings and the Commission's readiness to implement the recommendations; particularly appreciates the conclusions of the special report at the time of budgetary negotiations for the 2021-2027 MFF as well as on the eve

of the negotiation of a further revision of the SR; fully supports the Court's recommendations and calls on the Commission to implement them urgently before considering any future reform of the SR;

- Regrets that the scope of the special report has been limited exclusively to the European Commission and not to all EU institutions; understands the economic and staff constraints but considers that the Court should have at least requested and incorporated the data on the other institutions in the calculation of figures, in order to have a comprehensive image of the real impact of the 2014 reform package; furthermore, stresses that a 5% staff reduction demands in general greater efforts to the small institutions due to the need to maintain some key functions in terms of business continuity, workload capacity, etc.
- Recalls that the 2014 reform package was a response to the financial and economic crisis, that put Member States' public finances under pressure compelling to undertake measures to cut the cost of their public administration and therefore the EU Institutions could not stand aside; indicates, however, that those circumstances do not correspond to the current one and that a new downward revision of the SR would be a dangerous path in no matter which circumstances;
- Takes note that the Court's special report points out that the cost-cutting measures have produced significant savings for the EU budget, namely €4.2 billion under the 2014-2020 MFF which exceeds what was initially agreed; also acknowledges that a significant part of the long-term savings in administrative expenditure will come from a lower spending on staff pensions; regrets, however, that the Court has not estimated the savings resulting from the cost-cutting measures as a percentage of the MFF, which would have provided a fairer assessment of the global impact of the reform; it would also have been desirable to provide the savings resulting from the 2004 SR reform;
- Regrets that in the estimation of the savings the Court has not taken into account key factors such as the cost of outsourcing many services as a result of the cuts, as well as the cost of internal strategies to mitigate some effects of the reform implemented by the Commission, the cost of increased long-term leave, etc.; stresses that if the Court had taken these elements into account, the estimated savings would have been significantly lower;
- Observes that the title of the special report diminishes the mainly negative consequences of the 2014 reform package endured by the staff, clearly illustrated in the Annex I of the special report, in contrast to the explicit reference to the "big savings" obtained.
- Deeply deplores that the 2014 reform package put the economic benefits ahead of the human dimension by focusing on critical cost-cutting measures –namely a cut of the pay and pensions budget, a 5 % reduction of posts and a revision of the SR– but nevertheless an essential assessment of the most likely impact on the human resources management was not included in the reform; consequently notes that the 2014 reform package was carried out with a serious lack of preparation and without any previous or subsequent evaluation of the impact on staff; furthermore points out that many of the negative consequences for staff might have been avoided or mitigated earlier if the reforms had

been better monitored;

- Strongly regrets that the 2014 staff reform package has had a very negative impact on a number of crucial aspects of human resources within the EU institutions, namely salaries and pensions, grades and responsibilities, career prospects, work-life balance, wellbeing at the workplace, the decrease on staff satisfaction, the increase in sick leaves (more than duplicated in the last decade), the ageing workforce, the increasing workload perceived as unbearable by a significant proportion of the staff, the reduction in the attractiveness of employment conditions, etc.;
- Expresses its great concern about an increased proportion of contract staff by almost 25% at the Commission as a whole as a result of the 2014 revision resulting in an increasingly precarious employment conditions in the EU institutions and the establishment of a EU parallel low-cost staff; this involves the coexistence of very unequal statutes in performing very often similar tasks with all the consequences that this entails; furthermore, the increase in contract staff also brings important repercussions on the knowledge management, the business continuity and the guarantee of impartiality of the EU public service;
- Expresses also its concern about the fact that a worsening of working conditions has negatively impacted the EU institutions' attractiveness as employer, which is a detriment to the goal of having an EU public service's characterised by its "cultural and linguistic diversity and attractive recruitment conditions"; and recalls that in practise it is increasingly difficult to recruit staff from certain countries resulting in a delving deeper demographic imbalance in the staff of the institutions, clearly illustrated by the fact that 60% of new civil servants already come from the Brussels "European sphere";
- Following the Court's recommendation, asks the Commission and the rest of the EU institutions to improve the way they manage their workload through the establishment of a comprehensive workforce plan managing key aforementioned working conditions;
- Urges the Commission and the rest of the EU institutions to better respond to a more quality HR developments through an enhanced framework for monitoring and reporting on HR issues at a corporate level allowing the EU institutions to do an early detection and to solve these issues along the way;
- Strongly believes it is essential to implement a communication strategy aimed at the Council, the Member States and the European citizens to respond to unfair widespread criticism pursuing for years to the EU civil service;
- Calls the Commission to assess systematically the needs and the potential financial and non-financial impact of the proposal and accompanying measures before any further revision of the Staff Regulation, and to bind together this assessment to the approval of the revision irrespective of the time when the measures are introduced alongside the decision-making process;
- Especially warns the Council of the serious consequences that any further cut in budget terms or staff in the scope of the administration of the EU institutions may have in the

future of the European civil service and the implementation of the Union's policies; stresses firmly that the European administration cannot continue to be weakened and recalls that the EU needs a strong civil service being up to fulfil their core tasks and also tackle the new challenges of the EU agenda and society; preserving, protecting, strengthening, improving and optimizing the human resources of EU institutions is essential for the proper functioning of the Union; strongly believes that any reform or revision of the SR should be carried out outside the MFF negotiations;

- Recalls that the sentence “do more with less” is in this context a dangerous fallacy that should never again drive the HR management of the EU institutions.