

European Parliament
The Secretary General

117502 01.09.2004

Mr Janusz LEWANDOWSKI
Chairman of the Committee on Budgets

Dear Mr LEWANDOWSKI,

The resolution of the European Parliament of 22 April 2004 on the estimates of revenue and expenditure of Parliament for the financial year 2005, requests the Administration to submit a number of reports on various topics.

I am pleased to enclose herewith an updated report on the mid-term financial impact of the income structure under the new staff regulations, as requested in paragraph 19 of that resolution.

The remaining reports will be sent to you as and when they become available.

Yours sincerely,


Julian PRIESTLEY

Encl.

Copy : Mr Szabolcs FAZAKAS, Chairman of the Committee on Budgetary Control

Resolution of 22 April 2004

§ 19 "Considers that the new staff promotion and career planning policy should be set up in a way which allows for the provision of budgetary programming while respecting the legitimate and equal rights of its staff; is of the opinion that the Administration should create a promotion policy under the new staff regulations; invites the Secretary General to submit a report before 1 September 2004 on the mid-term financial impact of the income structure under the new staff regulations;"

Much has been achieved in recent years both in ensuring greater interinstitutional uniformity in promotions policy and in ensuring that Parliament's own promotion regime (which has served as a model for other institutions) ensures adequate career progression for its staff. Both objectives have relied hitherto on the budgetary authority's willingness to underwrite this policy in terms of the annual upgradings required to operate it.

The new Staff Regulations imply a significant change in this situation in that they explicitly specify promotion rates for each category of staff (Annex IB and Articles 9-11 of Annex XIII). While no individual member of staff is guaranteed promotion at any given rate, therefore, the promotion rates per category constitute henceforth a statutory obligation for all the institutions concerned. This in turn means that each institution will be obliged to provide, in its establishment plan, for the requisite grades (and therefore upgradings) to meet its obligations.

In practice the promotion rates provided for in the new Staff Regulations are broadly very similar to those currently implied in Parliament's existing system, the exceptions being the new base grades (1-4), for which the rate is more generous, and the new grades inserted immediately above the existing grades D1, C1, B1 and A/LA4 (for which, during the transitional phase, the rates are substantially more restrictive). It should also be noted that the effect of the lengthening of the scale will be to increase the number of upgradings required while in reality slightly reducing their cost.

It is envisaged that the 2005 promotions will be conducted on the basis of the new rules. Proposals will be submitted to the Bureau in due course to this end. The system described is subject to a review by the budgetary authority after the first four years of operation.

As regards remunerations generally, it is still too early to draw firm (i.e. precisely quantified) conclusions. Some tentative conclusions may, however, be advanced at this stage:

1. As regards basic salaries, the situation is complicated by the existence, in the new Staff Regulations, of two scales: the so-called reference salary, on the one hand, and the salary actually paid (i.e. the existing salary, which is lower) on 1 May 2004, on the other. The progression from the latter to the former is as a result of the individual multiplication factor being modified by promotion and advancement in step. Some staff will never achieve a multiplication factor of 1 (which leads to payment on the basis of the reference salary) and in many other cases the process will take years. Such a mechanism makes budget forecasting in this area extremely difficult but it is clear that, over a number of years, the process will lead to a

certain salary 'creep'. In the short and medium term, however, this process will be more than offset by the substantial impact (particularly in the light of the large number of enlargement staff to be recruited) of the new entry grades (and, to a lesser extent and in the longer term, by the lengthening of the career scale). Average per capita salary costs should therefore fall slightly during this period. This fall will be only slightly offset by the additional bonus (4.2%) paid to directors-general, directors and heads of unit (estimated cost for 2005: € 1 325 000).

2. As regards allowances, the immediate impact of the new rules, as revealed by the salaries for May 2004, is minimal. Within a short time, new allowances, such as the pre-school allowance or the parental leave allowance will lead to some increase in costs. These, however, should be offset by other changes, such as the more restrictive thresholds for the household allowance and substantial savings may be expected in two areas: annual travel leave (a drop of 30% has been budgeted for in the 2005 estimates) and corrective weightings (the application of the national weighting to transfers of a part of the official's salary and the progressive reduction of the amount that it is possible to transfer). Overall, therefore, a small fall in expenditure on family and other allowances may be expected in the short and medium term.

3. Although the new Conditions of Employment for other Staff allow the institutions to continue to employ auxiliary staff until the end of 2006, it has been decided that, with the exception of the political groups (who will continue to employ such staff until the end of 2005), no new contracts will be signed after December 2004. The existing auxiliary staff will therefore be replaced by contract staff, which, given the applicable salary rates and grading system, should lead to substantial economies.

The impact of the new Staff Regulations has only been taken into account to a very limited extent in the preparation of the estimates for 2005. To the extent that their impact can be quantified before then, revised figures for certain budget lines will be proposed at first reading.