GENERATION 2004
RECTIFYING INJUSTICE
STANDING FOR OUR RIGHTS
RESTORING UNITY

THE INCONVENIENT TRUTH ABOUT EU STAFF REFORM

1. **The €2.5 billion cut to the EU's administration budget imposed by the Council in 2012 misses its main target as EU institutions continue to protect high-level salaries and pensions at the expense of post-2004 staff.**

   - 2004 was the ‘annus horribilis’ of the EU civil service. The ‘Kinnock reform’ imposed severe cuts. Starting salaries were reduced by 20% or more. The long-term impact on pensions will be even heavier. And career progression towards higher grades and management responsibilities was considerably slowed down.

   - These salary and benefit cuts did, however, only target civil servants recruited after the reform. For all those recruited before, i.e. about two thirds of today's EU officials, speedier promotions became available, propelling their salaries to even higher levels. As a result, many of those recruited after 2004 receive basic salaries that are substantially – in many cases 50% or more - lower than those of their post 2004 colleagues for exactly the same type of work.

   - **Unfortunately, much of the public discussion on salaries and benefits of EU civil servants ignores this large discrepancy in salaries, pensions and career prospects between pre- and post-2004 EU staff.** In fact most of the examples discussed in the press regard EU civil servants recruited before 2004. British PM David Cameron, for instance, recently criticized that 16% of EU civil servants keep receiving salaries over 100.000 Euros a year[1].

   - Indeed, while the persisting high salaries of the pre-2004 generation of EU civil servants and their accumulating pension obligations remain untouched and continue to disproportionately burden the EU administration budget, the post-2004 generation has to shoulder practically all the legacy costs of the old system's benefits.

   - However, instead of tackling this problem head-on, the Commission proposes to implement the budget cuts imposed by the Council mainly through an arbitrary salary freeze, which will hit the lower income brackets of the post 2004 staff the hardest.

2. **The 2004 staff reform has created a two-speed system with, currently, about one third of EU staff carrying the legacy costs of an unjust and unsustainable system, while cross-subsidizing the unreformed salaries and benefits of the pre-2004 staff.**

   - The implementation of this reform created what amounts to a divided EU civil service that consists mainly of three large groups: 1) the pre-2004s, often with costly salaries and pensions, practically untouched by any reform; 2) in the lower grades, the post-2004s with already reformed and significantly reduced employment conditions, and 3) a growing army of contract agents with unstable, less favourable employment conditions.

   - While the Commission administration likes to highlight the savings accomplished by the 2004 reform, it hardly ever mentions that they have been achieved mainly at the expense of new staff recruited since 2004. How? Largely, by decoupling grade from professional experience, thus, artificially 'juniorizing' experienced professionals (the average entry age at recruitment to the EU institutions is now around 37).

   - While the pre-2004 staff has enjoyed a formidable run with the average promotion time from an entry grade to an entry-level middle-management position done in 6-7 years (AD9/10), while post-2004 the same ascent often takes 16 years! To get from AD5 to AD12 (about average grade for middle management) now takes on average 30 years, i.e. an entire working life.

   - The cost-efficiency of the European civil service is jeopardised by a career-system that is top-heavy: more and more officials are promoted to high-level grades, while resources are cut at the bottom. For instance, the promotion exercise of 2012 yielded more than 600 promotions from AD12 to AD13, one of the highest civil service grades in the EU institutions. About 60% of these promoted staff had little or no management responsibility.

   - Over the years, the institutions have, in fact, been creating more and more senior advisor positions to accommodate officials that do not have any management functions yet generate significant costs. And just recently the Commission announced that it plans an internal competition to move another 80 civil servants –both officials and temporary

[1] See for example **London Evening Standard**, 23.11.2012, “David Cameron demands pampered EU slash pay and perks”, http://www.standard.co.uk/news/politics/david-cameron-demands-pampered-eu-slash-pay-and-perks-8346261.html.

agents– into fully permanent advisor posts (AD10-AD12). Isn't there enough talent to fill these posts within the Commission?

3. **The Commission's proposals for the 2013 reform of the staff regulations offer nothing to address these 2004-induced deficiencies, but will further add fuel to what amounts to a 'time-bomb' concerning the geographical balance in the EU institutions as well as the cost of pensions of the pre-2004 generation.**

- The proposals now on the table contain only 'horizontal' measures for cost-cutting that apply equally to all staff and all grades, including a 2 year salary freeze. A 'golden opportunity' for a more targeted approach that would achieve at least some degree of convergence between pre- and post-2004 staff risks being missed.

- This frustrates and demotivates the post-2004 staff, in particular because the career equivalence goals of the 2004 staff regulation (Art. 6) are, once again, being disregarded for most staff – and they will entirely disappear if the present Commission proposal for the staff regulations (COM 0890/2011) is being approved.

- While the present recruitment and promotion system has failed to provide a satisfactory career prospective to most colleagues from the new Member States, it is also highly demotivating for post-2004 recruits from other countries. EU institutions have become unattractive for staff from higher income countries such as Austria, Denmark, Finland, Germany, Sweden, The Netherlands and the UK, because both the entry-level package and the career prospects are no longer competitive.

- This raises questions about the geographical balance in the European civil services already today, but could create a 'time-bomb' some years down the road when many senior management posts will need to be replaced while the institutions will face a lack of properly developed internal candidates. This issue will affect both 'old' and 'new' Member States.

- In addition, the still largely untackled problem of the pension system risks creating potentially destabilizing budget obligations for the EU. Already now there are €37.7 billion of pension liabilities accumulated by the system, of which 90% goes to the pre-2004 generation, nearly all from the old Member States. If nothing is done, the annual service cost of pensions will reach about 70% of EU staff salaries in 2040!

- Those civil servants disillusioned by this unfair and outmoded system who would wish to leave the institutions face additional difficulties: after 10 years in service, it is not longer possible for them to transfer their pension rights back to a national pension scheme, nor into a private one.

4. **To fix this problem the EU institutions need to tax high salaries more than low salaries (progressive levy), limit expensive high-level promotions and promote talented officials from lower grades into management responsibilities. Finally, the pensions of the pre-2004s should no longer be exempted from reform.**

Kicking the can further down the road, as was already once done in 2004, is not an option anymore. It resulted in ever increasing legacy costs that have to be shouldered by the post-2004 staff and the soon to arrive post-2014 generations. Fixing these problems does not need rocket science:

1) The imbalances in the career system could be mostly corrected within 3 years in a budget-neutral way by limiting the higher, more costly promotions, e.g. by connecting promotions above a certain grade, e.g. AD12, to actual management responsibilities, and cascading these savings down to lower grades.

2) In addition, a more equitable remuneration structure could be achieved through careful redesign of the Solidarity Levy, the Community Tax, or allowances; e.g. through a more progressive Solidarity Levy that will ask proportionately more from the high salaries and high pensions. The generated savings should be used to make available more promotions for lower grade staff with appropriate merits and qualifications.

3) Finally, the 'holy cow' in this discussion, the pension scheme, will likely need in-depth reform in order to ensure long-term sustainability of the scheme. A measure for greater fairness would be to abolish the current exemption of pensions from the Solidarity Levy, which is hard to justify when the current average pension is larger than the average salary.

Generation 2004 is a fast growing inter-institutional movement with more than 500 members. It received 20% of the vote at the European Commission's Brussels Staff Committee Elections in June 2012. In March 2013 it was officially recognised as a fully representative EC staff association.

Generation 2004 demands that the EU institutions tackle their efficiency and equity problems by closing the gap between pre-2004 and post-2004 staff and respecting the career equivalence goals that were set in the 2004 staff regulation (Art. 6) but never achieved.

Generation 2004 welcomes a performance based career system, providing promotions increasingly based on merit, and coupled to the acceptance of higher responsibilities. This method is practised in many civil services in Member States.