

ANNEX I-RULES ON THE REMUNERATION ADJUSTMENT PROCEDURE OF THE CO-ORDINATED ORGANISATIONS

CHAPTER I: GENERAL PROVISIONS

Article 1: Duration of validity and subsequent amendments to the rules

1.1 These rules shall determine the remuneration adjustment procedure for the six-year period from 1 January 2007 to 31 December 2012. Should any amendments subsequently be made to these rules, no provision which ceases to apply shall give rise to vested rights.

1.2 Proposals to amend these rules as from 1 January 2013 shall be submitted for examination by the Co-ordinating Committee on Remuneration (CCR) before 1 January 2012. However, four years after their entry into force, the CCR may agree to include a review of these rules in its programme of work in compliance with the procedure set out in Article 5 of the Regulations concerning the Co-ordination system [CCR/R(2004)2].

1.3 In the absence of any recommendation by the CCR, made by 1 September 2012 at the latest, either to prolong or amend these rules with effect from 1 January 2013, the present method, as applicable in year 2012, shall be prolonged until 31 December 2013. In the event that no consensus has been reached by 31 August 2013, the Chairperson shall submit his/her report to Governing bodies on the different views expressed in the CCR, outlining, as far as possible, the broad lines of consensus, in accordance with Article 6 (c) of the Regulations concerning the Co-ordination system, by 30 September 2013 at the latest.

Article 2: Frequency of adjustments

2.1 Salary scales shall be adjusted for 2007 in accordance with the transitional measure set out in Article 14 and, thereafter, shall be adjusted annually on 1 January in accordance with the other provisions set forth in this Annex, subject to the provisions in Article 8.

2.2 Special adjustments may be made in accordance with the provisions in Article 7.

Article 3: Procedure

3.1 Dossier for annual reviews

3.1.1 Every year the CCR shall examine the proposals for remuneration adjustment submitted by the Secretaries/Directors General in accordance with these rules. These proposals shall be accompanied by tables giving an estimate of their budgetary impact as a percentage of total salary costs and in monetary terms, both overall and for each Organisation. They shall also be accompanied by tables giving an estimate of the budgetary impact of these proposals on pension costs foreseen for each Organisation for the following year and the budgetary impact of the non-double-counting clause referred to in paragraph 4.2.2.2 below.

3.1.2 When presenting reports on adjustment of remuneration, the Secretaries/Directors General shall inform their Governing bodies of the financial consequences for the respective budgets which result from the CCR recommendations.

3.2 Recommendations

3.2.1 The CCR shall make the recommendations necessary for the application of the present rules in accordance with sub-paragraphs (a), (b) and (c) of Article 6 of the Regulations concerning the Co-ordination system. Recommendations concerning the adjustment of remuneration at 1 January shall

be made not later than 30 September of the preceding year referred to in paragraph 4.1.3 of Article 4.

3.2.2 For the calculation of the reference index set out in Article 4.2 below, national civil services of the reference countries shall provide the Inter-Organisations Section (IOS) with the relevant data available at 1 April to cover the reference period referred to in paragraph 4.1.2 of Article 4 and shall confirm these data not later than 15 July. Any change in national civil service remuneration affecting the reference period which occurs after 15 July shall be taken into account by the IOS when calculating the reference index, if it is confirmed by the national authorities before 1 September. Changes in relevant data after that date shall be taken into account in the next annual adjustment.

CHAPTER II: DEFINITIONS

Article 4: Definitions

For the purposes of the calculations provided for in these rules:

4.1 For the staff of the Co-ordinated Organisations

4.1.1 Remuneration comprises, for the whole staff of the Co-ordinated Organisations, the following elements:

- basic salary,
- expatriation allowance,
- household allowance,
- dependent persons' allowances.

4.1.2 "The reference period" shall mean the period from 1 July to 1 July preceding the 1 January annual adjustment.

4.1.3 The "preceding year" shall mean the year preceding the 1 January annual adjustment.

4.2 The "reference index" shall be calculated as follows:

The weighted average of the changes in percentage during the reference period, in real terms in the net remuneration of comparable grades in the national civil services of the reference countries;

4.2.1 "Comparable grades" shall mean those grades of officials of national civil services in the reference countries whose functions can be matched with those of the Co-ordinated Organisations [see Appendix 3];

4.2.2 "The national civil services of the reference countries" shall mean central government of the following countries: Belgium, France, Germany, Italy, Luxembourg, the Netherlands, Spain and the United Kingdom [see Appendix 1];

4.2.2.1 "Net remuneration" in the national civil services shall mean the arithmetic mean of gross minimum and maximum salaries, to which have been added all the other elements normally making up the remuneration of unmarried officials in the grade in question in the national civil service.

From these have been deducted the amount of compulsory social deductions, income tax levied by the central authorities on unmarried officials and calculated without taking into account non-automatic personal deductions. This constitutes the "relevant remuneration";

4.2.2.2 The effect of variations from one year to another in a specific compulsory deduction made from the salaries of officials in the national civil services, if the same compulsory deduction is also made to the Co-ordinated Organisations' staff's salaries, shall be neutralised in order to avoid double-counting of these variations, in accordance with instructions set out in Appendix 6. IOS will determine the ensuing effect on an ad hoc basis with the reference countries concerned when: (i) there are changes in the salaries of civil service officials due to increased contributions to social security schemes, and (ii) where those changes in social security schemes do not entail an increase in social benefits, and (iii) where they result from changes in social policy (see list of social contributions in Appendix 5);

4.2.2.3 Deductions from national civil service salaries for benefits not granted to staff of Co-ordinated Organisations shall not be taken into account. A list of deductions is attached in Appendix 5. This list will be updated when changes occur in the national civil services or in Co-ordinated Organisations during the life time of the salary adjustment method.

4.2.3 "The weighted average of percentage changes in real terms" shall mean the percentage arrived at after:

4.2.3.1 first, calculating for each comparable grade in each national civil service in the reference countries, the changes in the relevant real net remuneration [see sub-paragraphs 4.2.2.1, 4.2.2.2 and 4.2.2.3 above] by deflating the index for the trend in net nominal salaries by the national consumer price index [see paragraph 4.3 and Appendix 2 below], the indices being brought back to base 100 at the end date of the reference period of the last adjustment;

4.2.3.2 second, calculating for each country an index of average changes in real terms for all comparable grades weighted by the number of its national civil servants in each grade;

4.2.3.3 third, and finally, calculating for all eight reference countries, the average percentage change by giving the index data for each reference country considered the following weights: 8.8 for Belgium, 19.8 for France, 18.9 for Germany, 12.1 for Italy, 5.9 for Luxembourg, 9.1 for the Netherlands, 8.7 for Spain and 16.7 for the United Kingdom.

⁶ 50% shall be distributed proportionally according to the weighted average by Co-ordinated Organisation (CO) staff of the contribution of each country to the budgets of each of the six CO for 2005, 40% shall be equally distributed among the eight reference countries, 10% shall be distributed proportionally according to the number of staff of the CO posted in each reference country.

4.3 For the national consumer price indices

The consumer price indices to be used in implementing these rules shall be as indicated in Appendix 2.

4.4 For the purchasing power parities

The purchasing power parities to be used in implementing these rules shall be those defined in Appendix 2.

CHAPTER III: ANNUAL ADJUSTMENTS OF BASIC SALARIES

Article 5: Annual adjustments of basic salaries

5.1 Belgian salary scales

5.1.1 Subject to the provisions of Article 8, the basic salaries of category A, L, B and C staff posted in Belgium shall be adjusted at 1 January following the reference period. The amount of this adjustment shall be equivalent to the change in percentage during the reference period, resulting from the product of the reference index as set out in paragraph 4.2 in Article 4 above and the appropriate national consumer price index as set out in Appendix 2. The percentage adjustment in basic salaries for staff serving in Luxembourg shall be the same as for staff serving in Belgium, subject to the adoption by the CCR of an addendum to the 171st Report [see paragraph 3.24 of the Report].

5.1.2 These percentage adjustments shall apply to basic salaries in force at 31 December of the preceding year.

5.1.3 Any special adjustment made following a change in the national consumer price index during the period referred to in Article 7 shall be deducted from the annual adjustment.

5.2 Salary scales for other countries

5.2.1 Subject to the provisions of Article 8, the basic salaries for A and L category staff posted in the other countries shall be adjusted at 1 January following the reference period by the salary adjustment calculated on the basis of the national consumer price index, the reference index and by the purchasing power parities as set out in Appendix 2, in order to guarantee a relative equivalency of purchasing power between the scales of the countries concerned.

5.2.2 Basic salaries of B and C category staff shall be subject to an adjustment equal to the percentage determined for A and L grade staff of those countries.

CHAPTER IV: ANNUAL ADJUSTMENTS OF ALLOWANCES FIXED IN ABSOLUTE VALUE

Article 6: Annual adjustments of allowances fixed in absolute value

6.1 Allowances fixed in absolute value shall be adjusted annually at 1 January following the reference period, by the product of the reference index and the percentage change in the national consumer price index as well as the purchasing power parities, where applicable, during the reference period.

6.2 These adjustments shall apply to the amounts in force at 31 December of the preceding year.

CHAPTER V: SPECIAL ADJUSTMENTS OF REMUNERATION

Article 7: Special adjustments of remuneration

When and each time the national consumer price index in a country, as defined in paragraph 4.3 of Article 4, shows an increase of at least 5% within a given reference period starting from 1 July to the following 1 July, the Chairperson on behalf of the CCR, may send to Governing bodies a recommendation providing for a special adjustment of remuneration as soon as he /she has been informed thereof by the Head of the IOS. The 5% threshold shall be measured from the previous 1 July or if a prior special adjustment has been granted during that period, from the date of effect of that special adjustment. The published Report shall serve as notification to the CCR.

CHAPTER VI: AFFORDABILITY

Article 8: Affordability

8.1 The Council reserves the right, if exceptional or unforeseen circumstances so warrant:

8.1.1 to reduce the annual adjustment recommended by the CCR to the national consumer price index applicable and to phase in the adjustment amount or postpone it until later in the calendar year;

8.1.2 to decide, on a finding by the Secretary-General that the Organisation could not otherwise reasonably expect to meet its financial obligations and essential operating requirements, that the annual adjustment recommended by the CCR be awarded in part or not at all, and to decide also on the timing for the payment of any adjustment;

8.2 Action under Article 8.1 shall be taken in accordance with the applicable general legal principles and after appropriate tripartite consultation.

8.3 The Council also reserves the right to determine whether any catch up, retroactive or competitiveness adjustments should be made.

CHAPTER VII: INTERMEDIATE STUDIES AND MONITORING

Article 9: Reference data

The IOS shall keep itself informed about any changes in all the components of the various reference indices referred to in Article 4.2.

Article 10: Studies

10.1 The Chairperson shall in June, after consultation with the Chairperson of the CRSG, propose to the CCR an annual programme of studies for the following year. Such studies are intended to inform the CCR and the Joint meetings about questions within their terms of reference. The programme shall be adopted by the CCR by a two-thirds majority.

10.2 A Studies Committee, comprising the Chairperson and a Vice-Chairperson of the CCR, of the Committee of Representatives of the Secretaries/Directors General (CRSG) and of the Committee of Staff Representatives (CRP), one delegate each from CRSG and CRP and two CCR delegates, shall be set up. It shall be chaired by the Chairperson of the CCR.

10.3 The Studies Committee shall determine the timetable and procedures for the studies. The Studies Committee may create a steering committee to guide a particular study. Its membership shall be decided by consensus of the members of the Studies committee, failing which the Chairperson of the CCR shall decide.

10.4 On the basis of a limited representative sample of benchmark jobs, the comparative studies of salary levels of co-ordinated A and B grade staff with the remuneration of the private sector, the public sector and of international organisations, shall be done before 2011 according to the timetable set out in Appendix 4.

CHAPTER VIII: OTHER ARRANGEMENTS

Article 11: Reductions of scales

In the event of a reduction in the salary scales following the application of Article 5 and consequently in allowances fixed in absolute value, the CCR may recommend suspending the negative effect of Article 5 in order to maintain the salary scales and the allowances at their current level until the following adjustment.

Article 12: Flexible remuneration management

12.1 After completion of the statutory consultation process of staff, a Secretary/Director General of a Co-ordinated Organisation may make proposals to the Governing body of the Organisation concerned for measures concerning flexible remuneration management. Such measures shall be implemented within the budgetary envelope decided by the Governing body of the Organisation concerned.

12.2 In the event that the Governing body of a Co-ordinated Organisation decides to implement flexible management of salary scales, the salary scales as adjusted in compliance with Article 5 of the rules shall remain in force in each Co-ordinated Organisation. They shall be used as the basis for the calculation of pensions payable under the terms of the Pension Scheme of the Co-ordinated Organisations as well as for pensions paid by any other pension scheme approved by the Governing body of a Co-ordinated Organisation which provides for the same method of adjustment.

12.3 Any Governing body of an Organisation may seek the opinion of the CCR on measures relating to flexible remuneration management before introducing them. The CCR shall be kept informed of such measures after approval by the Governing body concerned.

Article 13: Measures to apply in duty countries where small numbers of staff are assigned

Notwithstanding Article 5, in countries where less than fifty persons are assigned by any one Co-ordinated Organisation and where B and C grade basic salary levels cause serious management difficulties, the Secretary/Director General of the Organisation concerned may, after consulting with the IOS and with the statutory body for the representation of staff in the Organisation concerned, propose appropriate remuneration measures to his Governing body in order to take account of recruitment and retention difficulties specific to this Organisation. The Head of the IOS shall annually inform the CCR of any changes in these measures.

CHAPTER IX : TRANSITIONAL MEASURE

Article 14: Transitional measure for the adjustment of basic salaries in 2007

For 2007, the basic salary scales shall be adjusted on 1 January by an amount fixed in accordance with Article 5 of this Annex from which shall be deducted an amount representing half of any positive adjustment resulting from the calculation of purchasing power parities for 2007. On 31 December of that same year, the basic salary scales affected by such a deduction shall be further adjusted by an amount representing the remaining half of the adjustment resulting from the calculations of the purchasing power parities for 2007.

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APPENDIX 1

DEFINITION OF THE NOTION "CENTRAL GOVERNMENT"

1. General definition: that used in the Standard System of National Accounts.

2. Precise definition for the following countries:

Belgium: civil servants in the Federal Public Services

France: civil servants in the State general administration

Germany: civil servants in the Federal Ministries

Italy: civil servants of the Ministries of the Republic

Netherlands: civil servants in Ministries and higher Councils of State

Spain: civil servants in the State general administration

United Kingdom: civil servants in government departments which comprise the Ministry of Defence, the Treasury and the Foreign and Commonwealth Office. Data is supplied by the Cabinet Office for grades in the Senior Civil Service.

APPENDIX 2

PURCHASING POWER PARITIES AND NATIONAL CONSUMER PRICE INDICES

1. Purchasing Power Parities (PPP)

1.1 Application of the PPP adjustment

The adjustment by the PPP shall be put into force only if the results obtained by application of the remuneration adjustment method fall outside the limits of a "reference curve of purchasing power" fixed at more or less 2% around the results of the calculation of the adjustment of the PPP provided for in the paragraph 1.2 below. In such case, the adjustment shall be equal to the value equivalent to the upper or the lower limit of the reference curve.

1.2 Calculation of the PPP

1.2.1 The PPP referred to in Article 5.2 of the Annex, are approved by the Governing bodies on proposal of the CCR based on the calculations by the IOS in co-operation with the Statistical Office of the European Communities (Eurostat) with reference to Brussels, and in accordance with the formulae referred to hereafter.

1.2.2 The consumption weights used in the calculations of the economic parities are those obtained from the latest family budget surveys carried out by the IOS and Eurostat⁷.

⁷ Family budget surveys are carried out every five to seven years.

1.2.3 The results of the established PPP calculations constitute the central reference of the curve of purchasing power referred to in the 115th Report by the CCR [CCR/R(2000)4] to be calculated every year. This reference curve is obtained by enlarging the results of the PPP calculations by plus or minus 2%, margins believed to include any "statistical error", while guaranteeing a relative equality of purchasing power between duty stations. Adjustments by the method referred to in Article 5.2 of the Annex are only corrected if they fall outside this reference curve.

1.2.4 A result of the salary adjustment based on the method described in Article 5.2 of the Annex which lies above the reference curve would lead to a downward adjustment to the plus 2% border of the reference curve, which means lowering the result produced by this method. A result below the reference curve would lead to an upward adjustment to the minus 2% border of the reference curve and consequently to an increase of the result reached by the method. The starting point for calculating a new salary adjustment (national consumer price index x reference index) shall be re-based after each application.

1.3 Update of basic heading parities

The indices to be used to update the basic heading parities are the harmonised consumer price indices used by Eurostat, insofar as they are available. Failing that, the national consumer price indices shall be used.

1.4 Reference towns

1.4.1 As a general rule the parity used for the country as a whole is that calculated for the capital.

1.4.2 The parities for Germany, the Netherlands, the United Kingdom and Switzerland are exceptions to this rule, since they are calculated by reference to Munich, The Hague, Reading and Geneva respectively.

1.4.3 If, after consulting the National Statistical Institute concerned, the Secretaries/Directors General of the Co-ordinated Organisations are of the opinion that prices in another duty station in the country in question – in which a sufficient number of international civil servants is posted – differ significantly from those in the reference town, a study may be undertaken to determine whether adjustments should be made to take account of relative price levels.

2. National consumer price indices

2.1 For the eight reference countries, the national consumer price indices for the whole country shall apply in the context of Article 4.3 of the Annex. The specific series to be used shall be the following:

- Belgium: Indice des prix à la consommation
- Germany: Preisindex für die Lebenshaltung - Alle privaten Haushalte
- France: Indice des prix à la consommation - Ensemble des ménages
- Italy: Indice nazionale dei prezzi al consumo per l'intera collettività nazionale
- Luxembourg: Indice des prix à la consommation
- Netherlands: Prijsindexcijfers van de gezinsconsumptie - reeks voor de totale bevolking
- Spain: Índice de precios de consumo
- United Kingdom: General retail price index

2.2 For other countries, national consumer price indices for the whole country shall be used, except for Switzerland, where the Geneva consumer price index shall be used. Specific indices can be used in any other country upon recommendation by the National Statistical Institute concerned.

APPENDIX 3

NATIONAL CIVIL SERVICE - EQUIVALENCES

CO Grades	Germany		France		Luxembourg			Belgium	United-Kingdom	Netherland	Italy	Spain
	Mini	Maxi	Indices		Indices			Mini-Maxi	Mini-Maxi	Mini-Maxi	Mini-Maxi	
			Mini	Maxi	Mini	Maxi	Mini					
A7	B6	B9	Directeur hors éch. C1-E2	1114	1320	17	495	650	A 51	Pay band 3	Scale 18	Dirigente I fascia
A6	B3	B6	Directeur hors éch. B1-C3	962	1164	16bis	465	619	A 42	Pay band 2	Scale 16	Dirigente II fascia
A5	A16/6	B3	Admin. civil hors classe	657	1058	15	410	540	A 32	Pay band 1	Scale 14	Dirigente II fascia
A4	A15/6	A15/12	Attaché principal	433	783	14	395	515	A 31	B1/B2	Scale 12	Area C/3
A3	A14/3	A14/12	Attaché d'adm. Centrale	348	641	13	360	440	A 12	C1	Scale 11	Area C/2
A2	A13/3	A13/12	Attaché d'adm. Centrale	348	641	12	320	410	A 11	C2	Scale 10	Area C/1
B6	A 13/3	A13/12	SA classe exceptionnelle	376	514	13-13 bis allongé	320	486	BA3	C1	Scale 9	Area C/1
B5	A11/3	A11/12	SA classe supérieure	351	489	12 allongé	290	425	BA2	C2	Scale 8	Area B/3
B4	A9/3g	A9/11	SA classe normale	290	463	11 allongé	266	395	BA2-BA1	D	Scale 7	Area B/3
B3	A7/1	A7/10	Adjoint adm. principal (E5)	275	378	9/10 allongé	218	362	CA2	E1	Scale 5	Area B/2
B2	A5/5m	A7/7	Adjoint administratif (E4)	275	351	8	203	299	CA2-CA1	E2	Scale 4	Area B/2
B1	A5/3m	A5/8m	Agent admin. 1ère cl. (E3)	275	337	7	194	257	CA1	E2	Scale 2	Area B/2

to be completed

APPENDIX 4

STUDIES PROGRAMME PROGRAMME DES ETUDES 2006-2012

	NCS EXPATRIATES FPN EXPATRIÉE	NCS RESIDENTS FPN RESIDENTS	INTERNATIONAL ORGANISATIONS ORGANISATIONS INTERNATIONALES	PRIVATE SECTOR SECTEUR PRIVE
2004	Global STUDY ETUDE Globale	Global STUDY ETUDE Globale	Global STUDY ETUDE Globale	Global STUDY ETUDE Globale
2005				
2006				
2007				
2008				
2009			Study Préparation de l'étude	Call for Appel d'offre
2010	Study Préparation de l'étude	Study Préparation de l'étude	Global STUDY ETUDE Globale	
2010	Global STUDY ETUDE Globale	Global STUDY ETUDE Globale		Global STUDY ETUDE Globale
STUDIES REPORTS - RAPPORTS sur les ETUDES				
2011	Discussion for a new method Discussion pour une nouvelle méthode			
2012				
2013	Application of the new METHOD Application de la nouvelle			

APPENDIX 5

List of compulsory contributions in 2005¹ Liste des contributions obligatoires en 2005

National Civil Service Fonctions Publiques Nationales		Co-ordinated Organisations Coordonnées	
Country Pays	Contributions	Comparable	Not applicable Pas applicable
GERMANY - ALLEMAGNE			
	- No staff contributions / Pas de contributions		
	- Pflegeversicherung	X	
BELGIUM - BELGIQUE			
	- Assurance maladie, invalidité (AMI)	X	
	- Fonds de pensions	X	
	- Rentes sur période de	X	
	- Cotisation spéciale pour la Sécurité Sociale	X	
SPAIN - ESPAGNE			
	<i>to be completed - à compléter</i>		
FRANCE			
	- Cotisation retraite calculée sur salaire de base	X	
	- Cotisation retraite calculée sur les	X	
	- Contribution de solidarité		X
	- Contribution Sociale Océaniste	X	
	- Contribution au Remboursement de la Dette Sociale (CRDS)		X
ITALY - ITALIE			
	- Pensione	X	
	- Pensione contributivo aggiuntivo	X	
	- Fondo Credito		X
	- Opere		X
LUXEMBOURG			
	- Caisse maladie	X	
	- Caisse	X	
	- Assurance dépendance	X	
NETHERLANDS - PAYS-BAS			
	- OVD (Pension)	X	
	- IPU (Pre pension)	X	
	- DSW (Disability-Invalidité)	X	
	- Private health insurance - Assurance Privé maladie	X	
	- WW (Unemployment - Chômage)		X
	- AWBZ (National health insurance - Assurance maladie nationale)	X	
	- AOW (pension)	X	
UNITED KINGDOM - ROYAUME UNI			
	- National Insurance Contribution (NIC)	X	
	- Pension	X	

¹ 2006 data not yet available. This list will be updated each year by the IOS after consultation and validation by the reference countries.

APPENDIX 6

Double-Counting

These instructions refer to Article 4.2.2.2 of the Annex to the 171st Report:

4.2.2.2 "The effect of variations from one year to another in a specific compulsory deduction made from the salaries of officials in the national civil services, if the same compulsory deduction is also made to the Co-ordinated Organisations' staff's salaries, shall be neutralised in order to avoid double-counting of these variations, in accordance with instructions set out in Appendix 6. IOS will determine the ensuing effect on an ad hoc basis with the reference countries concerned: (i) when there are changes in the salaries of civil service officials due to increased contributions to social security schemes, and (ii) where those changes to social security schemes do not entail an increase in social benefits, and (iii) where these changes result from a new social policy."

Calculation of the double-counting clause

To ensure proportionality of changes in the reference countries social costs, from year 1 to year 3 and from year 4 to year 6 of the duration of the method, the reference index shall be calculated as follows:

National Civil Services (NCS):

The reference index will be calculated as defined in paragraphs 4.2.1, 4.2.2. and 4.2.2.1 in the Annex to the 171st Report. A second index will be calculated which neutralises the changes to social costs which are comparable to those in the Co-ordinated Organisations. The difference between these two indices measures the impact of the changes to social contributions in NCS on the reference index.

Co-ordinated Organisations (CO):

An average of the social contributions in all organisations will be established by weighing the contribution rate in each Organisation by the number of staff. The comparison of this rate with the corresponding rate for the previous year, measures the impact of the changes to social contributions on CO salaries.

Annual correction:

The comparison of the impacts of the changes to comparable social contributions in the NCS and in the CO determines the part which needs to be neutralised in the calculation of the reference index.

Assessment after three years:

At the end of each three-year period, the annual impacts of the changes to social costs in the NCS and in the CO are added up. The reference index is then corrected by the difference between 1) the common denominator between the NCS and CO changes in social costs and 2) the annual corrections made in years 1, 2 and 3.