

## Session A

# Salary adjustment method

Frascati ESRIN / CSAIO -15

Speaker : C. Grobon



# Agenda

- **Periodic reviews**
  - 5YR – 2015
  - Annual review
- **Principles & Keywords**
  - Annex A1
  - Start of procedure 5yr
  - Context
- **Methodology of Annually salary review**
  - Composition of the basic salary and stipend index
  - Method of calculation
  - CVI
- **Last 5YR – 2010**
  - Survey results
  - Management proposals
- **Summary**



# Periodic reviews

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The means: periodic reviews of the financial and social conditions offered to the personnel

- **5YR Review**
  - **Every 5 years: general review = the 5YR (Level)**
    - **Compulsory subject: salary levels**
    - **Optional subjects: other employment conditions**
- **Annual Review**
  - **Every year: adjustment of salary and allowances**

# Annex A1 - extracts

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- **Purpose:**

To ensure that the financial and social conditions offered by the organization allow it to recruit and retain the staff members required for the execution of its mission from all its Member States.

The review must include basic salaries and may include any other financial or social conditions.

# Start of procedure 5YR

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- **Data collection on basic salary**

**Director-General submits to Council:**

**For information and discussion : main recruitment market for:**

- Career paths C to G (All Member States)  
Noblemaire principle (the best salaries)
- Career paths AA to B (local recruitment)  
Flemming principle (among the best salaries)

**The objective of the exercise is to categorise the “best payers” in accordance to the family situation single, and by taking into account the tax treatment and the cost-of-living in each country.**

**For decision : financial and social conditions to be reviewed**

**The result is a comparison guide**



# Context (all career paths)

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- **Career paths C to G**

- The framework of the five-yearly review specifies that the data should be collected in the recruitment market from “*employers established in the Member States that offer the most competitive salaries*”.
- For this purpose, ISRP (International Service for Remunerations and Pensions- OECD) needs to identify the most competitive country / countries among CERN’s Member States.

- **Career paths AA to B**

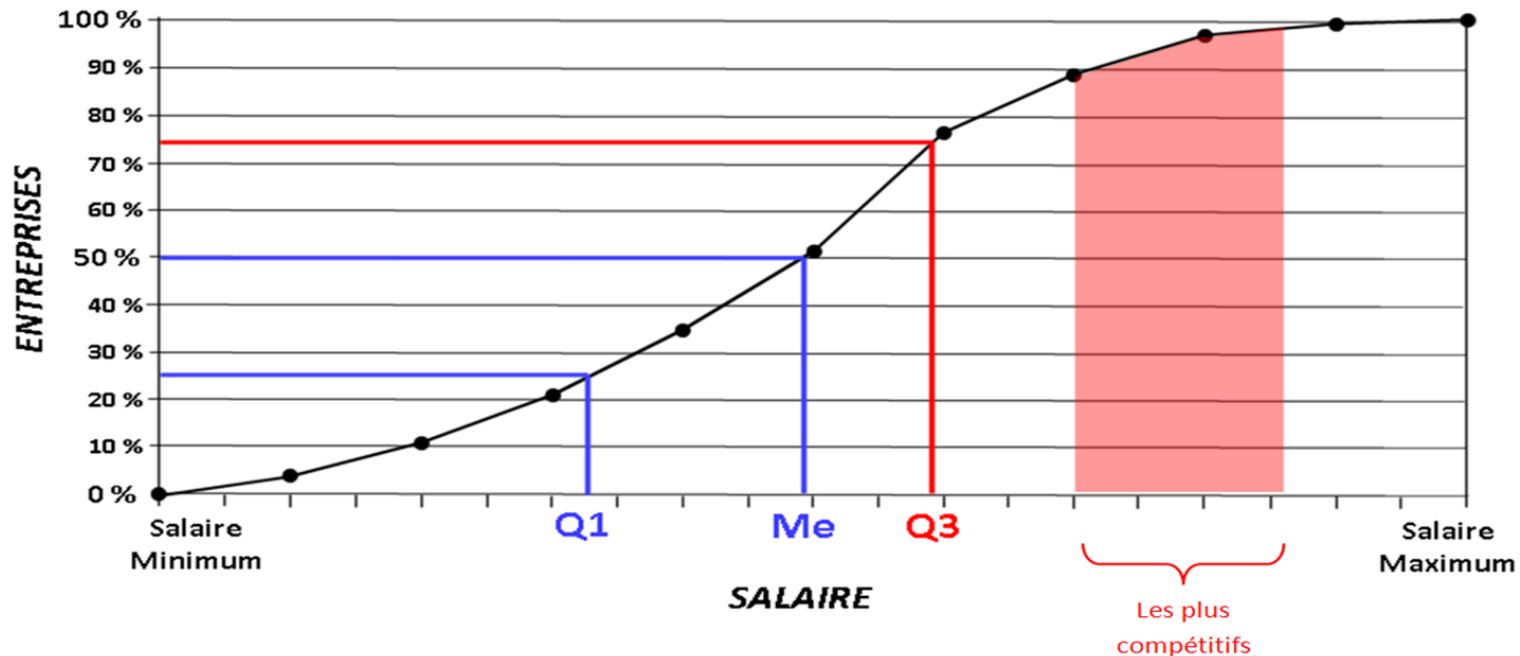
- the data should be collected in the recruitment market from the Local Market among the most competitive employers



# Noblemaire and 3<sup>rd</sup> quartile



On utilise ce graphique pour déterminer le 1er quartile, la médiane et le 3ème quartile qui correspondent à des fréquences cumulées de 25%, 50% et 75%.



On lit ainsi :

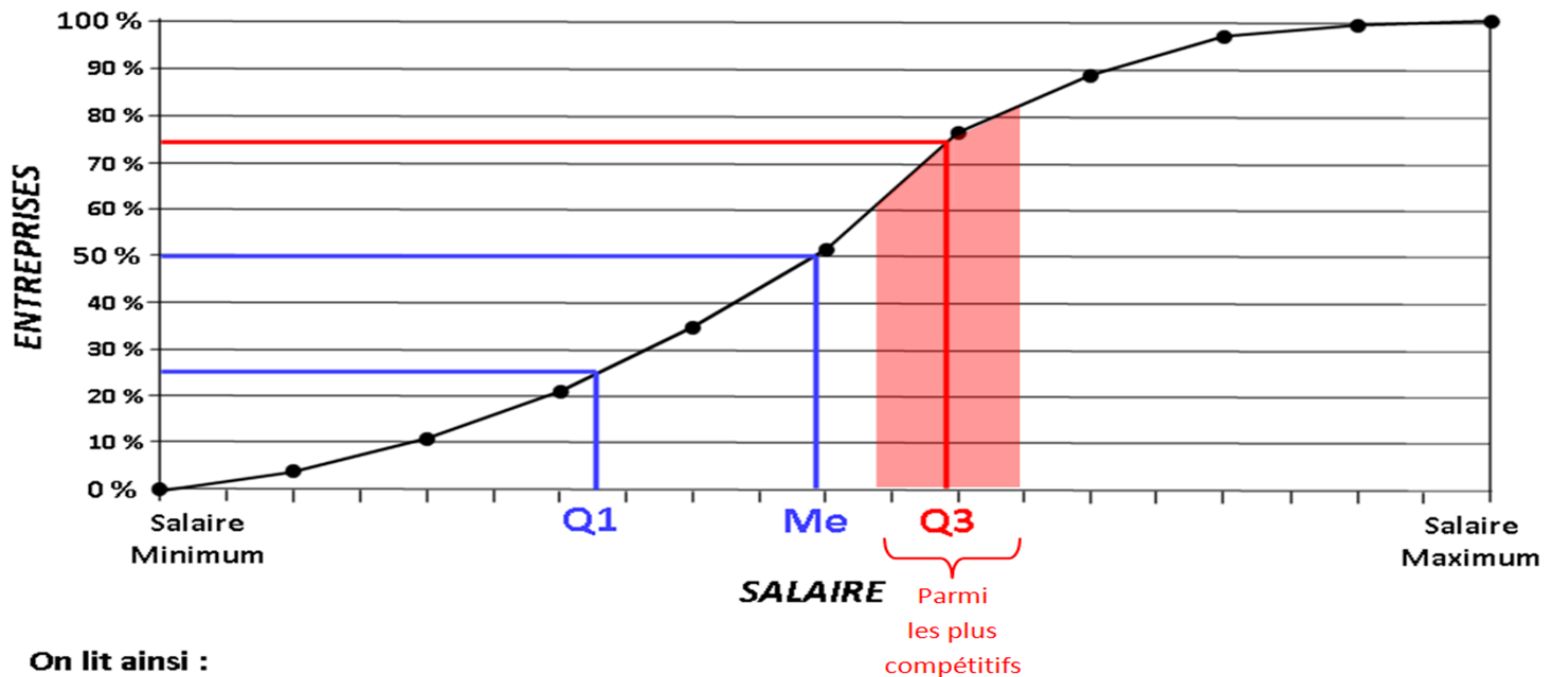
- le 1er quartile est Q1
- la médiane est Me
- le 3ème quartile est Q3

## Career paths C to G

# Flemming and 3<sup>rd</sup> quartile



On utilise ce graphique pour déterminer le 1er quartile, la médiane et le 3ème quartile qui correspondent à des fréquences cumulées de 25%, 50% et 75%.



On lit ainsi :

- le 1er quartile est Q1
- la médiane est Me
- le 3ème quartile est Q3

## Career paths AA to B





# PPP (Purchasing Power Parities)

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Because cost-of-living may not be equal between countries, salaries can vary from place to place on the basis of how much more or less expensive it is to live in one place with respect to another.

For that reason, purchasing power parities (PPP) factors are used to convert all comparators' salaries to equivalent cost-of-living before carrying out the market comparisons.

# Making the guide

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Based on CERN's recruitment data, the main recruitment market was identified as the High Technology mixed sector.

## Proposals and decisions

The results are used by the Director General as a guide to make proposals and can be used by the Council , to take decisions on financial and social conditions for staff.

# Methodology of annual salary review

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- **Composition of the basic salary and stipend index**

- a) First component

The Geneva cost-of-living movement for a twelve-month period from August of the year preceding the current year to August of the current year (*according to the data supplied by the Statistical Office of the Canton of Geneva, taking the index for the month of August in the year preceding the current year as base 100*).

- b) Second component

civil servants: Real net movement of salaries of CH civil servants and weighted average of those in the Member States that regular contribute more than 2% to the budget and publish the data via Eurostat



# Method of calculation

The basic salary and stipend index shall be calculated on the basis of the data collected for the two components specified above using the following formula:

$$I = \frac{Gva * [CH + \sum_{n=1}^p a_n * s_n]}{100}$$

- I Basic salary and stipend index;
- Gva Geneva cost-of-living movement (August-August);
- CH Average movement of real net salaries of the civil servants of the Swiss Federal Public Service (June-June);
- $a_n$  Weighting for Member State  $n$ ;
- $s_n$  Average movement of real net salaries of civil servants in the Civil Service of Member State  $n$  (June-June);
- $p$  Number of Member States determined using the criterion set out above.

# Ex : Calculation of the basic salary and stipend index 2015

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- **Geneva cost-of-living movement (based on August 2013 - August 2014)**
- **Average movement of the real net salaries of Swiss Federal civil servants(based on June 2013 - June 2014)**
- **Average movement of the real net salaries of the civil servants of seven Member States : (June 2013 - June 2014 estimate)**
- **Negative memories from the past are applied**

# CVI 2015

## Basic salary indexation since 2000

	to	Calculated	Cumulative Memory	Applied
1999	2000	1.3%		1.3%
2000	2001	0.6%		0.6%
2001	2002	1.3%		1.3%
2002	2003	1.2%		1.2%
2003	2004	1.1%		1.1%
2004	2005	1.3%		1.3%
2005	2006	1.2%		1.2%
2006	2007	1.6%		1.6%
2007	2008	0.7%		0.7%
2008	2009	2.7%		2.7%
2009	2010	1.6%		1.6%
2010	2011	0.4%		0.4%
2011	2012	-0.2%	-0.2%	0.0%
2012	2013	-0.3%	-0.5%	0.0%
2013	2014	-0.4%	-0.9%	0.0%
2014	2015	0.6%	-0.3%	0.0%

- Memory mechanism (remembering a negative result of the indexation formula) allows for reducing positive indexation
- Average indexation of 0.9% p.a. over 15 years



# Last 5YR – 2010 Survey results

## Survey results: Career paths AA to B

2010 - LOCAL MARKET salary survey results

- Comparison with **MEDIAN** point -

CERN = 100%

Job title	Career Path	CH	
		Single	Married
Technical	AA	109%	126%
	A	87%	100%
	B	96%	109%
Administrative	AA	93%	104%
	A	91%	104%
	B	93%	105%





# Last 5YR – 2010 Survey results

## Survey results: Career paths C to G

### 2010 - INTERNATIONAL salary survey results

- Comparison with **3rd quartile** point - CERN = 100%

Job title	Career Path	CH	
		Single	Married
Techn. Ass.	C	103%	111%
Techn. Eng.	D	130%	141%
Engineer	E	147%	159%
Sr. Eng.	Fb	134%	144%
High level spec.	Fc	139%	149%
Admin. Ass.	C	95%	103%
Sr. Admin. Ass.	D	91%	98%
Administrator	E	139%	151%
Sr. Administrator	Fb	138%	149%
High level spec.	Fc	135%	145%
Group Leader	Fc	136%	146%
Project Leader	Fc	136%	146%
Department Head	Gb	161%	170%
Head large project	Gb	137%	146%
Director	Gf	182%	190%



# Last 5YR – 2010 management proposals

- Take-home pay : The Staff Association raises the issue of social cohesion
- By the combined effect of the increase in contributions for health insurance and pensions and the (non) increase in salaries, the implementation in January 2011 of the decisions on topics A) and B) above will result in a decrease in “take-home pay” (the net salary paid into your account at the end of the month) for a majority of the staff, as is shown in the table below:

Adjustment	Career Path							
	AA	A	B	C	D	E	F	G
2011 - indexation	+0.35%							
5YR - salary grid	0%			+1%		+2%		
2011 - pensions contribution	-1,38%	-1,35%	-1,33%	-1,31%	-1,31%	-1,31%	-1,28%	-1,28%
5YR - CHIS contribution	-0.25%	-0.25%	-0.25%	-0.25%	-0.25%	-0.26%	-0.26%	-0.26%
2011 - take-home pay	-1.28%	-1.25%	-1.23%	-1.22%	-0.21%	+0.79%	+0.82%	+0.82%
Population	55%				45%			

# Effects on the take-home pay

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- Consultation of staff member : referendum
- Arbitration procedure :
  - The DG rejected our counterproposal (+2%, +4%, +6%) relating to salary grid adjustments on the procedural grounds. **The rules governing the 5yr do not contain a basis to allow him to accommodate our request.**

The majority of the staff have seen their take-home pay reduced ! This is socially unacceptable.

# Summary

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## Revision of Financial Conditions (5YR)

Obligatory subject: Only salaries

Other financial conditions: Optional

- **Firstly: 5YR**
  - **The definition of salary comparisons (written by HR for the FC)**
    - (definition of the recruitment pool )
  - **Data collection of salary (from HR for info for the FC)**
    - (from the firms in this recruitment pool)
    - **Amongst the most competitive A-B and the most competitive C-G**
- **Secondly: Annual Review**
  - Method of calculation / CVI

**The results are used by the Director General to make proposals (subjective)**