Did the BE-LUX Common Index introduced in 2014 improve purchasing power of EU officials assigned to Luxembourg? NO…

Legal basis

Article 64 of the EU Staff Regulations states that 'an official's remuneration ... shall ... be weighted at a rate above, below or equal to 100 %, depending on living conditions in the various places of employment'. This provision is the expression of equal treatment in terms of purchasing power parity between EU officials irrespective of their place of employment.
There are thus more than 30 correction coefficients within the European Union (July 2018: Munich 110; Copenhagen 131.9; Dublin 117.7; Paris 116.7; The Hague 109.9; London 134.7; Warsaw 68.6 ...).
The third paragraph of the same Article 64 of the EU Staff Regulations, when stating that "[n]o correction coefficient shall be applicable in Belgium and Luxembourg ... ", shows in the opinion of many lawyers specialized in the field, elements of illegality as it introduces discriminatory effects between officials of the EU assigned to Luxembourg and to Belgium applying identical rules to clearly-differentiated economic situations.

- 0It must be concluded that there is a clear contradiction between the principle of equal treatment and the fact that Luxembourg is treated on a par with Belgium.
- That being so, these same lawyers point out that the Staff Regulations refer to Belgium and Luxembourg as countries. However, the request for a weighting for the place of employment would absolutely be possible under the Staff Regulations in their present version by means of a 'minor tidy-up' involving editing of certain details and 'without opening the Staff Regulations to discussion'.

The situation has become critical

Indeed, EUROSTAT could observe that since 2006 the situation has been getting worse for EU staff assigned to Luxembourg compared to their counterparts in Belgium. Thus the former suffered a 5.7% loss of purchasing power compared to the latter (2006) which has steadily worsened to reach 8.1% in 2016 (still above the 5% threshold since 2006 which ought to have triggered the corrective mechanism) and 116.8 in 2018. In terms of trend the purchasing power disparity doubled between 2016 and 2018!

How did the revision of the Staff Regulations in January 2014 aim to solve this serious problem?
The legislator, by introducing a 'common index' in January 2014 (weighting between the national HICP index in Belgium and the CPI index in Luxembourg according to the breakdown of the personnel serving in these Member States – see Article 1(2) of Annex XI of the Statute), implicitly recognizes the existence of the problem of Luxembourg but completely misses the point when it comes to the solution proposed for several reasons:

Not taking into account the initial deficit

No solution has been provided to the purchasing power disparity that already existed in 2013, i.e. 10.2%

Statistically erroneous

The method of the common combined index is not correct because the indices are specific to each location and reflect the change in the level of the price index in that location. The weighting between the Belgian HICP and Luxembourg CPI according to the breakdown of the staff working in these Member States, i.e. 80/20, makes no sense and implies a 'serious conceptual error' (the Belgian Harmonized CPI is not compatible with the Luxembourg CPI that was established excluding certain products such as fuel and cigarettes).

Socially inequitable

This is inexplicable: how can one imagine that, if a CPI in Luxembourg is higher than the Belgian HICP, the staff assigned to Belgium benefit from an increase in remuneration that is largely caused by the Luxemburg CPI?

Budgetarily more expensive

Indeed, if we consider that the effect of the adjustment method to remunerations (based on the BE-LUX common index) applies to some 100 000 (one hundred thousand) people (working and retired) and that a potential corrective coefficient would only concern some 10 000 (ten thousand) staff assigned to Luxembourg, we quickly see how much any positive difference in inflation in Luxembourg compared to Brussels could mean in terms of budgetary cost.

What solution should be implemented?

As is the case with the 30 or so other places of employment at the European Institutions within the EU, the simplest solution is to introduce – as was the case in the 1960s – a specific correction coefficient for the place of employment. In order to refine the percentage, it would nevertheless be necessary – as pointed out by EUROSTAT – to carry out two preliminary surveys (1) among the personnel assigned to Luxembourg: a Housing Survey, and another one relating to the Expenditure Basket.

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(1) Having never been carried out, the implementation of the mixed BeLux index as part of the adjustment method to remunerations is even biased because the parameters of the Luxembourg expenditure cannot be applied to the 20% of its share (being non-existent), and so the expenditure parameters of Belgium are used...

Miguel Vicente Nunez
Président USL

Union Syndicale Luxembourg