INTERNATIONALE GEWERKSCHAFT IM EUROPÄISCHEN PATENTAMT **IGEPA**
STAFF UNION OF THE EUROPEAN PATENT OFFICE **SUEPO**
UNION SYNDICALE DE L'OFFICE EUROPEEN DES BREVETS **USOEB**

Zentraler Vorstand . Central Executive Committee . Bureau central

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The Salary Adjustment Procedure (SAP) - Timeline -

June 2018 – "Everything is ok"

The story of the financial situation of the EPO had a glorious moment in 2018, when an analysis of the financial situation concluded[1]:

"*The EPO's pension system has been strengthened as a direct consequence of the Office's financial recovery (….) the Office is also now in a position to manage its treasury more actively and efficiently, which is expected to generate higher returns and thus further improve the overall financial position of the organisation. Today, the Office generates all the necessary income to meet its commitments and secure its role as a self-financing organisation. This independence is essential for the proper functioning of the Office and safeguards the generous social package for staff against external financial challenges*."

May 2019 – "Everything is not quite ok"

Therefore, when a new Financial Study was launched in 2019, EPO staff was surprised to find out that the consultants have provided an economical scenario (the "Base 2 Scenario"), which called into question all the solid assurances provided by the financial analysis of 2018. The "Base 2 Scenario" is using data from ESRB[2] for a current stress test scenario modelling a specific economic cycle (recession+recovery). In an announcement to staff the administration noted[3]:

"*We are choosing "Base 2 - Economic Cycle" as our reference scenario. This scenario has been identified as the one that most accurately matches the economic conditions, we see around us presently and is most likely to match the conditions forecasted for the future in our opinion*."

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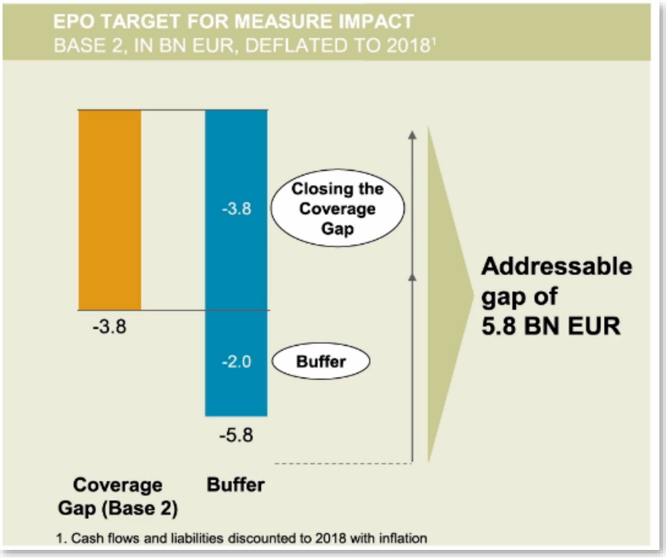
[1]Modernising the EPO for excellence and sustainability, page 55, published 11.06.2018: link
[2]ESRB stands for European Systemic Risk Board, see CA/83/19, p.20, Base 2 column, 1st par.
[3]Communication on EPO intranet by the President, 2019, link

The 2019 Financial Study concluded that, if Base 2 Scenario materialized – and only then, the EPO would face a future financial deficit or "gap" of € 3.6bn.

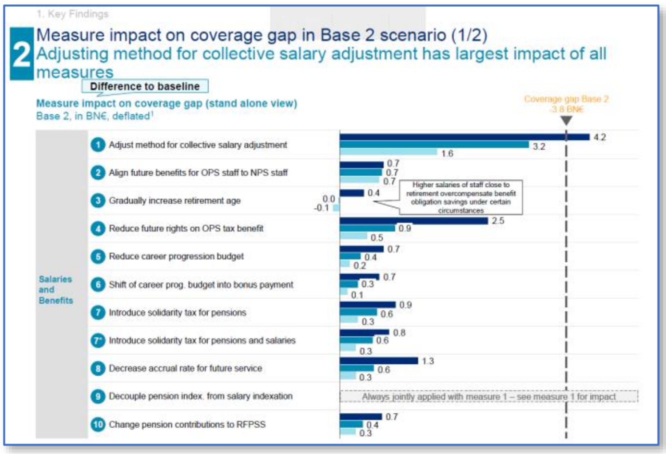
October 2019 – "Everything is quite bad"

In October in the Phase II study, the Consultants have recalculated the financial gap and increased it with € 0.2bn. The president also built in a safety buffer of € 2.0bn in case the low interest environment continues to exist for a long time. The total of all these consultant recalculations now results in a financial gap presented in the Phase II study of € 5.8bn.



November 2019 – "We have to act: 17 measures"

A few months later 17 measures were presented by the administration as possible means to address the alleged gap of € 5.8bn created under the circumstances of the fictive Base 2 Scenario. Among the 17 measures, the one that had the biggest impact, according to the consultants, was a change of the salary adjustment procedure (SAP).

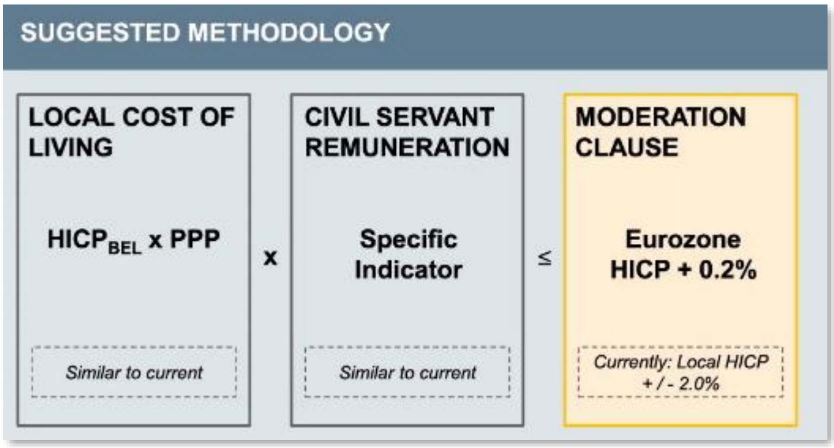


December 2019 – AC chooses measure 1

After the December 2019 meeting of Administrative Council (AC) the Salary Adjustment Procedure was chosen as the main lever by the administration.

February 2020 – Administration proposes a new Salary Adjustment Method

The administration proposed a new SAP that would obtain € 2.0bn by cutting (with a cap) the adjustment of salaries and pensions scales. The cap is linked to HICP Eurozone inflation.



Proposals by Staff Representation discarded by management

In the dedicated working groups organized by the management in December 2019 to February 2020, Staff representation (SR) presented its own proposals. Their analysis was based on the Base 2 Scenario, which had been identified by the consultants as creating future financial issues. As a result, the SR modeled several new SAPs with elements that would be triggered ***only if*** Base 2 Scenario actually occurred. In such a situation, the latest SAP proposed by SR would indeed generates a € 2.0bn saving for the EPO.

In his several announcements the President consistently stated that a new SAP needed to be tested in such a way as to check whether it would trigger a moderation of the salaries and pensions that would enable the salaries to follow the economic parameters forming the Base 2 Scenario. However, more recently, the President declared in his latest announcement on the matter that the consultants had tested the several SAPs proposed by the SR and had found that, unfortunately, they didn't arrive at the necessary € 2.0bn. The President concluded that none of them was “fit for purpose”.

Consultants: Proposals by Staff Representation would indeed save € 2.0bn in case Base 2 Scenario would materialize

We invite the attentive reader to look carefully at the figures that allegedly “prove” that the last SAP of the SR did not collect € 2.0bn. The reader will notice that the SAP of the SR was **not** tested on the Base 2 Scenario, “*the one that most accurately matches the economic conditions we see around us presently and is most likely to match the conditions* ***forecasted for the future***” (according to the administration), but was somehow “tested” using economic data for the years 1998-2018.

Management's SAP will deliver systematic and guaranteed cut in salaries and pensions irrespective of whether Base 2 Scenario materialises

The SR pointed out this absurd reasoning during the last meetings with the consultants and requested that their SAP be tested against the same economic parameters forming the Base 2 Scenario that lead to the alleged liability gap. The answer from the consultants was that, when tested with the correct data underlying their Base 2 Scenario, the SR SAP would indeed provide also € 2.0bn savings, as does the new SAP of the administration. With a huge difference though: the SAP pushed by management will deliver a systematic and guaranteed cut in salaries and pensions adjustments ***irrespective*** of the real economic situation, as the President clearly wanted from the word go.

May 2020 – Ernst & Young analysis finds that there is no financial gap

Ernst & Young has performed an analysis[4] of the Financial Study by Mercer & Wyman. It confirms the position SUEPO and staff representation have expressed in a series of publications (The Financial Study : Yet Another Hoax (part 1, 2, 3 and 4). The assumptions in the Financial Study can only be viewed as excessively overcautious and indicate the clear intention of the EPO to find a financial gap where there isn't any for the purpose of reducing staff benefits.

Recap

- **2018 June**: EPO is financially ready for the future (Modernising the EPO for excellence and sustainability, 11.06.2018)
- **2019 June**: EPO is not financially ready for the future **if** Base 2 Scenario materialises (2019 Financial Study).
- **2020 June**: EPO is going to implement a SAP that cuts salaries and pensions adjustments **irrespective of the actual economic situation**.

The 2019 Financial Study is nothing more than an exercise of deception and public relations, aiming at justifying a **systematic and continuous salary and pension cut** for EPO staff and pensioners. Like all recent reforms imposed by management, this reform will be particularly detrimental to our young colleagues in the lower grades.

Management is shamelessly taking advantage of the current pandemic to push through their SAP. They are well aware that it is difficult for SUEPO and staff representation to organize and carry out strong industrial actions when staff is working mainly from home and holding a General Assembly is not possible.

[4] Selected analyses by Ernst & Young of the 2019 Financial Study of the European Patent Office https://www.suepo.org/archive/su20025cp.pdf

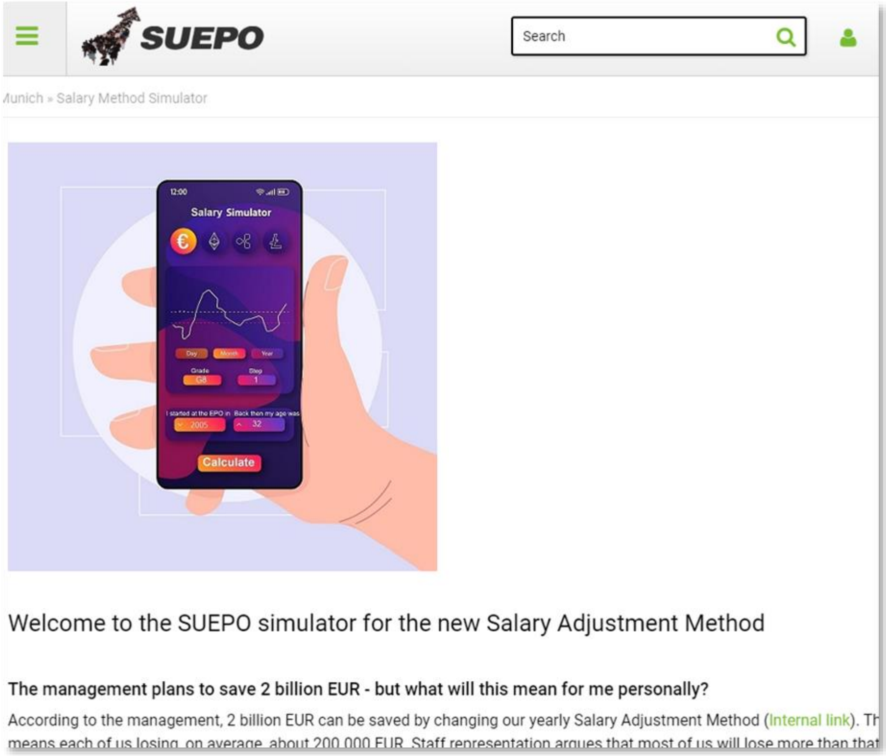
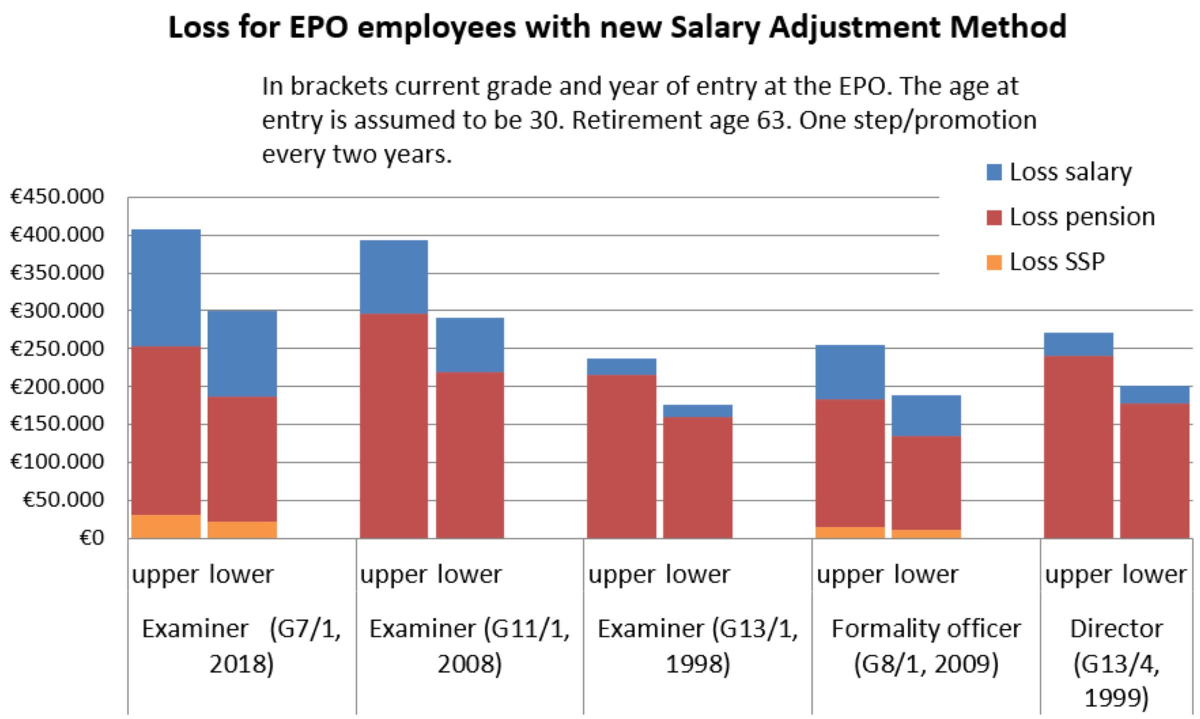


Figure 1: Go to suepo.org/salarysimulator and try out the SUEPO Salary Simulator, it can give you and estimation of how much money YOU will lose

What can you do?

We recommend to every staff member to legally challenge the new SAP, in case it will get adopted by the AC in June. SUEPO will provide the necessary advice and templates for internal appeals and request for reviews to its members. Keep in mind that in view of the extreme slowness of the internal justice system at the EPO, no judgment will be available on the matter before (many) years. In the meantime, we advise you to:

- Check out a SUEPO video in which we explain the impact of the new SAP on your salary and pension;
- Go to suepo.org/salarysimulator and try out the SUEPO Salary Simulator. The simulator can give you an estimation of how much money you will lose with the new SAP;
- Draw your conclusions and express any discontent loud and clear on the matter in any discussion especially with team leaders, directors, etc.;
- Strengthen your staff representation and SUEPO by participating and supporting the actions we propose.



The fight against the new SAP has just begun. It will be a long fight. **Only with YOUR individual and collective commitment, can we win it.**

SUEPO Central