

GUIDELINES

UNIT COSTS FOR DIRECT PERSONNEL COSTS

applicable to all grants awarded by Eurostat

Unit costs for direct personnel costs are average daily rates per pay grade of the beneficiary's salary grid. They have to be established by all beneficiaries of Eurostat grants in accordance with a method adopted by Commission Decision C(2014)6332 of 11/09/2014.

Unit costs (first submission or update) shall be submitted to the functional mailbox estat-unit-costs@ec.europa.eu. In case of a first submission, the unit costs shall be sent at the latest with the first grant application of the entity declaring them.

1. Form of financing and category of costs covered

Beneficiaries of grants shall declare eligible personnel costs on the basis of unit costs calculated in accordance with the method described in Section 3.

Unit costs only cover direct personnel costs of a grant action.

In accordance with Article 3 of Commission Decision C(2013)2900¹, eligible indirect costs shall be declared on the basis of a flat rate of 30% of the total eligible direct personnel costs.

Out of scope of Unit costs:

Eligible personnel costs that are not paid on the basis of time spent, but on the basis of deliverables such as questionnaires/records (e.g. in the case of interviewers) are reimbursed on the basis of costs actually incurred. Actual costs are also used for reimbursement of direct costs other than personnel costs (subcontracting, travel and subsistence, purchase of equipment...)

2. Justification

The data submitted by the beneficiaries are in principle based on official national salary grids (or assimilated) for the public service. These are accessible and auditable at any time. A declaration, signed by an authorised person of the beneficiary's administration, is to be provided stating that the submitted unit costs have been established in line with the harmonised method set out in section 3.

Controls by Eurostat

Controls on unit costs for personnel costs on transaction level will focus on time registration and the allocation of staff to pay grades. Controls at the level of individual salary information (e.g. pay slips) will no longer be required.

Controls on the correct application of the method (including cost components and accurate figures) are integrated into the control programmes based on an annual risk assessment.

3. Method to determine and update the amounts

¹ Commission decision of 23 May 2013 on the approval of the method to establish scales of unit costs for direct personnel costs and flat rate funding for grants awarded to bodies identified in Article 5 of Regulation (EC) 223/2009 of the European Parliament and of the Council on European statistics.

3.1 Unit costs for average daily personnel costs

Unit costs are **average daily rates for direct personnel costs**, established **per pay grade** of the beneficiary's salary grid².

They are calculated on the basis of historical payroll data and thus refer to personnel costs actually incurred by the beneficiary during a reference year.

Payroll data for the calculation:

Unit costs per pay grade are based on the real payroll data of the reference year and have to be reconcilable with the individual records in the payroll and the accountancy.

The **reference year** is to be understood as the year for which the beneficiary disposes of the latest annual accounts.

Reference year:

Unit costs are based on the payroll data of the last day of the reference year. If the accounting year does not coincide with the calendar year, the reference year shall be the accounting year. The same reference year shall apply to the accounting data and to the payroll data.

To determine which costs pertain to the reference year, each beneficiary shall take into account its own accounting rules and practices, notably the use of cash or accrual accounting. So, for example, if its accounting system is cash based, the beneficiary will include in the calculation all the amounts effectively paid in the year of reference, irrespective of the year to which they pertain (including, for instance, compensations for previous years' activities, etc.). On the other side, a beneficiary using an accrual accounting system will have to include the payments pertaining to the reference year and exclude payments pertaining to another accounting year, irrespective of the actual date of the payments themselves.

The **pay grade** is defined as the level of the salary grid that comprises **all levels of seniority** (if they exist) within this grade.

Pay grade:

Unit costs are calculated for each pay grade of the salary grid, comprising all staff of seniority sub-levels in this grade.

No further breakdown is necessary to take account of the variety of functions, tasks, statutory rights, etc. The differences in salaries due to the **statutory benefits and allowances** and/or **social contributions**, such as family allowance, extra pay for specific functions, risks or responsibilities etc. are accounted for in the **total direct annual personnel costs** of each staff member paid by the employer.

Although for each pay grade the **basic salaries** present a common basis, individual gross salaries usually differ considerably. The unit costs established for each pay grade are, in fact, the average of the total annual direct personnel costs paid by the beneficiary for the staff of the given pay grade (see example 1).

The example 1 below presents a structure of a salary grid for which unit costs are established for five pay grades (comprising all staff of seniority steps 1-5).

² A salary grid is the range of pay, which usually presents in form of scales of the remuneration paid for working at a certain level or grade of an organisation. The pay grades for which unit costs are calculated have to be consistent with the structure of the salary grid.

Example 1:

Pay grades	Seniority steps					Pay grade	UNIT COSTS (average of all staff per pay grade) €
	1	2	3	4	5		
A+						A+	
A						A	
B						B	
C						C	
D						D	

The breakdown of the entire staff into pay grades should correspond to the structure of the salary grid usually applied by the beneficiary in accordance with national legal provisions for the public service (or, where applicable, to that for assimilated entities).

Since different salary grids are usually applied for the remuneration of civil servants working as permanent officials, and for those working under temporary or unlimited employment contracts, separate grids should be provided for:

- a) officials (permanent and temporary)
- b) contractual staff (working under a temporary or unlimited employment contract)³

If however such a distinction doesn't exist, a single grid is sufficient.

Staff included in the calculation:

The **entire** staff of all the pay grades of the organization, independently of their function (statisticians, library staff, administrative assistants etc.), should be included in the calculation.

3.2 Calculation of average daily personnel costs per pay grade

The average daily rates for each pay grade are calculated on the basis of the **total annual direct personnel costs** incurred by the beneficiary during the reference year for the entire staff of the given pay grade.

For the calculation, the beneficiary extracts individual salary data for each pay grade from the payroll data as of the last day of the reference year.

Calculation:

For the calculation of the average rates per pay grade all employees' salary records have to be extracted from the database.

Specific case: change of pay grade during the reference period

³ Costs for staff hired under civil contracts can be taken into account only, if costs under such contracts can be assimilated to contractual personnel costs.

Employees who changed the pay grade during the reference year can be included in the calculation, at the choice of the beneficiary:

- a) either on a pro rata basis for each of the occupied pay grades;
- b) or just for the grade the person had at the end of the year.

Example:

A staff member working full-time has been promoted from pay grade A2 to pay grade A3 on 1 July 2014.

Total salary from January to June: 20.000 €

Total salary from July to December: 25.000 €

Option 1: Pro-rata calculation

Grade A2: 20.000 € / 0,5 FTE / 215 days = 186,05 €

Grade A3: 25.000 € / 0,5 FTE / 215 days = 232,56 €

Option 2: Grade at year end: A3

(20.000 € + 25.000 €) / 1 FTE / 215 days = 209,30 €

Employees who left before the end of the year have to be included in the calculation on a pro rata basis.

The total annual direct personnel costs are divided by the **staff employed during the reference year expressed in full-time equivalents (FTE)** belonging to the respective pay grade and by **215** annual working days.

Average daily rate per pay grade (unit cost)⁴ =

Total annual direct personnel costs per pay grade

*FTE per pay grade during reference period * 215 working days*

⁴ Please round to two decimal places.

Full-time equivalents (FTE):

The use of full-time equivalents allows to take into account staff that has worked under part-time arrangements or only during a limited period of the reference year.

The table below gives an example of how total FTE per pay grade is calculated.

Column A represents the individual working arrangements as percentage of full-time.

If a person has for example worked half-time (50%) during the whole year, the corresponding working time equals to 0.5 FTE (Mr CD).

Example 2:

	A	B	C	D
	Working time (Full time =100%)	Months worked in the year	% of year worked (B/12)	Full time equivalent (A*C)
Ms AB	100%	12	100%	1.00
Mr CD	50%	12	100%	0.50
Mr EF	100%	10	83%	0.83
Ms GH	100%	9.5	79%	0.79
Mr XY	80%	5.5	46%	0.37
Total FTE of the pay grade				3.49

Alternatively, where information on FTE is not available or the organization prefers not to use it, the calculation may be based on the total number of staff.

FTE: general principle

Part-time working and leaves paid by third parties (see below) are the only situations in which an FTE adjustment could be performed. No other situation (overtime, sick leave paid by the employer, holiday, etc.) can be taken into consideration to perform FTE adjustments. To give an example, a person working full time for 1 year, during which he or she takes 1 month of holiday, 1 month of sick leave paid by the employer, and works overtime for the equivalent of 2 weeks will still be considered for 1 FTE.

Special case: leave paid by a third party

Even though, as a general rule, absences from work are not considered when calculating FTE, a correction could be made, if the beneficiary so chooses, for absences during which the person is paid, **entirely or for the most part**, by a third party (like in the case of maternity leave, certain cases of sick leave, etc.).

For example, if a person is on sick leave for 6 months over the year of reference, and during this period he or she is not paid by the beneficiary (but, for instance, by a social insurance institution), the person could be calculated for 0,5 FTE instead of 1 FTE. If he or she still receives a certain (non-significant) amount of money from the beneficiary, this money can be included in the calculation, without further adjustment of FTE.

Please remember that, while this FTE adjustment is an option for the beneficiaries, costs which are not actually incurred by the beneficiary can never be taken into consideration for the calculation of unit costs.

In other words, in a case like the one described above the FTE adjustment is optional, but the amounts paid by an external source (insurance, etc.) can **never** be included in the calculation.

Calculation of Unit costs:**Example 3:**

Pay grade	
	nbr of staff
16	
15	
14	
13	
12	
11	
10	
9	79
8	
7	
6	
5	
4	
3	
2	
1	

The table below present a simplified model of an extraction of payroll records for the calculation of unit costs by grade. All eligible statutory entitlements and social contributions paid by the employer should be included in the total annual personnel costs of the individuals (see columns C and D below).

79 persons are here assumed to correspond to 51, 75 FTE.

Pay grade 9	A	B	C (eligible) statutory benefits		D	E
79 persons belonging to pay grade 9 (including all sublevels)	Full time equivalent	Yearly basic salary:	1	...	Social contributions paid by beneficiary	Total annual personnel costs (Σ B + C + D)
Ms. AAA (e.g. Pers. Nr.)	1					34,200
Mr. FFF	0.5					14,400
Mr. GGG	0.5					25,806
Ms. DDD	1					31,560
...
TOTAL pay grade 9	51.75					1,600,000
Average daily personnel cost (E/(A*215))						143.80

The unit cost for pay grade 9 is 143.80 € per day.

Eligible personnel costs:

Total annual direct personnel costs

Total annual direct personnel costs per person correspond to the sum of the basic salary and all other direct personnel costs incurred by the beneficiary (excluding overheads⁵ and other non-eligible costs defined below).

The amount is based on the following components:

Basic salary
+ other statutory costs
+ social contributions (social security, pensions contributions...) and taxes on wages

= Total annual direct personnel costs

Basic salary

Monthly salaries consist primarily of the basic salary which is supplemented by statutory benefits.

The basic salary is the main element of remuneration and is determined in accordance with the pay grade held. It is therefore in principle not a matter of which function the civil servant actually performs, but solely of the pay grade.

The pay grades are governed by the official remuneration schemes for the public service at national or regional level.

Other statutory costs

These costs cover additional pays⁶ in form of statutory benefits linked to specific functions, responsibilities and/or conditions, as well as specific salary components that are not paid on a monthly basis (e.g. Christmas or holiday allowances, additional month's pay at the end of the year, etc.). Due to the diversity of national legislative conditions for remunerating personnel, it is not possible to give an exhaustive list of eligible cost components. In principle these costs can be included when they are in line with the beneficiary's **usual policy** on remuneration and in compliance with national legislation.

Attention:

Non statutory, non-mandatory, discretionary premiums or bonuses and additional remuneration schemes for EU-funded projects are not eligible. (For explanation see below)

⁵ I.e. excluding indirect costs such as hiring or depreciation of buildings and plant, water/gas/electricity, maintenance, insurance, supplies and petty office equipment, communication and connection costs.

⁶ Means other statutory entitlements.

Overtime:

Overtime compensations **can be included**, provided that they are in line with the beneficiary's usual policy on remuneration and in compliance with national legislation.

Social security contributions and taxes on wages

These cover the employer's social contributions such as insurance contributions, payments for healthcare, labour disability, unemployment and taxes on wages.

Pension contributions

These cover the employer's pension contributions, including those for early retirement.

Attention:

Provisions (e.g. imputed or notional contributions to pension reserves) paid by the State for public administrations are not eligible.

Social contributions paid by public authorities other than the beneficiary

Since unit costs are based on historical payroll data, each component of annual personnel costs (e.g. gross salary, social security charges, pension contribution, other statutory costs included in the remuneration) has to be reconcilable with the beneficiary's annual accounts.

In the context of public administrations the above mentioned employer's social charges, or part of them (e.g. contributions for some staff only), may be paid by another state authority, e.g. by the State Treasury, a Ministry or centrally by an official agency.

Specific case: Social contributions paid by another public authority

In order to include these costs in the unit costs calculation, the beneficiary has to provide a declaration by the respective paying authority, stating the type of contribution(s) and the amount(s) **paid for the beneficiary's staff** during the reference year. Please see Annex 2 (no mandatory template).

The Declaration should be produced **only if social contributions for the beneficiary's staff are paid fully or partially by another state authority**. This Declaration shall be attached to the respective unit costs. It is to be signed by an authorised person of the respective paying authority such as Director General, Resources Director or Chief accountant.

Since detailed information per employee and/or pay grade is not always available social contributions paid by other public authorities are calculated as a percentage of the total personnel costs incurred by the beneficiary.

Example 4:**Integration of "Statutory benefits" and social contributions paid by other public authorities:**

Part of social contributions for the beneficiary's staff is covered by another public authority and thus **not** included in the beneficiary's accountancy (where applicable).

A	Payroll data	
	Basic salaries	22.761.674
	Other statutory costs	24.969.827
	Social contributions	0
	Total annual personnel costs paid by the beneficiary	47.731.501
B	Social contributions paid by other public authorities	
	Amount declared by public authority as paid for beneficiary's staff	8.110.000
C	Percentage paid by other public authority (B/total A)	17%
	applied to unit costs based on payroll data as average	

The corresponding average rate will be added to the unit costs established by the beneficiary on the basis of its payroll data. (See columns G and H below)

Example 5:**Calculation Unit costs (specific case for the social contributions paid by other public authorities)**

Pay grade 9	A	B	C (eligible) statutory benefits		D	E	F	G
79 persons belonging to pay grade 9 (including all sublevels)	Full time equivalent	Yearly basic salary:	1	...	Social contributi ons paid by beneficiar y	Total annual personnel costs (Σ B + C + D)	Social contributi ons paid by other public authority (17%)	Total personnel costs (E+F)
Ms. AAA (e.g. Pers. Nr.)	1					34,200		
Mr. FFF	0.5					14,400		
Mr. GGG	0.5					25,806		
Ms. DDD	1					31,560		
...		
...		
TOTAL pay grade 9	51.75					1,600,000	272,000	1,872,000

Average daily personnel cost	(G/(A*215))	168.25
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In this special case, the social contributions of the beneficiary are paid by another public authority. As stated above, the respective paying authority shall declare the nature of these contributions and the amount paid for the beneficiary's staff.

The unit cost **for pay grade 9** will be **168,25 € per day**.

Non eligible personnel costs:

The following costs are **non eligible** personnel costs and must therefore be excluded from the basis for the calculation unit costs:

- Indirect costs (overheads)⁷;
- **Provisions** paid by the beneficiary or another public authority for the beneficiary's staff to pension funds, reserves, etc.;
- Non statutory, non-mandatory and discretionary premiums or bonuses;
- Additional remuneration schemes specifically benefitting officials participating in EU-funded projects⁸;
- Costs not actually incurred by the beneficiary (example: staff seconded for free from other public organizations);
- Specific case: Social contributions paid by another public authority in case the required declaration by this entity is not available (see explanation on page 9 above and Annex II).

Non eligible costs:

Normal eligibility rules as stipulated in the respective grant agreement apply. Non eligible costs have to be excluded.

3.3 Exchange rates

Unit costs have to be submitted in euro. If the beneficiary keeps its general accounts in a currency other than the euro, the amounts of the unit costs calculated in national currency need to be converted in euro using the exchange rate for the reference year.⁹

The conversion in euro is to be done at the average of the daily exchange rates published in the C series of *Official Journal of the European Union*, determined over the corresponding reference year.

Where no daily euro exchange rate is published in the *Official Journal of the European Union* for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission and published on its website (http://ec.europa.eu/budget/contracts_grants/info_contracts/inforeuro/inforeuro_en.cfm), determined over the corresponding reference year.

⁷ Indirect costs are covered by a flat rate indicated in the respective grant agreement.

⁸ Personnel costs declared as eligible may not exceed the remuneration costs defined by the beneficiary according to its usual remuneration policy.

⁹ Daily rates for the reference year can be extracted from the Statistical Data Warehouse of the ECB (Exchange rates), see <http://sdw.ecb.europa.eu/>

Application of exchange rate:

The unit costs in euro are part of the grant agreement. See Example 6 below.

No further exchange rate conversion is carried out for the final financial statements.

3.4 Submission of unit costs to Eurostat

The scanned copy of the original Declaration established by the beneficiary in line with the method explained above is to be transmitted to Eurostat by e-mail for information. This declaration must be signed by an authorized person of the applicant¹⁰.

Submission:

Entities which have not yet calculated unit costs must provide the Declaration **at the latest** with the first grant application but we strongly recommend sending it for information as soon as possible. This will allow to proactively identify any potential issues and to solve them before the signature of the first grant agreement.

The scanned version of the original signed declaration has to be sent to Eurostat **by e-mail** (estat-unit-costs@ec.europa.eu).

The originals shall be kept by the beneficiary.

After submission of the unit costs (and of any subsequent updates) it is the applicant's responsibility to ensure that the latest unit costs are applied in all forthcoming grant applications.

Example 6: Grid of Unit Costs

This is only an example but the following fields are **mandatory**:

Calculation of Unit costs is based on accounting and payroll data as of: xx/xx/xx

Calculation is based on:

Full-time equivalents (FTE) ☐

Total number of staff ☐

Exchange rate, where applicable: xx,xx

Pay grade	UNIT COSTS (average daily rate ¹) €
A+	
A	
B	
C	
D	

¹ Please round to two decimal places.

¹⁰ I.e. Director General, Resources Director, Chief accountant, etc.

3.5 Updates

The beneficiary **may update** its unit costs annually, from the moment it disposes of more recent annual payroll data. Updated unit costs have to be submitted to Eurostat as described above under item 3.4. **The updates will become applicable to subsequent grant applications.** They will not be applicable retroactively to already on-going (signed) grant agreements.

Update of unit costs:

The new **Declaration** together with, where applicable, the Declaration on social contributions paid by another state authority **shall be submitted by e-mail** (estat-unit-costs@ec.europa.eu). To update unit costs the new Declaration has to be produced following to the same methodology.

The update is not mandatory.

3.6 Unit costs in grant applications and grant agreements

Grant applications:

The **copy of original** signed **Declaration** and, where applicable, the Declaration on social contributions paid by another state authority) **shall be attached to each grant application.**

Please do not sign a new Declaration with each grant application and do not send original documents.

When preparing a grant application and the related estimated budget the beneficiary will have to give an indication of the envisaged personnel costs needed to carry out the action.

In order to allow an appropriate evaluation of the proposal with regard to the description of the action (technical specifications), information on the profiles of the staff involved (e.g. statistician, project manager, IT expert, etc.) and their envisaged working time is to be provided. Since the staff falling under a given profile may belong to different pay grades, the costs should be broken down by pay grades and the respective unit costs (daily rates) must be used.

Estimated budget:

Attention: Information on **the profiles, the grades** and the estimated **working time (expressed in days)** is essential when you establish the estimated budget for the action.

Example 7: Estimated budget

A. EXPENDITURE/COSTS OF THE ACTION				
1. Costs of staff assigned to the action				
Function / Pay Grade	Nb of persons [A]	Days [B]	Unit Cost [C]	Sub Total [AxBxC]
Operational Staff				Excluding VAT
<i>Permanent staff</i>				
Project manager - Grade A4	1	20	180.50	3,610.00 €
Senior statistician - Grade A6	1	10	260.00	2,600.00 €
Statistician - Grade A3	4	42	165.85	27,862.80 €
Statistician - Grade B6	2	30	190.00	11,400.00 €
IT expert - Grade A4	1	12	180.50	2,166.00 €
<i>Sub-Total permanent staff</i>				47,638.80 €

Grant agreements:

The unit costs are part of each grant agreement.

Once the grant agreement has been signed, the unit costs attached to the signed grant agreement are approved and will remain valid for the entire duration of the agreement. They will not be subject to updates during the whole duration of the agreement.

Final financial statement (cost claim):

At the moment of the final financial statement (cost claim), the calculation will be made on the basis of the staff that actually performed the work.

Example 8:

1. Costs of staff assigned to the action				
<i>Function / Pay grade</i>	<i>Nb of persons [A]</i>	<i>Days [B]</i>	<i>Unit cost [C]</i>	<i>Sub Total [AxBxC]</i>
Operational Staff				Excluding VAT
<i>Permanent staff</i>				
Project manager - Grade A4	1	22	180.50	3,971.00 €
Senior statistician - Grade A6	1	14	260.00	3,640.00 €
Statistician - Grade A3	2	84	165.85	27,862.80 €
Statistician - Grade B6	1	13	190.00	2,470.00 €
Statistician - Grade B5	2	12	175.00	4,200.00 €
Statistician - Grade B3	1	21	150.00	3,150.00 €
IT expert - Grade A3	1	7	165.85	1,160.95 €
IT expert - Grade A4	1	6	180.50	1,083.00 €
<i>Sub-Total permanent staff</i>				47,537.75 €

When declaring staff costs in the final financial statement each staff member is reimbursed according to the Unit costs corresponding to the pay grade(s) to which he/she belonged during the action.

Control of cost claims:

In case of control of cost claims the use of the correct pay grade for individual staff members and their time registration will be checked for personnel covered by unit costs.

The use of the correct pay grade could for instance be demonstrated by providing a pay slip or other official document (provided for example by the HR department) indicating the pay grade (and the period in the pay grade if it has changed during the action).

Special cases: change of grade, change of the grid, staff outside of the grid

a) change of grade due to progress in seniority or promotion

If a person, while working on the action, has been promoted to a higher grade, the working days are reimbursed pro-rata at the corresponding unit costs.

Example:

In an action of 18 months Ms XXX moved after 6 months from pay grade 9 to pay grade 10. During the first 6 months she worked 30 days on the project, during the last 12 months she worked another 50 days on it.

Her personnel costs are declared by introducing 30 days at the rate of the unit cost of pay grade 9 and 50 days at the unit cost of pay grade 10.

b) changes in the grid

It might happen that the structure of salary grid changed during the course of the action and that persons working on the project have been employed at or promoted to a pay grade that did not exist before and for which therefore no unit costs were calculated.

As unit costs are established for all staff within a given pay grade with common basic salaries, the allocation (and reimbursement) should be done **by analogy**. This means that this staff should be reimbursed at the unit cost of the pay grade, in which the basic salary is closest to that of the person concerned.

c) staff members outside of the salary grid and/or employed under “civil contracts”¹¹

The **analogy principle** (i.e. the reimbursement of a person at the unit cost of the pay grade, in which the basic salary is closest to his or her basic salary), is also to be used in all cases in which some staff members are not part of the official salary grid generally applicable to the employees of the beneficiary. Staff members outside of the salary grid are not to be taken into consideration to calculate unit costs.

¹¹ See also the conditions of eligibility applicable to civil contracts in the Guide for applicant.