

## **NCP Experience report**

**On the current setup of personnel costs in HORIZON 2020**

**Based on Meet & Exchange workshop "Personnel costs in Horizon 2020", organized in the frame of the NCP Academy, 19<sup>th</sup> October 2015, Brussels**

### **Includes**

- **National views and problems identified/recommendations**
- **Workshop agenda (Annex 1)**
- **List of participants (Annex 2)**

## 1 Introduction: Why this workshop

Rules for Participation and MGAs for Horizon 2020 projects introduced 2 key novelties in the area of personnel costs – the **harmonised procedure for the calculation of the hourly rate** and the **concept of basic vs additional remuneration**. These novelties raised questions among beneficiaries.

NCP Academy organised the Meet & Exchange workshop on **Personnel cost in Horizon 2020** with the intention to obtain feedback from experienced Legal & Financial NCPs who are in daily contact with beneficiaries and can share their national views/experience.

As the current setup of personnel costs constitutes (for various reasons) a pressing issue for many countries, NCPs welcomed the opportunity for moderated discussion and exchange of national experience.

Based on the outcome of the workshop, this report summarises national experience/problems identified by 24 countries as well as recommendations to be shared with entire Legal & Financial NCPs community and the European Commission.

The agenda of the workshop and the list of participants are included in Annexes 1+2.

## 2 National views and problems identifies

*(based on the presentations of Czech Republic, Denmark, Germany, Norway, Poland, Slovakia and Slovenia and discussion of all participants of the workshop)*

### 2.1 Harmonised procedure for the calculation of the hourly rate

The harmonised procedure for the calculation of the hourly rate constitutes one of the **simplification measures** introduced under Horizon 2020, which the aims to:

- **increase legal certainty** of beneficiaries (no doubts about what period and what data must be used for the calculation of the hourly rate)
- **eliminate errors** caused by the incorrect calculations for fractions of a year

Despite good intentions behind this novelty, many NCPs perceive it as problematic for various reasons.

#### **Problems identified:**

The harmonised procedure brings, on the one hand, more clarity, on the other hand going back to the previous financial year:

- Prevents beneficiaries from claiming their **actual personnel costs** for the financial year in which they submit financial report, which is incompliant with the general

eligibility condition for actual costs: *'costs must be actually incurred by the beneficiary'*.

- **Deviates substantially from the usual accounting practice** of beneficiaries, who are used to working with actual figures.
- May require **additional work and resources** (time is money also for beneficiaries).
- Is likely to result in **financial losses** due to the requirement to report historical figures instead of the real costs. **DE national case study** demonstrated that potential financial gains are going to be rare, as the salaries of personnel usually tend to increase (not drop) in time.

## 2.2 Definition of personnel costs (basic vs additional remuneration)

Horizon 2020 introduced the concept of additional remuneration (project bonus) as a **new option**, which was supposed to be convenient especially for beneficiaries from new member states.

The concept of additional remuneration triggered substantial changes in the overall definition of the eligible personnel costs. The **new terminology** was introduced, which distinguishes between **basic remuneration**, **additional remuneration** and **ineligible/arbitrary bonus**.

Unlike in FP7, where the hourly rate reflected total remuneration of personnel, in Horizon 2020:

- solely the basic remuneration enters in the calculation of the hourly rate
- additional remuneration needs to be calculated separately from the hourly rate and may only be charged by non-profit organisations (meeting eligibility conditions) up to the limit set out in the Rules for Participation
- all ineligible remuneration components need to be identified and excluded from the hourly rate

### Problems identified:

- **Interpretation issues**

The remuneration model used in FP7 (with the **hourly rate reflecting total remuneration of personnel**) was **more intuitive** than the model currently used in Horizon 2020. In the light of the new terminology beneficiaries are now obliged to assess each salary component individually and classify it either as basic, additional or ineligible part of the remuneration. The new obligation causes **interpretation issues** especially in countries with multi-component remuneration systems.

**CZ and SK national case studies** presented during the workshop demonstrated that the new terminology may have rather far-reaching consequences, because it influences not

only the project bonuses as such, but **may also raise questions about the eligibility of the salary complements, which are not project-related** and which were normally charged by beneficiaries back in FP7.

Despite the interpretation progress made in the text of the Annotated MGA, many beneficiaries are still unable to understand the new terminology without the assistance of L&F NCPs. This is likely to lead to **an increased number audit findings in the future**.

○ **No level playing field**

The current definition of personnel costs **does not offer a level playing field for all member states**. While the usual remuneration practices of some member states are respected, the other member states are disadvantaged by the definition, as it **fails to reflect their national specificities**.

**PL national case study** demonstrated that researchers participating in Horizon 2020 are likely to be **financially disadvantaged** compared to researchers participating in other (national or international) projects, because of change of the definition of the eligible personnel costs, the limit set up in the Rules of Participation and inability to fulfil eligibility conditions for additional remuneration. As a consequence PL institutions and researchers are not motivated to take part in Horizon 2020 projects.

○ **Strict eligibility conditions applied to additional remuneration**

The concept of **additional remuneration** does not seem to be usable neither for old or new member states (which were supposed to benefit most from it).

For majority of beneficiaries from old member states it is not their usual practice to use project bonuses. Therefore the provisions on the additional remuneration are not relevant for them.

For non-profit organisations in new member states the payments of project bonuses are more common. However, in **practice the amount of project bonus often fluctuates depending on the rules of a particular grant provider**, which is not compliant with the eligibility conditions applied to additional remuneration (*must be calculated based on objective criteria, which are generally applied by the beneficiary, regardless of the source of funding used*). As a consequence the additional remuneration will **not be accessible** for many beneficiaries unless they change their usual remuneration practices or national law.

**SI national case study** demonstrated that according to the SI national legislation (the Government decree for work performance for increased workload) it is possible to pay some additional remuneration, but the eligibility conditions applied on the national level are not as strict as they are in Horizon 2020. This leads to problems on the operational level and in practice when the additional remuneration should be paid in Horizon 2020 projects.

○ **Brain drain**

Strict eligibility conditions for additional remuneration combined with the maximum limit of EUR 8000 can have a negative impact on the institutions in the new member states hosting ERC grants.

Due to the prestigious status of the ERC grants, the principal investigator automatically expects to receive an **internationally competitive salary**, which might not be standard at his/her host institution.

According to the Annotated MGA, **any salary increase** triggered by the EU action shall be treated as additional remuneration - i.e. **also basic remuneration** will be treated as additional remuneration, if it has been increased solely for the participation in the EU action.

If the principal investigator had worked at the host institution before he/she won the ERC grant (i.e. has a financial history at the institution), **the possibilities for salary increase are strictly limited.**

The lack of financial stimulation will certainly motivate principal investigators to implement/**transfer their grants** in countries/institutions, where the internationally competitive salaries are standard.

### **3 Recommendations**

#### **3.1 Harmonised procedure for the calculation of the hourly rate**

In spite of the fact that need for change in this area was promoted mainly by the old member states, all participants of the workshop expressed their support to following recommendation:

**The MGA should introduce as an option the use of the actual costs incurred in the on-going financial year in accordance with beneficiaries' usual accounting practice.**

This option is already used in the MGA for employees hired during the on-going financial year. L&F NCPs believe that extrapolation of this option to all employees would significantly contribute to the Horizon 2020 goal of **wider acceptance of usual accounting practices of beneficiaries.**

The suggested option is fully compliant with the Rules for Participation and only requires the minor changes of MGAs.

### 3.2 Definition of personnel costs (basic vs additional remuneration)

The current definition of eligible personnel costs brings **no simplification in comparison with FP7**. The concept of the additional remuneration, which was supposed to bring more flexibility in the payments of project bonuses, seems to work quite on the contrary.

**Especially the new member states would welcome if the remuneration model used in Horizon 2020 is made more flexible to reflect their national specificities and usual remuneration practice.**

Discussed solutions (to be considered):

- Re-introduction of FP7 remuneration model
  - Hourly rate serves as a universal control mechanism
- Remuneration model based on unit costs
  - As an alternative to actual personnel costs in all pillars of Horizon 2020 or at least in the area of **ERC grants** (to avoid the brain drain)
- More flexible eligibility conditions applied to additional remuneration
  - Reconsider the wording of eligibility conditions applied to additional remuneration

As the national specificities of individual member states vary from country to country, it was not possible to reach any sort of consensus on the specific recommendations during the workshop. To find the most appropriate solution, **NCPs are open to further discussion on a technical level, which could effectively complement the current high level/political discussion.**

## **Annex 1**

### AGENDA

19<sup>th</sup> October 2015, Brussels

- 1 p.m.            Opening the workshop
- 1:10 p.m.        Harmonized reference period for the calculation of the hourly rate  
*Chaired by: Alexandra Burgholz | DLR-PT, Germany*
- National case study presentations  
*Alexandra Burgholz | DLR-PT, Germany*  
*Poul Petersen | RCN, University of Copenhagen | Norway*  
*Barbara Spanó | DASTI, Denmark*
- Round table discussion
- 2:30 p.m.        Coffee Break
- 3 p.m.            Basic vs. Additional remuneration  
*Chaired by: Milena Lojková | TC AS CR, Czech Republic*
- National case study presentations  
*Milena Lojková | TC AS CR, Czech Republic*  
*Viera Petrášová | CVTISR, Slovakia*  
*Mojca Boc | MIZŠ, Slovenia*  
*Barbara Trammer | IPPT PAN, Poland*
- Round table discussion
- 5 p.m.            Concluding remarks and the end of the workshop

## Annex 2

### LIST OF PARTICIPANTS

Surname	Name	Organisation	Country
Alexander	Stephen	Innovate UK	United Kingdom
Anania	Cristina	NASRI-ROSTeu	Belgium
Arevalo	Gonzalo	ISCI	Spain
Argoudelis	Vangelis	FORTH	Greece
Azevedo	Sofia	FCT	Portugal
Baumgartner	Martin	FFG	Austria
Beno	Peter	CVTISR	Slovakia
Boc	Mojca	MIZŠ	Slovenia
Bozzoli	Sabrina	APRE	Italy
Burgholz	Alexandra	DLR PT	Germany
Büscher	Melanie	DASTI	Denmark
Ella	Bouquet	MENESR	France
Gedikli	Gursel Firat	TUBITAK	Turkey
Hofma	Zweitze	RVO	The Netherlands
Honzátková	Lucie	TC AV ČR	Czech Republic
Japunčić	Manda	Agency for Mobility and EU Programmes	Croatia
Kauppinen	Outi	Tekes	Finland
Ključarić	Ana	Agency for Mobility and EU Programmes	Croatia
Kulke	Christin	DLR PT	Germany
Lakos	Eszter	National RDI Office	Hungary
Lojková	Milena	TC AV ČR	Czech Republic
Majewski	Bartosz	IPPT PAN	Poland
Marques	Alexandre	GPPQ (FCT/ANI)	Portugal
Martinez-Estevez	ANDRES	CDTI-SOST	Spain
Petersen	Poul	L&F NCP Norway, University of Copenhagen	Norway/Denmark
Petkovska	Stanka	MINISTRY OF EDUCATION AND ACIENCE	Republic of Macedonia
Petrasova	Viera	CVTISR	Slovakia
Septon	Monique	Fund for Scientific Research-FNRS	Belgium
Schijns	Michael	RVO	Netherlands
Schneider	Regina	Euresearch	Switzerland
Spanó	Barbara	DASTI	Denmark
Trammer	Barbara	IPPT PAN - National Contact Point	Poland
Tsoumpanou	Lina	Research Promotion Foundation	Cyprus
Ward	Catriona	Enterprise Ireland	Ireland