



Version: June 2015

Staff costs

Fact sheet on eligibility of staff costs¹

Definition

Expenditure on costs of staff members employed by the partner organisation, who are formally engaged to work on the project:

- a. full-time
- b. part-time
 - part-time with a fixed percentage of time dedicated to the project per month
 - part-time with a flexible number of hours worked on the project per month
- c. contracted on an hourly basis

“Staff costs” includes staff costs of employees in line with the employment/work contract, and costs of natural persons working for the partner organisation under a contract other than an employment/work contract and receiving salary payments.

Note: both the employment/work contract and an appointment decision/contract of natural persons working for the partner organisation and receiving salary payments are hereinafter referred to as ‘employment document’.

General principles

- Staff costs must relate to activities which the partner organisation would not carry out if the project was not undertaken.
- Overheads and any other office and administration costs cannot be included under this budget line.
- Daily allowances and any other travel and accommodation costs cannot be included under this budget line.

Forms of reimbursement

Staff costs can be reimbursed by the programme either on the basis of²:

- I. real costs, or
- II. flat rate of (up to) 20% of direct costs other than staff costs, or
- III. standard scale of unit costs.

Each partner organisation must decide on the reimbursement option and indicate the choice in the Application Form.³ The same reimbursement option will apply to all staff members of the partner organisation working on the project. It will be set for the entire project duration.

¹ Guidance provided in this fact sheet takes account of provisions of the regulatory framework 2014-2020 (in particular rules on eligibility of expenditure for cooperation programmes set up in the Commission Delegated Regulation (EU) 481/2014) and practices in use by ETC programmes in 2007-2013. The fact sheet is by no means a legally binding document.

² The monitoring committee of the programme may decide to limit the reimbursement options, e.g. some programmes will finance staff costs as real costs only.

³ The monitoring committee of the programme may decide to set out the reimbursement options at the programme level and apply defined options to certain types of partners (e.g. use a standard scale of unit costs for staff costs in cases where the partner is an SME; apply 20% flat rate to universities; real costs to all other partners).



I. Real costs

Budget line specific rules

- Staff costs cover real costs paid out based on a payslip or a document of equivalent probative value. Data from the organisation’s accounting system may be accepted, in line with the controllers’ professional judgement regarding reliability of the system.⁴
- The following costs are eligible components of staff costs:
 - a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contact), or by law.
 - b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment document and they are in accordance with the legislation and standard practices in the country and/or organisation.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.
- Taxable benefits linked to salary payments are eligible as long as they are in line with the employment policy of the partner organisation, e.g. lunch vouchers, bonus payments, relocation benefits.⁵
- Holidays as resulting from normal employer’s obligations are eligible. The cost forms part of the gross employment cost.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs and audit trail

Depending on the assignment (full-time, part-time, contracted on an hourly basis) to work on the project, staff costs of each individual are calculated as follows:

Full-time	<p>An individual dedicates 100% of his/her working time to the project.</p> <p style="text-align: center;">Staff costs = total of the gross employment cost</p> <p><u>Audit trail</u> The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> - Employment/work contract or an appointment decision/contract considered as an employment document. - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Proof of payment of salaries and the employer’s contribution. - <i>No registration of the working time is required.</i>
------------------	---

⁴ In some countries first level controllers may not be allowed to see payslips, which are protected by the privacy law. If an extract from an accounting system of the partner organisation is provided, it is the responsibility of the partner to demonstrate that staff costs do not include costs covered under office and administration (e.g. telephone bills), travel and accommodation (e.g. daily allowances), or any other costs ineligible under the staff costs budget line.

⁵ Extra bonuses or changes to salaries due to running of an EU project should be evaluated against sound financial management principles (if they are justified by e.g. special qualifications, changes to the task description, etc.).



<p>Part-time assignment with a fixed percentage of time worked on the project per month</p>	<p>An individual dedicates a fixed percentage of his/her working time to the project.</p> <p style="text-align: center;">Staff costs = fixed percentage of the gross employment cost</p> <p><u>Audit trail</u> The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> - Employment/work contract or an appointment decision/contract considered as an employment document. - Document setting out the percentage of time to be worked on the project per month (if not specified in the contract). - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Proof of payment of salaries and the employer's contribution. - <i>No registration of the working time is required.</i>
<p>Part-time assignment with a flexible number of hours worked on the project per month</p>	<p>An individual dedicates a flexible share of his/her working time to the project.</p> <p style="text-align: center;">Staff costs = part of the gross employment cost depending on the number of hours actually worked on the project</p> <p>The staff costs can be calculated on the basis of (1) or (2):</p> <p>(1) An hourly rate established based on the monthly working time (number of hours per month) fixed in the employment document:</p> <p style="text-align: center;"><i>Hourly rate = monthly gross employment cost / number of hours per month fixed in the employment document</i></p> <p style="text-align: center;"><i>Staff costs = hourly rate * number of hours worked on the project per month</i></p> <p>(2) An hourly rate established based on a standard number of 1720 hours per year:</p> <p style="text-align: center;"><i>Hourly rate = latest documented annual gross employment cost / 1720 hours</i></p> <p style="text-align: center;"><i>Staff costs = hourly rate * number of hours worked on the project per month</i></p> <p>For each employee working part-time (and a flexible number of hours per month) on the project, the partner organisation should select one of the two methods to calculate the hourly rate.⁶ The same method will apply to the employee for the entire project duration.</p> <p><u>Audit trail</u> The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> - Employment/work contract or an appointment decision/contract considered as an employment document (including information on the

⁶ The monitoring committee of the programme may decide on one calculation method and set it at the programme level, e.g. in all cases the applicable hourly rate shall be calculated by dividing the latest documented annual gross employment costs by 1720 hours. - This sentence is subject to confirmation by the European Commission.



	<p>monthly working time, if method (1) is used).</p> <ul style="list-style-type: none"> - Job description including information on tasks related to the project. - Payslips or other documents of equivalent probative value. - Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. The time registration system must cover 100% of the actual working time of the individual. - Proof of payment of salaries and the employer's contribution.
<p>Contracted on an hourly basis</p>	<p>An employee is contracted on an hourly basis and dedicates a certain number of hours to work on the project.</p> <p>Staff costs = part of the gross employment cost depending on the number of hours worked on the project</p> <p>The staff costs are calculated on the basis of an hourly rate fixed in the employment document:</p> <p style="text-align: center;"><i>Hourly rate = fixed in the employment document</i> <i>Staff costs = hourly rate * number of hours worked on the project</i></p> <p><u>Audit trail</u></p> <p>The following main documents must be available for control purposes:</p> <ul style="list-style-type: none"> - Employment/work contract or an appointment decision/contract considered as an employment document (including information on the hourly rate). - Job description providing information on responsibilities related to the project. - Payslips or other documents of equivalent probative value. - Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. - Proof of payment of salaries and the employer's contribution.

II. Flat rate

Calculation of staff costs

Staff costs are calculated as a flat rate of 20% of direct costs other than the staff costs.⁷

$$\text{Staff costs} = 20\% * \text{eligible direct costs other than staff costs}$$

- Direct costs are all costs that can be attributed directly to the project and are identified by the partner organisation as such, in accordance with accounting principles and internal rules of the organisation.
- Indirect costs (i.e. costs that cannot be assigned in full to the project) must not be taken into account in the calculation of staff costs.

⁷ According to Article 19 ETC Regulation (EU) 1299/2013, staff costs can be calculated as a flat rate of up to 20% of direct costs other than the staff costs. The monitoring committee of the programme may decide that the applicable rate is lower than 20%. As long as the flat rate does not exceed 20%, no calculation method is required to justify the applicable rate.



- Direct costs that form the basis for calculation of staff costs must be incurred and paid by the partner organisation as real costs.
- Direct costs that form the basis for calculation of staff costs must not include any office and administration costs, if a flat rate option is used on the office and administration budget line (ref. *Forms of reimbursement* in the fact sheet on “Office and administration”).

Audit trail

By applying the 20% flat rate option, partners do not need to document that the expenditure has been incurred and paid, or that the flat rate corresponds to the reality.

III. Standard scale of unit costs

Budget line specific rules

- The following costs are eligible components of staff costs:
 - a. Salary payments fixed in the employment/work contract, an appointment decision (in the case of natural persons working for the partner organisation under a contract other than an employment/work contract), or by law.
 - b. Any other costs directly linked to the salary payments, incurred and paid by the employer, such as employment taxes and social security including pensions as long as they are fixed in the employment/work contract and they are in accordance with the legislation and standard practices in the country and/or organisation.
- The salary payments must relate to responsibilities specified in a job description of the individual staff member.
- Costs of social security including pensions are only eligible, if they are not recoverable by the employer.
- Taxable benefits linked to salary payments are eligible, e.g. lunch vouchers, bonus payments, relocation benefits. The cost forms part of the rates defined in the standard scale of unit costs.
- Holidays as resulting from normal employer’s obligations are eligible. The cost forms part of the rates defined in the standard scale of unit costs.
- Overtime is eligible, provided it is in conformity with the national legislation and the employment policy of the partner organisation, and it is actually paid to the staff member. The hourly rate applicable to overtime must be the same as applied to other working hours that the individual spent on the project.
- Staff costs must be calculated individually for each staff member.

Calculation of staff costs

Staff costs are calculated by applying a standard scale of unit costs defined by the programme.⁸

$$\text{Staff costs} = \text{unit cost} * \text{number of hours worked on the project per month}$$

- Regardless of the assignment (full-time, part-time) to work on the project, staff costs of each individual are calculated by multiplying a standard hourly rate - according to the

⁸ Acceptable, fix rates are defined by the programme based on a fair, equitable and verifiable calculation method. The calculation method draws on verifiable historical data of the programme beneficiaries from a justifiable period of time (ref: 67.5(a) Common Provisions Regulation (EU) 1303/2013). A representative sample of programme beneficiaries can be used. Programmes can decide on the categorisation of staff and design their standard scales of unit cost accordingly, e.g. unit costs can be defined per Member State; per category of staff based on the International Standard Classification of Occupations; or per value range of the annual gross employment cost.



staff category the individual belongs to - by the total number of hours worked on the project per month.

Audit trail

The following main documents must be available for control purposes:

- Employment/work contract or an appointment decision/contract considered as an employment document.
- Job description providing information on responsibilities related to the project.
- Data from the working time registration system, e.g. time sheets, providing information on the number of hours spent per month on the project. Data must be provided for all staff working full-time and part-time on the project.
- *No payslips or other documents of equivalent probative value are required.*
- *No proof of payment is needed.*

List of eligible and ineligible costs

An all-inclusive list of cost elements covered under the staff costs category is provided in the Commission Delegated Regulation (EU) 481/2014. The INTERACT *Matrix of costs* presents further examples of costs eligible under this budget line. Examples of ineligible costs are also listed. Please refer to the abovementioned documents.

Programme-specific conditions

- For programmes that allow contributions in-kind (ref: Article 69.1 Common Provisions Regulation (EU) 1303/2013), unpaid voluntary work is eligible provided that the value of the work is determined by taking into account the verified time spent and the rate of remuneration for equivalent work (based on a market price or a fixed unit cost; the principle of sound financial management must be respected). All requirements regarding calculation of the eligible cost (identification of time spent on the project and application of the remuneration rate) as specified above are valid.⁹

⁹ For voluntary work, the monitoring committee of the programme may decide to base the remuneration rate on the national minimum salary wages applicable in Member States of the respective programme zone.

