



# HORIZON 2020

## Model Grant Agreement PERSONNEL COSTS

# The Framework Programmes timeline

2007

2014

2021



Each Framework Programme has its own rules !

# Classifying workforce contracts

Is it an employment contract or another type of contract?

Is it the only contract with the person or are there several contracts?



Is the contract concluded with a person or with a company?

Does the contract establish the working time conditions?

And what about 'consultants'?

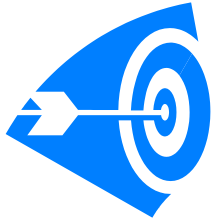
# What contract under what budget category

A. Direct personnel costs		B. Direct costs of subcontracting	C. Direct costs of fin. support]	D. Other direct costs	E. Indirect costs <sup>2</sup>
A.1 Employees (or equivalent)	A.4 SME owners without salary			D.1 Travel	
A.2 Natural persons under direct contract	A.5 Beneficiaries that are natural persons without salary			D.2 Equipment	
A.3 Seconded persons				D.3 Other goods and services	
[A.6 Personnel for providing access to research infrastructure]				[D.4 Costs of large research infrastructure]	
Actual	Unit <sup>7</sup>	Unit <sup>8</sup>	Actual	Actual	Flat-rate <sup>9</sup>

Workforce costs

# What contract under what budget category

## What can you declare under personnel costs?



### Persons hired by the beneficiary via an *employment contract*

(qualified as such under national law; and for whom the beneficiary pays social security contributions)

#### Other cases:

→ Natural persons hired **directly** via a contract other than an employment contract **if**:

- the person works under conditions similar to those of an employee (e.g. organisation or work, premises, etc.)
- The result of the work belongs to the beneficiary (exceptions may apply)
- The costs are not significantly different from those of an employee of the beneficiary doing similar tasks

**NEW !**  
(2017)

→ Employees of a third party seconded to the beneficiary (must be set in Annex 1!)

# What contract under what budget category

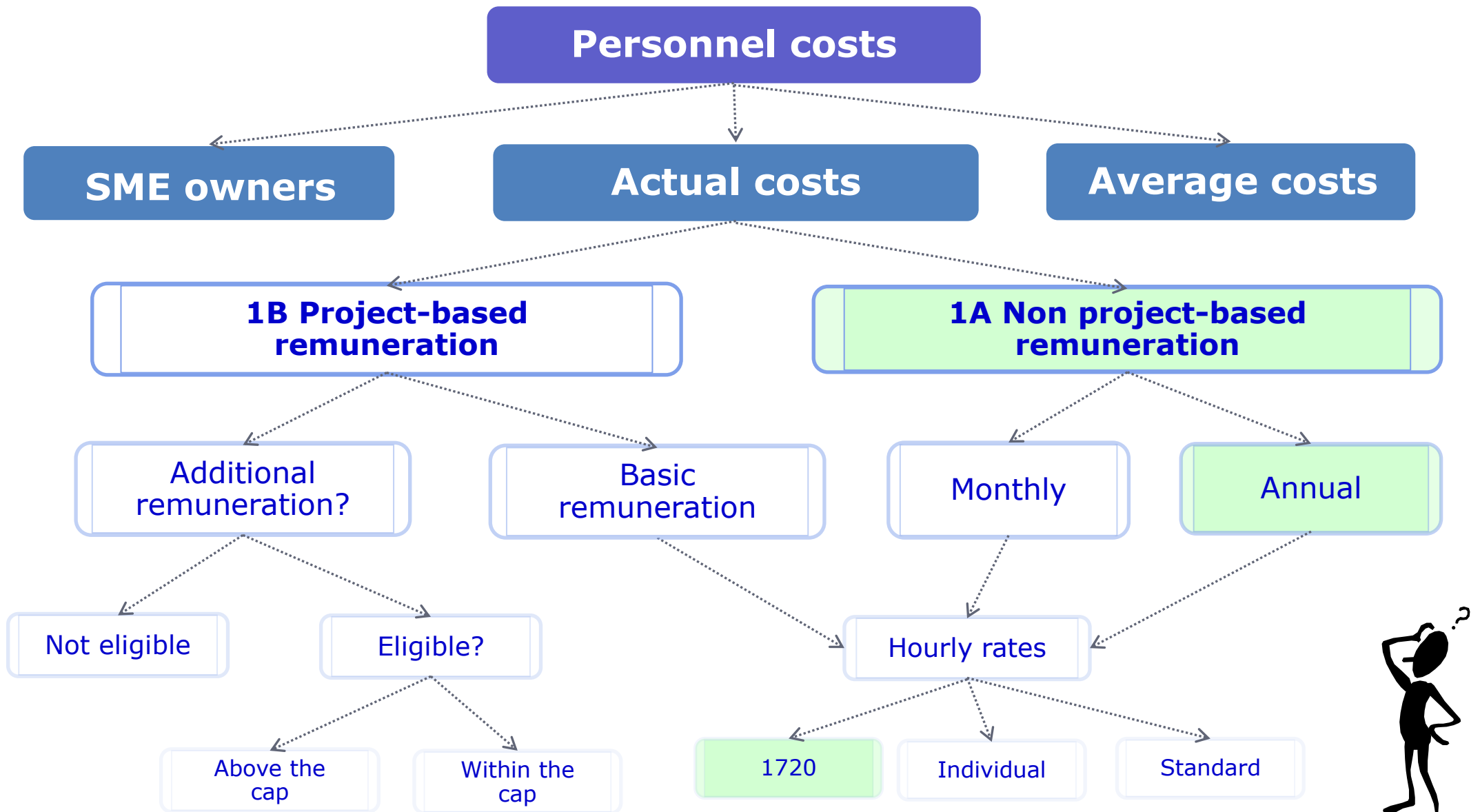
## What can you **NOT** declare under personnel costs?

- ❌ Contracts with companies to provide staff (e.g. temporary work agencies)
- ❌ Natural persons (e.g. consultants) not fulfilling all the conditions mentioned in the previous slide.
  - e.g. working systematically off-site while employees have to work in the premises of the beneficiary
- ❌ Natural persons (e.g. consultants) paid *for deliverables* rather than for *working time*



**In the cases above the costs may be eligible under 'Other goods and services' or under 'Subcontracting' but not as personnel costs**

# Personnel costs: finding your way



# Personnel costs: Calculation



**Hours worked**



**Hourly rate**

EUR/hour



**Additional remuneration**



**Time records**



**Formula actual costs  
&  
specific unit costs**

**Applies only to  
beneficiaries with project-  
based remuneration schemes**



Only the hours actually worked on the action can be charged.

➤ Think of how you follow different projects

You cannot declare:

- Budgeted time (what you indicated for the budget)
- Estimated time (e.g. person 'guessing' at the end of the year)
- Time allocation (e.g. x % of the contractual time of the person)



**Hours declared to the action must be supported by reliable records and documentation !**



# Time records: supporting documents

⇒ **Depend if the person works exclusively on a H2020 action or not**

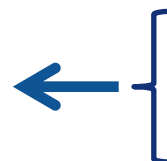
↳ For this purpose, "*working exclusively*" refers to an uninterrupted period of at least one full calendar month during which all the hours worked by the employee for the beneficiary were dedicated to the H2020 action.

Working exclusively	Records	Conditions (full details available in the AGA; page 160)
YES	<b>Declaration on exclusive work for the action</b>	<ul style="list-style-type: none"><li>→ only one per reporting period (per person)</li><li>→ covering one uninterrupted period of exclusive dedication of at least one calendar month</li></ul>
NO	<b>Time records (i.e. timesheets)</b>	<ul style="list-style-type: none"><li>→ dated and signed at least monthly by the person and his/her supervisor</li><li>→ <b>minimum conditions</b> and information needed are detailed in the AGA</li></ul>

# Declaration for persons working exclusively on the action:

## Model available in the AGA

- the whole reporting period
- from ...../...../.....<sup>3</sup> until ...../...../.....<sup>4</sup>  
(This period must cover at least one full natural month)<sup>5</sup>



### Declaration on a person working exclusively on a H2020 action

Action			
Title of the action (acronym)		Grant Agreement number	
Beneficiary's/linked third party's name			
Reporting period covered by this declaration <sup>1</sup>			
Reporting period number	from (date)	to (date)	

This document certifies that .....<sup>2</sup> has worked for the beneficiary/linked third party exclusively on the above-mentioned H2020 action during (chose one below):

- the whole reporting period
- from .....<sup>3</sup> until .....<sup>4</sup>  
(This period must cover at least one full natural month)<sup>5</sup>

Short description of the activities carried out during the period covered by this declaration	
Reference (e.g. work package)	Activities

#### SIGNATURES

For the beneficiary/linked third party (supervisor)  
 Name: .....  
 Date: .....  
 Signature: .....

For the person working exclusively on the action  
 Date: .....  
 Signature: .....



<sup>1</sup> Only one declaration can be made per reporting period for each person working in the action.  
<sup>2</sup> Insert name of the person.  
<sup>3</sup> Insert date.  
<sup>4</sup> Insert date.  
<sup>5</sup> The person must keep timesheets for any hours worked for the action outside the period indicated herein.



**Only one declaration can be made per reporting period for each person**

# Time records: common errors

- ✘ Inconsistency with HR records
- ✘ Time sheets not properly dated or signed
- ✘ More than full time employment charged among different projects → double funding!
- ✘ Poor or limited information captured

## **Do keep time records**

Time records should include, as a minimum:

- ✓ title and number of the action
- ✓ beneficiary's full name
- ✓ full name, date and signature of the person working for the action
- ✓ number of hours worked for the action
- ✓ supervisor's full name and signature
- ✓ reference to the action tasks or work packages of Annex 1



Information included in time-sheets must match records of annual leave, sick leave, other leaves and work-related travel.

## SME owner without a salary

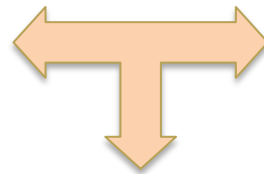
- Hourly rate (unit cost) fixed in the grant by the Commission

## Average personnel costs

- Average hourly rate (unit cost) calculated in accordance with the beneficiary's usual cost accounting practices

## Actual costs

**1.A** Salary is **NOT** project-based



**1.B** Salary is project-based

Per **full-financial year** or per **month**

If you are a **SME owner without a salary** or a **natural person without a salary**

Costs must be declared on the basis of the unit cost (hourly rate) fixed by Commission Decision C(2013) 8197 and indicated in Annexes 2 and 2a of the grant agreement.

In practice: SYGMA calculates the hourly rate for you by using the formula:

$$\frac{\text{Monthly living allowance for experienced researchers under the IF actions}}{143} \times \text{Country correction coefficient}$$



The SME owner or natural person may be remunerated by dividends, service contracts between the company and the owner, etc., but:

**Still, the unit cost must be declared if there is no salary**

## If you use average personnel costs

You calculate the hourly rate according to your usual cost accounting practice provided that:

- ↪ *You applied it in a consistent manner, based on objective criteria, and regardless of the source of funding*
- ↪ *You calculate the hourly rate using the actual personnel costs recorded in your accounts, excluding ineligible cost or costs included in other budget categories*
- ↪ *You use one of the options to determine the annual productive hours provided in the Model Grant Agreement*



## Actual costs

**1A - General case:** the salary does not depend on specific projects

$$\textit{Hourly rate} = \frac{\textit{Total personnel costs}}{\textit{Total productive hours}}$$

**1B - Specific case:** project-based remuneration

$$\textit{Hourly rate} = \frac{\textit{Personnel costs for the H2020 action}}{\textit{Hours worked for the H2020 action}}$$



Subject to the provisions on **additional remuneration**

# ACTUAL personnel costs: hourly rate



How do I know if I am in the general case 1A or in the specific case 1B?

If your remuneration for time worked in some projects is different from your remuneration for your other duties: you are in the **specific case (1B)**

For example:

- ↳ You get a supplementary employment contract to work in a project
- ↳ You get a bonus or premium for the time worked in a project
- ↳ Your contract fixes a specific hourly rate for work in specific projects

Otherwise, you are in the **general case (1A)**

# Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

**NEW !**  
(2016)

## Annual hourly rate

Hourly rates calculated per full financial year

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

**Two options**

## Monthly hourly rate

Hourly rates calculated per month

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

# Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

## Eligible personnel costs

### ➤ **Include:**

- ✓ Salaries
- ✓ Social security contributions (employers' and employees')
- ✓ Taxes and other costs included in the remuneration if they arise from national law or the employment contract

### ➤ **Do not include:**

- ✗ Any ineligible item (article 6.5)
- ✗ Any costs included in other budget categories (e.g. indirect costs)

# Hourly rate: CASE 1A (remuneration is not project-based)

$$\text{Hourly rate} = \frac{\text{Personnel costs}}{\text{Productive hours}}$$

## Annual productive hours

### Advice

**1720 hours**

**!** you must use this option if the employment contract does not specify the working time conditions or if the "annual workable hours" cannot be determined

### Individual annual productive hours

• Formula: annual workable hours + overtime - absences

### Standard annual productive hours

• According to the beneficiary's usual accounting practices. Minimum threshold: annual productive hours  $\geq$  90 % of the standard annual workable hours

## Annual productive hours options: principles

- ❖ *Same option applied to all personnel working in H2020 actions; although... different options for different types of personnel are possible, if:*
  - ✓ the same option is applied at least **per group of personnel** employed under similar conditions (e.g. same staff category, same type of contract, cost center, etc.); and
  - ✓ the options are applied **consistently** (e.g. the choice of the option is not changed ad-hoc for specific employees)
- ❖ *keep the same option(s) for the full financial year*
  - ✓ Options **may be changed for the next financial year**

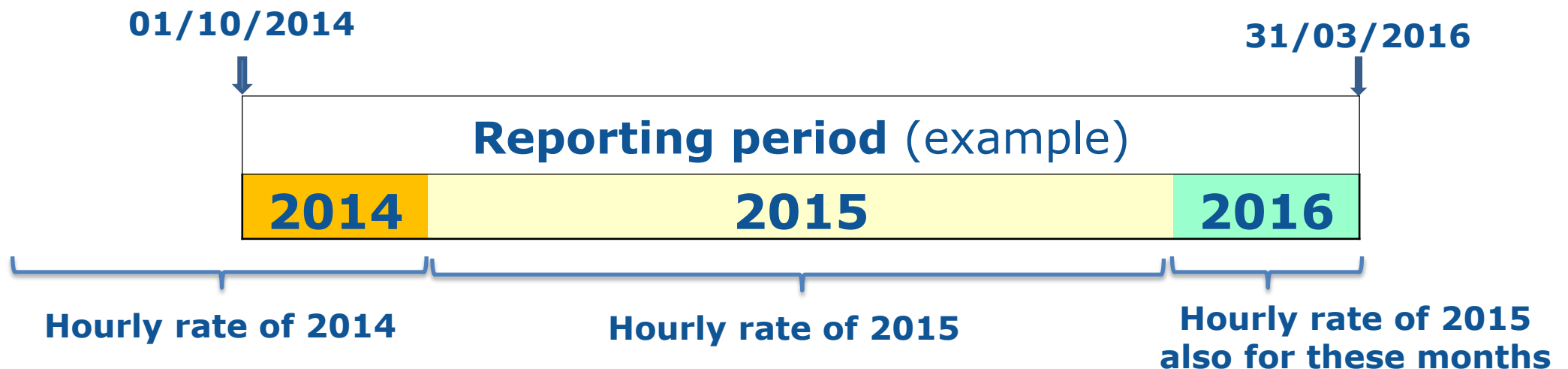
# Hourly rate: CASE 1A (remuneration is NOT project-based)

## Annual hourly rate specificities

$$\frac{\text{Annual personnel costs}}{\text{Annual productive hours}}$$

 The annual hourly rate must be calculated **per full financial year**

If the financial year is not closed at the end of the reporting period, the beneficiary must use the hourly rate of the *last closed financial year available*.



# Hourly rate: CASE 1A (remuneration is NOT project-based)

## Monthly hourly rate specificities

$$\frac{\text{Monthly personnel costs}}{\text{Monthly productive hours}}$$

One hourly rate **per each month the person works in the action**

↪ **Monthly productive hours** = 1/12 of the annual productive hours

⚠ Only options 1 (1720) and 3 (standard) are allowed. Option 2 (individual) is NOT allowed for monthly hourly rates.

↪ **Thirteen salary** (and similar) included in each month "pro-rata"; not in full in the month when they are paid.

↪ **Time spent in parental leave** cannot be deducted from the monthly productive hours. However, personnel costs incurred during parental leave may be charged in proportion to the time the person worked for the action.



# Personnel costs: double ceiling

## Beneficiaries must ensure that:

- the **total number of hours declared** in EU and Euratom grants for a person for a year is **NOT higher** than the number of **annual productive hours** used for the calculation of the hourly rate



$\Sigma$  hours declared  $\leq$  total annual productive hours

- the **total** amount of **personnel costs declared** (for reimbursement as actual costs) in EU and Euratom grants for a person for a year is NOT higher than the total personnel costs recorded in the **beneficiary's accounts** (for that person for that year).

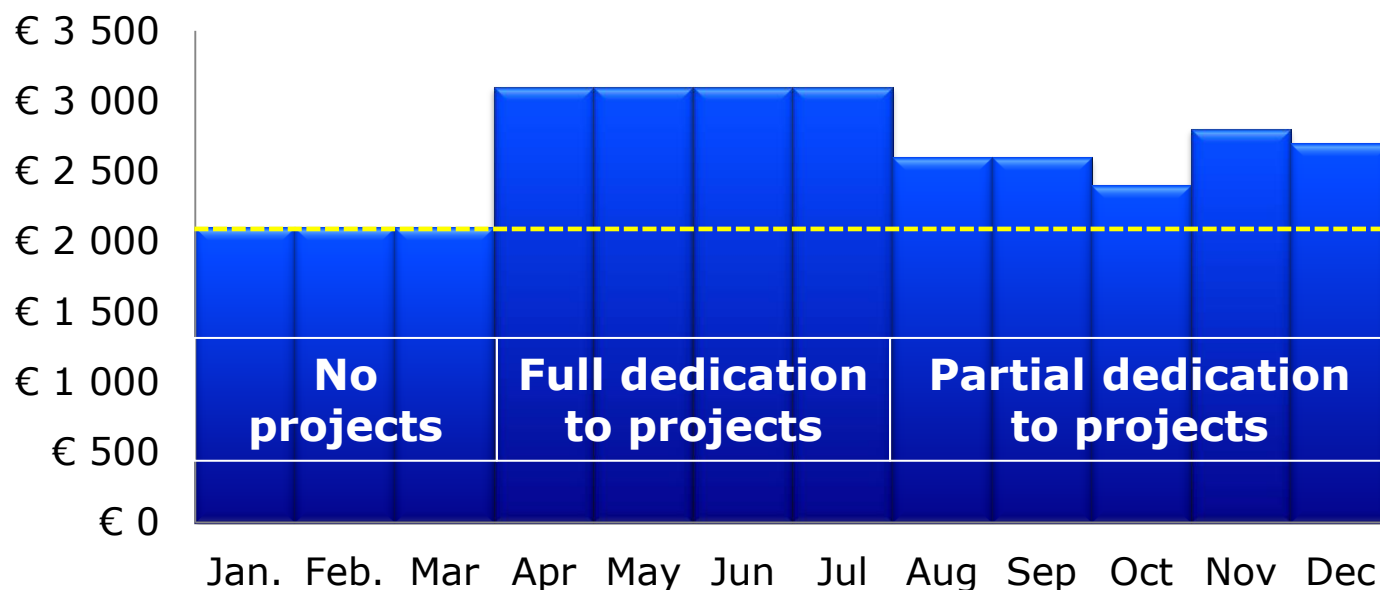


$\Sigma$  cost declared  $\leq$  total personnel costs for the person

## The remuneration of Ms R. is composed of:

Gross annual salary fixed by contract: 24 000 EUR + family allowance fixed in the collective labour agreement: 100 EUR/month

Besides, when she works in externally funded projects she gets an extra remuneration of 1 000 EUR per month of full dedication



**Ms R. would be in the specific case 1B!** (her remuneration is project-based)

## 1 Additional remuneration?

Identify what part of the remuneration of the employee is 'basic' and what part is 'additional'

## 2 Hourly rate

Calculate the hourly rate of the employee using only the 'basic remuneration'

## 3 Personnel costs: 'basic'

Multiply that hourly rate by the number of hours worked in the action

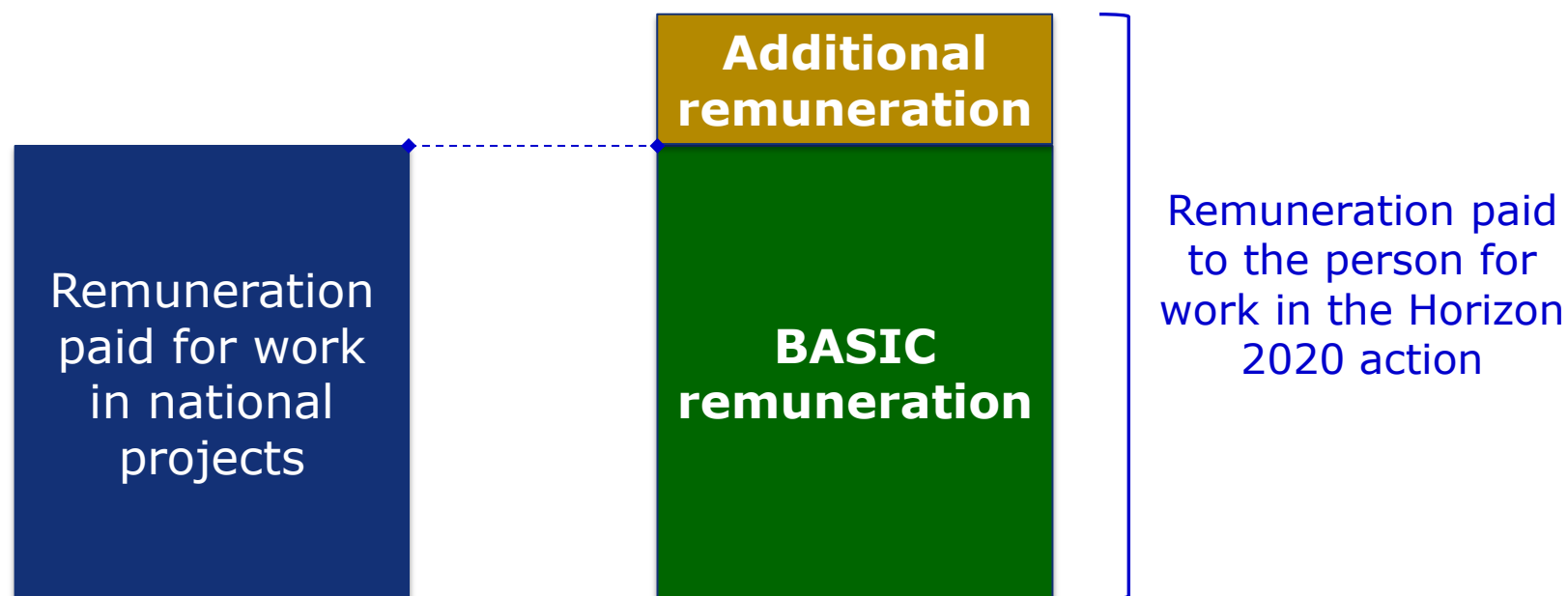
## 4 + Additional remuneration

Calculate what part of the additional remuneration identified in Step 1 is eligible & add it to the result of Step 3

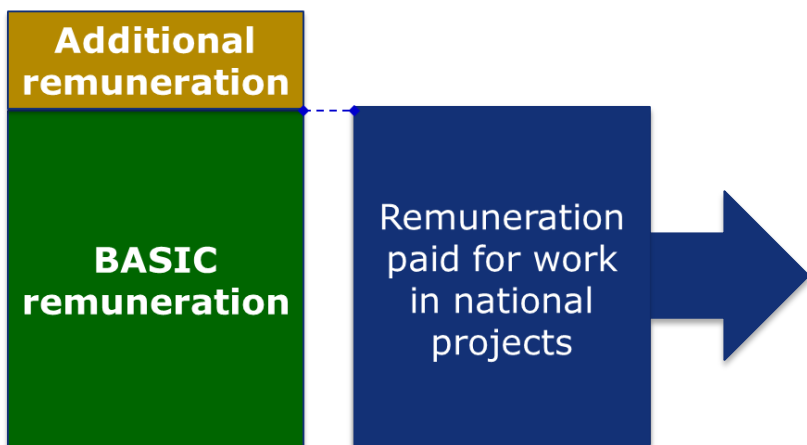
### CASE 1B: FOUR STEPS TO CALCULATE THE PERSONNEL COSTS

## What is additional remuneration?

Article 6.2.A.1: 'Additional remuneration' means any part of the remuneration which exceeds what the person would be paid for time worked in projects funded by national schemes.



Additional remuneration may only be eligible for non-profit legal entities



## What is considered as remuneration paid for work in national projects?

- ➡ Remuneration set out in national law or internal rules for work in national projects (it must have been paid at least once before the submission of the proposal to any employee of the entity)

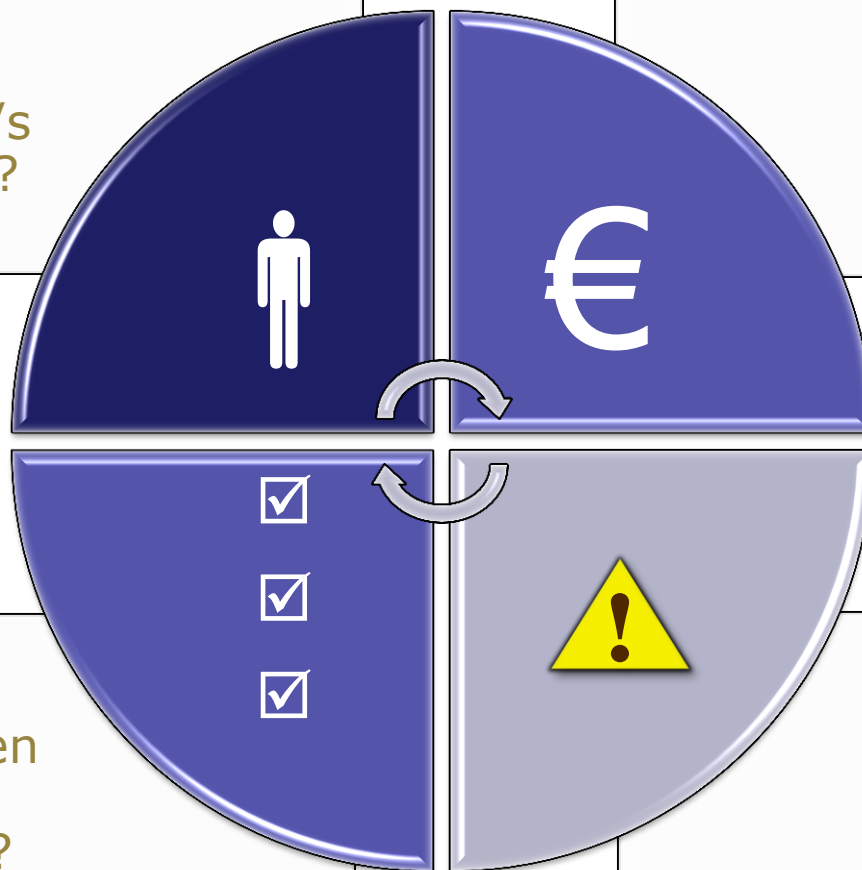
**Only if** there is no applicable national law or internal rules:

- ➡ Average of the salary of the person the previous year (excluding remuneration and time for work in H2020 actions)

## What do the internal rules have to say?

- **Who** can get the extra remuneration (e.g. which person/s or staff categories)?

- **How much** extra money will they get?

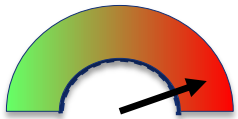


- **What** has to happen for them to get the extra remuneration?

- It can **NOT** apply only to EU actions !

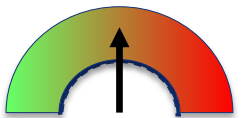
## What if the internal rules say...

- The director may decide an extra payment for any member of staff participating in projects*



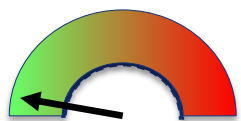
There would not be any objective condition and the extra remuneration would not be eligible at all

- Any researcher participating in projects receiving external funds will get an extra remuneration of 20 % of its salary*



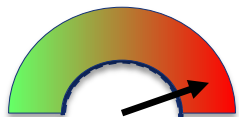
If the extra remuneration is the same regardless of the number of hours worked in the project, it would have to be divided by all the hours worked by the person (project and non-project) to calculate the eligible part.

- Any professor participating in a research project receiving external funds will get 10 € extra per hour worked in the project



✓ We know who will get how much when

- We do not have internal rules for the bonuses but we always pay the same bonuses in the same circumstances.



If you actually do so, write it down in your internal rules !



## ***Example (I): Identification of additional remuneration***

The remuneration of Ms T. is composed of:

- Annual basic salary: 18 000 €
- ✦ Fix annual complement for seniority: 3 500 €
- ✦ Variable complements depending on her participation in research projects. Those variable complements are paid based on the internal rules of the entity.

In 2016 she worked 860 hours in the Horizon 2020 action and she got 12 900 € extra for that work.

The beneficiary uses 1720 as annual productive hours and calculate annual hourly rates.

**Is any part of her salary 'additional remuneration'?**

**If so, how much?**

# Example (I): Identification of additional remuneration

## .... It depends on:

- What the internal rules say
- What the entity has paid in past for work in national projects

## Example (follow up):

- The internal rules say that employees working in externally-funded research projects **may get up to 2 500 € extra** per month of full dedication
- Due to budgetary restrictions, **the maximum paid** by the entity as extra to any person **is 1 433 €** per month of full dedication

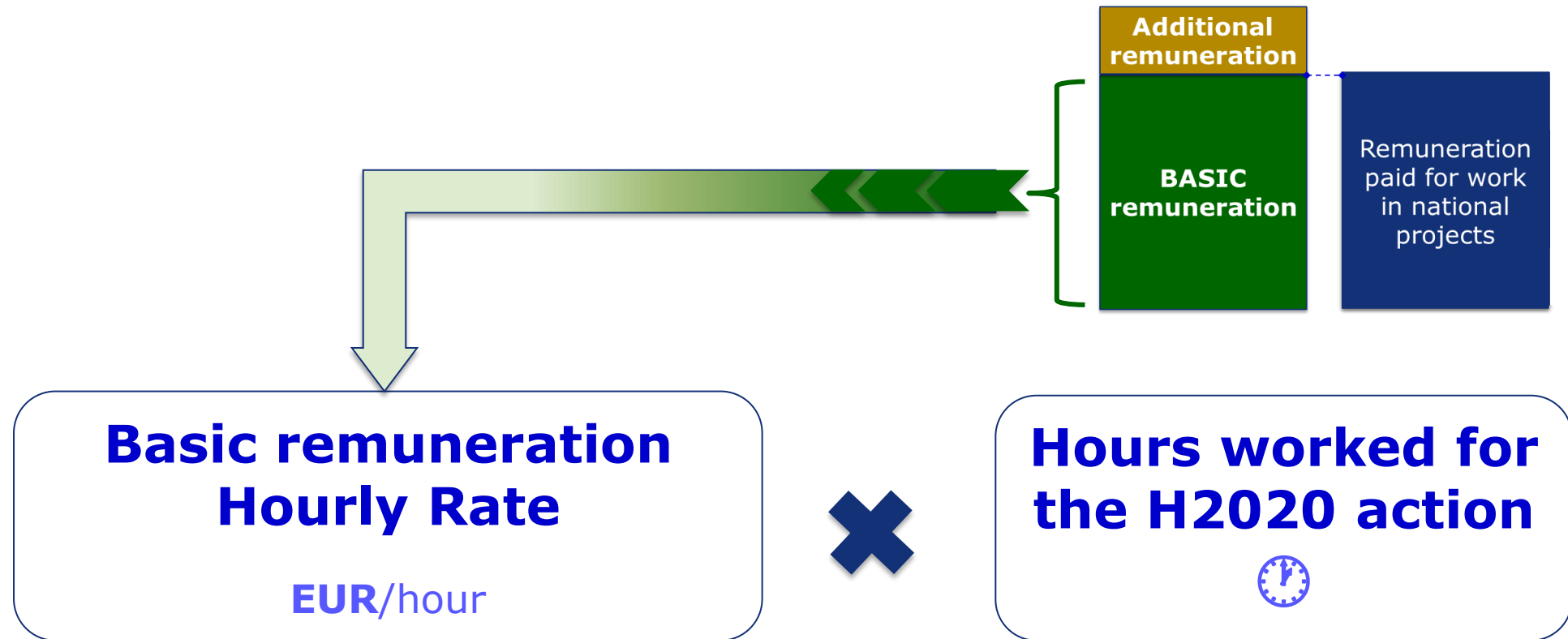
## Example (I): Identification of additional remuneration

### Additional remuneration =

Hourly rate of the person for work in the H2020 action (*action reference*)  
**minus** Hourly rate paid for national projects (*national reference*)

	Fix salary		Project bonus		
<i>Action reference</i>	$((18\ 000 + 3\ 500) / 1720)$	+	$(12\ 900 / 860)$	=	<b>27,5 €</b>
	12,5		15		
<i>National reference</i>	$((18\ 000 + 3\ 500) / 1720)$	+	$(1\ 433 / (1720 / 12))$	=	<b>22,5 €</b>
	12,5		10		

**Additional remuneration** = 27,5 - 22,5 = 5 €/hour x 860 hours = **4 300 €**



*Example (II): Calculate the 'basic' personnel costs*

**'Basic' personnel costs = 22,5 €/hour x 860 hours = 19 350 €**

# Additional remuneration ceiling



## Additional remuneration

Eligible additional remuneration is subject to a eligibility ceiling fixed at EUR 8 000 for a full-time employee working exclusively for the action during the entire year.

Occupation	Contract	
	hired full time during the entire year	NOT hired full time during the entire year
<b>working exclusively</b> for the EU action during the entire year	<b>EUR 8 000</b>	pro-rata amount of EUR 8 000
<b>NOT</b> working exclusively for the EU action during the entire year	{8 000 / annual productive hours FTE} * hours worked for the action over the year	



The ceiling covers the additional salary + all additional taxes, costs and social security contributions triggered by the additional salary.

## Example (III): Add eligible additional remuneration (Step 4)

'Basic' personnel costs = 22,5 €/hour x 860 hours = 19 350 €

Additional remuneration = 27,5 - 22,5 = 5 €/hour x 860 hours = 4 300 €

LEGAL  
ENTITY

If **for-profit**: eligible additional remuneration =  $\emptyset$

Personnel costs = 19 350 + 0 = **19 350 €**

If **non-profit**: additional remuneration eligible up to the pro-rata of the ceiling

Pro-rata =  $(8\ 000 / 1720) \times 860 = 4\ 000\ €$

Paid (4 300) > Pro-rata (4 000) → 300 € ineligible

Personnel costs 2016 = 19 350 + 4 000 = **23 350 €**


# Personnel costs: bonuses

## BONUSES

### Ineligible

- Arbitrary bonuses
- Bonus based on commercial targets (e.g. sales target), fund raising targets or representing profit distribution (dividends)
- Bonus applied only to EU actions

### Additional Remuneration

- Triggered by specific projects and resulting in a level of remuneration higher than under national projects
- Paid for additional work or expertise
- Part of the usual remuneration practices of the entity
- Based on objective criteria established in the internal rules
-  **Eligible only for non-profit legal entities**

### (also) Basic Remuneration

- If not triggered by specific projects OR if triggered by projects, up to the level of remuneration paid in national projects
- Scheme authorised by law, collective agreement or contract
- Determined using objective criteria established in the internal rules



# HORIZON 2020

**Thank you  
for your attention!**

**Find out more:**

<http://ec.europa.eu/programmes/horizon2020/>

*Research and  
Innovation*