



**FUEL CELLS AND HYDROGEN**  
JOINT UNDERTAKING

**FCH 2 JU**  
Financial Workshop

# **Personnel Costs**

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FCH JU Financial Officers

Brussels, 21 March 2018

**Classification of workforce contracts in H2020**

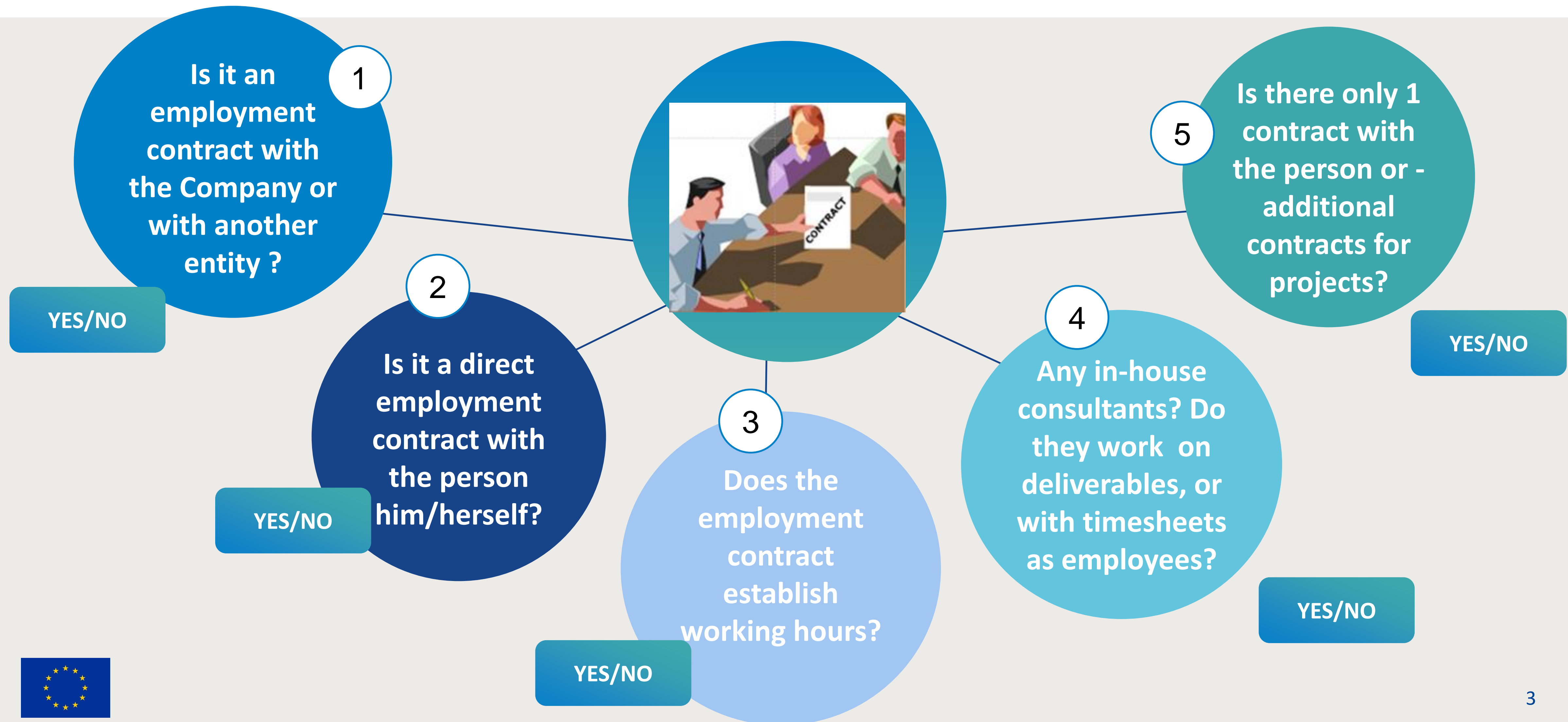
**Calculation of hourly rates (actual, SME owner without salary, average)**

**Specific cases (Bonus, Benefits-in-kind, Phd, Teleworking, Parental leave)**



# Classifying workforce contracts

Key considerations for proper classification and reporting of personnel costs



# Classifying and Reporting Workforce costs

Depending on the Answers, personnel costs shall be budgeted and may be reported under the categories below



Estimated eligible <sup>1</sup> costs (per budget category)							
A. Direct personnel costs				B. Direct costs of subcontracting	[C. Direct costs of fin. support]	D. Other direct costs	
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	Actual	
(a)	Total (b)	No hours	Total (c)	(d)	(e)	(f)	



# Classifying workforce contracts

Seconded personnel from an affiliated entity



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Company PM is a beneficiary in a H2020 Project, and use additional expertise to complement own personnel for project implementation. A team of 5 persons is working on the project. **The project manager is seconded from an affiliated sister company PMA and is paid by PM.**

**How / in which category do PM report these costs ?**

**A**

**Personnel**

**B**

**Other Direct Cost/Other Goods and Services**



# Classifying workforce contracts

## In-house consultants



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Company PM has 5 persons working on the project.  
One of them is an engineer Mr. C. hired via “New Start” Human  
Resources agency.  
**How do PM report his costs ?**

**A**

**Personnel**

**B**

**Other Direct Costs/Other Goods and Services**





# Classifying workforce contracts

## In-house consultants



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Company PM has 5 persons working on the project.  
One of them is an in-house consultant Mrs. N who had won the tender to implement and deliver action task 6.2 web-design.

**How do PM report her costs ?**

**A Other Direct Costs**

**B Subcontracts**



# Classifying workforce contracts

## Contractors/subcontractors



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Company PM has a contract with company ABC to perform initial Life-Cycle Analysis needed in support of task 5.4.3. ABC is an one-person SME owned company.

**How do PM report these costs ?**

**A Other Direct Costs/ Other Goods and Services**

**B Subcontracts**





# Personnel costs

General formula



***Personnel  
costs***

=

***Hourly rate***

**X**

***Hours spent in the project  
(based on auditable time  
recording)***



# Personnel costs

Hours worked for the project. Time recording system



*Personnel costs*

=

*Hourly rate*

X

*Hours spent in the project  
(based on auditable time recording)*

- **Auditable time recording!!!**
- **Key is the control environment in which the time recording system is operated.**
- **Problem of “partial time recording”. Information included in the time records must match records of the taken annual holidays, statutory holiday, sick leave, other leaves, and work-related travel.**
- **6 Minimum requirement for a timesheet and template in the AMGA**
- **However, a good time recording function is only 1 element of the picture – it needs to match activities reported**



# Personnel costs

Hours worked for the project. Time recording system. Timesheet model A



TIME RECORDING FOR A HORIZON 2020 ACTION																			Month:				Year:										
Title of the action (acronym):																				Grant Agreement No:													
Beneficiary's / linked third party's name:																																	
Name of the person working on the action:																				Type of personnel <small>(see Art. 6.2.A Grant Agreement)</small>													
	DAY	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	Total
Reference <small>e.g. work package</small>																																	
Total Hours																																	
Short description of the activities carried out in the month:																																	
Signed (name of the person working for the action):																Signed (name of the supervisor):																	
Date:																Date:																	
Signature:																Signature:																	





# Personnel costs

Hours worked for the project. Time recording system. Timesheet model B



TIME RECORDING FOR A HORIZON 2020 ACTION – Minimum requirements

Title of the action (acronym):		Grant Agreement No:	
Beneficiary's / linked third party's name:			
Name of the person working on the action:		Type of personnel <small>(see Art. 6.2.A Grant Agreement)</small>	

Month	[Month / Year]	[Month / Year]	[Month / Year]	[Month / Year]	[Month / Year]	[Month / Year]	...	Total
Number of hours								
Work packages (of Annex 1) to which the person has contributed by the reported hours								
Date and signature of the person working for the action								
Name, date and signature of the superior								



# Personnel costs

Hours worked for the project. Declaration on person working exclusively on a H2020 Action



Available at : [http://ec.europa.eu/research/participants/data/ref/h2020/other/legal/templ/templ\\_decl\\_excl-work\\_en.odt](http://ec.europa.eu/research/participants/data/ref/h2020/other/legal/templ/templ_decl_excl-work_en.odt),

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>

**SIGNATURES**

For the beneficiary/linked third party (supervisor)

Name:.....

Date: ...../...../.....

Signature:

For the person working exclusively on the action

Date: ...../...../.....

Signature:

**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)	

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

HISTORY OF CHANGES		
VERSION	PUBLICATION DATE	CHANGE
1.0	01.12.2014	Initial version
1.1	17.12.2014	Formatting changes and validation by Legal Service
1.2	25.11.2016	File format changed from PDF to an open format (ODT)



# Time - reporting



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During the 18 months covering the first reporting period of a project, lab technician Mrs. Light worked 2 months full-time for the project and, for the rest of the period, she spent her time working on this, and on other projects and activities of the company.



How can Mrs. Light report her time spent on the project?

A

Submit declaration for a Person working exclusively on H2020 action for the whole period

B

Prepare timesheets for the whole period + Additional declaration for 2 months

C

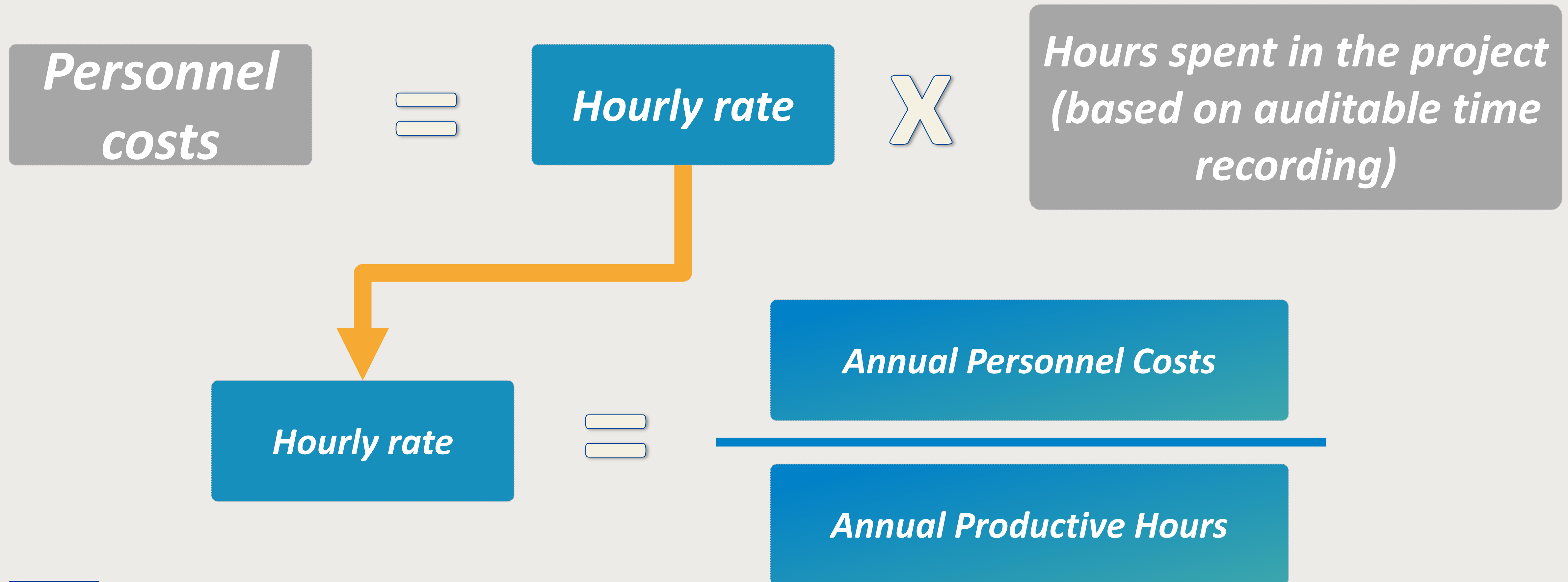
Prepare Declaration for 2 months and Timesheets for the rest of the period





# Personnel costs

Hourly rate



# Annual productive hours (3 options)

Hourly rate. The denominator: annual productive hours

*Hourly rate*

*Actual Annual Costs*

*Annual Productive Hours*

**Fixed 1720 hours –**

Use Option 1 if employment contract doesn't specify working time or "workable hours"

**Individual annual productive hours =**

Annual workable hours + overtime - absences

**Standard annual productive hours**

Minimum threshold  $\geq 90\%$  of Standard annual WORKABLE time .

# Annual Productive Hours – Option 1 and 2

Calculation of individual annual productive hours



**Option 1 : Fixed 1720 may be used by all beneficiaries without questioning.**

**Option 2 : Individual productive hours.**

**Example: Calculations use the last closed Financial Year (FY) of the beneficiary**

Individual Annual Productive Hours	Days	Employment Contract	Hours
Total days	365		
- Weekends	104		
- Annual Holidays	22		
- Public Holidays	8		
<b>= Individual Annual WORKABLE DAYS</b>	<b>231</b>	8 Hours p. day as per contract	<b>1848</b>
+ Overtime days ( = 24 hours overtime)	+ 3		
- Training and other no-productive days	14		
- Annual Sick leave	10		
<b>= Individual Annual PRODUCTIVE days</b>	<b>210</b>		<b>1680</b>





# Annual Productive Hours – Option 3

Choice of option to be used for Annual productive hours



Based on  
country /  
year

As per employment  
contract/ collective  
labor agreement

Based on  
verifiable  
statistics

SAP calculation for FY 2016 (2017 not yet closed)	HOURS
Hours per week as per employment contract/ collective labor agreement (7.5 h/day. 5 days/week, 52 weeks)	37.5 h. / week = 1950
Less: public holidays (8 days * 7,5 hours)	- 60
Less: annual holidays (20 days * 7,5 hours)	- 150
Annual WORKABLE HOURS (All hours you can work)	1 740
Less: average sickness days (2 days * 7,5 hours)	- 15
Standard annual PRODUCTIVE hours ((1950 - 60 - 150) - 15))	1 725
Compare STANDARD to 90% Workable hours (1740 * 90% )	1 566

100 %

90 %

## Conclusions:

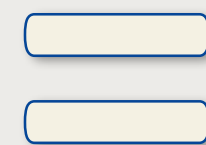
- 1) It is acceptable /OK to use Standard 1725 Hours
- 2) However more favorable to use Option 1 : Fixed 1720 hours (as <1725)



# Personnel costs

Hourly rate. The nominator: annual personnel costs

*Hourly rate*



*Annual Personnel Costs*

*Annual Productive Hours*

**Mandatory extras**

- Fixed by law or by contract to remunerate main activity of employee
  - Payment not subject to discretion by the employer
  - Not linked to a specific project

Examples: 13<sup>th</sup> month, hazardous work allowance, etc.

+

**Social Contributions & Taxes by Employers**

**Basic Salary**



# Hourly rate

Calculation of individual annual hourly rate



Personnel costs for seconded researcher 1 are based on employment contract with GREEN UNIVERSITY and paid by BEAUTY UNI. He had 1680 actual productive hours in 2016

What is the hourly rate of Researcher 1 taking into account his actual 1680 hours in 2016 and annual costs shown below?

1 January – 31 December 2016 costs for Researcher # 1	Annual personnel costs	Hourly Rate
Salary	48,000	
Allowances (hazardous pay, merit, seniority)	960	
In-kind bonus included in salary costs & contract	360	
Social contributions & Taxes (Employer)	16,000	(65,320/1680 h.)
Totals	65,320	38.88 € / h





# Hourly rate - PhD student



A PhD student works 35 hours per week and receives a monthly remuneration of 1,500 €. What hourly rate shall be used for reporting his costs for the project?

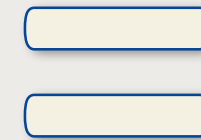
Individual Annual Productive Hours	Days	Employment Contract	Hours
Total days	365		
- Weekends	-104		
- Annual Holidays	-22		
- Public Holidays	-8		
<b>= Individual Annual WORKABLE DAYS</b>	<b>231</b>	<b>35 hours / week as per contract</b>	<b>1617</b>
+ Overtime days ( = 24 hours overtime)	+ 2		
- Training and other no-productive days	-9		
- Annual Sick leave	-6		
<b>= Individual Annual PRODUCTIVE days</b>	<b>218</b>		<b>1526</b>

Basic salary January – December 2016 PhD student per contract	18.800	
Social contributions & Taxes (Employer)	480	(18,480 /1526 h)
Totals	<b>18.480</b>	<b>12.11 € / h</b>



# Monthly hourly rate

*Monthly hourly rate*



*Monthly personnel costs*

*Monthly productive hours*

- One monthly rate for each month a person works on the action.
- Monthly productive Hours = 1/12 of the Annual productive Hours.
- ⚠ Only Option 1 ( Fixed 1720) and Option 3 ( Standard) allowed, Option 2 (Individual productive hours) is NOT allowed for monthly hourly rates.
- 13th salary (and similar components of personnel costs) shall be included in each month pro-rata , not in full in the month when they are paid.

# Annual and Monthly Hourly Rate

Change of method



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May a beneficiary use different methods to calculate the hourly rate (per full financial year (FY) or per month) in their different H2020 Grant Agreements (GA) for the same FY?

A

Yes. During the same FY, a beneficiary may choose different methods for calculation of personnel costs for their different Grant Agreements.

B

No. During the same FY, a beneficiary may not use different methods for calculation of personnel costs for their different Grants. They shall use one and the same method for all GAs in the same FY. The beneficiary may change the method for the next FY (and this for all their GAs).



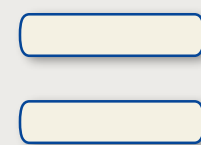
# Personnel costs

Reminder : Hourly rate



*Annual Personnel Costs*

*Hourly rate*



*Annual Productive Hours*

**Mandatory extras**

- Fixed by law or by contract to remunerate main activity of employee
  - Payment not subject to discretion by the employer
  - Not linked to a specific project

Examples: 13<sup>th</sup> month, hazardous work allowance, etc.

+

**Social Contributions & Taxes by Employers**

**Basic Salary**





# Unit costs / Average personnel costs

## 3 Conditions for applying average personnel costs



1

Applied in consistent manner, based on objective criteria, and regardless of the source of funding



**usual cost accounting practice of the beneficiary**

2

Calculate the hourly rate using the actual personnel costs recorded in your accounts excluding ineligible cost or costs included in other budget categories

3

Use one of the 3 options to determine the annual productive hours





# Average personnel costs

Example

## Lab technicians



## Senior researchers



# Average personnel costs

Incorrect calculation (Option 1: 1720 h for annual productive hours)



= 1,798h \* 23.72€

All lab technicians	Individual annual pers. costs		Average annual personnel costs	Hourly rate = annual pers. costs/ 1,720 hours	Hours worked on project – 5 lab technicians	Annual personnel costs
Lab technician 1	32,400				1,798	42,648.56
Lab technician 2	34,800					
Lab technician 3	36,000					
Lab technician 4	37,200		$\frac{367,200}{9} = 40,800$	$\frac{40,800}{1,720} = 23.72 \text{ €/h}$	1,219	28,914.68
Lab technician 5	42,000				1,320	31,310.40
Lab technician 6	44,400				1,536	36,433.92
Lab technician 7	45,600					
Lab technician 8	46,800				1,090	25,854.80
Lab technician 9	48,000					
	367,200					165,162.36





# Average personnel costs

Correct calculation (Option 1: 1720 h for annual productive hours)



= 1,720h \* 23.72€

All lab technicians	Individual annual pers. costs		Average annual personnel costs	Hourly rate = annual pers. costs/ 1,720 hours	Hours worked on project – 5 lab technicians	Annual personnel costs
Lab technician 1	32,400	<div></div>				
Lab technician 2	34,800					
Lab technician 3	36,000					
Lab technician 4	37,200		<div><div>367,200</div><div>= 40,800</div></div>	<div><div>40,800</div><div>= 23.72 €/h</div></div>	<div>×</div>	
Lab technician 5	42,000		<div>9</div>	<div>1,720</div>		
Lab technician 6	44,400					
Lab technician 7	45,600					
Lab technician 8	46,800					
Lab technician 9	48,000					
	367,200					





# Average personnel costs

Quiz: In which column is the error? (Option 1: 1720 h)



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All senior researchers	Individual annual pers. costs		Average annual personnel costs A	Hourly rate = annual pers. costs/ 1,720 hours	Hours worked on project – 3 senior research. B	Annual personnel costs C
Senior research 1	90,000					
Senior research 2	46,800				1,687	55,704.74
Senior research 3	49,200		$\frac{340,800}{6} = 56,800$	$\frac{56,800}{1,720} = 33.02 \text{ €/h}$	39	1,287.78
Senior research 4	50,400				1,724	56,926.48
Senior research 5	51,600					
Senior research 6	52,800					
	340,800					113,919.00



# Average personnel costs

## Reporting

**Periodic Reporting**  
REP-781643-1 - period

**Financial Statement** shortname for 966984368 [PIC 966984368] drafting **Lock for review**

**Periodic Report 1** composition **Submit to EU** ☐ Yes ☒ No

**Process specific documents**

**Process specific communications**




**Use of Resources**

**Period** **Adjustment** **Requested Contribution**

04/07/2015 - 03/03/2016 (Period No '1') No 126,674.00 €

**Financial Statement for period '1' (04/07/2015 - 03/03/2016)**

**Eligible costs:**

Cost Category	Unit Cost	Number of Units	Subtotal	Total	Actions
a) Direct personnel costs declared as actual costs				100,000.00 €	
b) Direct personnel costs declared as unit costs (average co:					
▼ c) Direct personnel costs declared as unit costs				339.20 €	
c1) SME owner/Natural person costs	33.92 €	x 10	= 339.20 €		
d) Direct costs of subcontracting				1,000.00 €	
e) Direct costs of providing financial support to third parties				200.00 €	
f) Other direct costs				0.00 €	



# Average personnel costs

## Quiz



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### A beneficiary reports:

- Average personnel costs for the 5 lab technicians;
- Actual personnel costs for the 3 senior researchers;

Is it correct?

A

Yes, the beneficiary may use different options for 2 groups but must apply same option within each group of employees

B

No, because once the average method is chosen, the beneficiary must apply it consistently to all employees

C

Yes, if the beneficiary chooses Option 1 for annual productive hours (1720 hours)



# Personnel costs using SME owner rates




- SME owner not receiving salary must declare personnel costs as unit costs
- Automated calculation : only enter the hours worked (maximum 1,720 hours)
- $\text{Costs} = \text{Hours worked} * \text{Hourly rate for the country as fixed by Commission}$





## Reporting






**Periodic Reporting**  
REP-781643-1 - period

Use of Resources

**Draft**

**Submitted**


**Paid**



**Financial Statement**

shortname for 966984368 [PIC 966984368] drafting

**Lock for review**



**Periodic Report**

1 composition

**Submit to EU**




►

**Process specific documents**

►

**Process specific communications**

**Eligible costs**

Cost Category	Unit Cost	Number of Units	Subtotal	Total	Actions
a) Direct personnel costs declared as actual costs				100,000.00 €	
b) Direct personnel costs declared as unit costs (average cost)					
▼ c) Direct personnel costs declared as unit costs				339.20 €	
c1) SME owner/Natural person costs	33.92 €	x 10 =	339.20 €		
d) Direct costs of subcontracting				1,000.00 €	
e) Direct costs of providing financial support to third parties				200.00 €	
f) Other direct costs				0.00 €	
h) Indirect costs (= 0.25 * (a + b + c + f - o))				25,094.80 €	

**Validate**

# Personnel costs using SME owner rates

## Quiz



<https://pollev.com/laurentsamyn066>



**What are the minimum requirements for timesheets for the SME owner and the maximum number of hours he/she can report to the project?**

**A**

**There are no minimum requirements for timesheets for SME owners and the SME owner can claim as many hours as worked for the project.**

**B**

**The minimum requirements are the same as for any H2020 timesheet (except for signature of supervisor) and the maximum number of hours reported is limited to 1720 hours per year.**





# Bonus



# Bonus as eligible personnel costs - cases



## Bonus

- Based on financial performance of organisation
- Part of normal salary
- Paid in accordance with national law, employment contract or collective labour agreement



Company has made a profit of 90,000 €. Each employee will receive a bonus of 5% of his/her normal salary



Company has reached a sales target of 200,000 €. Each employee will receive 1% on sales



The contract fixes a premium of 1,000 € for each research paper published in international research journals



The national law authorises public universities to pay a bonus based on merit of the employees.





# Benefits-in-kind



# Benefits-in-kind



Benefits-in-kind are eligible if:

- 1 Registered as personnel costs in conformity with the beneficiary's usual remuneration practices
- 2 Justified
- 3 Foreseen under national law, under the relevant collective labour agreement or under the employment contract



# PhD Student

## Academic fees for PhD student



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PhD has contract to work 35 hours per week for a University. As per contract, the PhD has to pay an annual tuition fee of 4,500 € and will receive monthly remuneration of 1,500 €.

Contract also states the PhD fee is waived against remuneration: PhD does not pay the fee to university but does not receive 3 salaries. Personnel cost and fee are registered in the accounts of the University.

Is the waived PhD fee to be reported under the project ?

A

Yes, as it is waived against PhD monthly salary as per PhD contract

B

No



# Teleworking





# Teleworking : Conditions

## Teleworking : Conditions



- **Beneficiary's usual practice**
- **System in place must be able to identify and record hours worked for the project**





<https://pollev.com/laurentsamyn066>

**Mrs A teleworks on occasional basis (once a month). This month, she has teleworked 4 hours on the project. The system can only register a full-day teleworking. She registered a full-day teleworking.  
Is it a correct way to report teleworking hours?**

**A Yes**

**B No**



# Parental leave/Long-term sick leave





# Parental leave/Long-term sick leave: Conditions



**Salaries paid during parental leave are eligible as part of basic salary only if:**

- 1 Not reimbursed by national authorities (i.e. only the net amounts paid by beneficiary are eligible)**
- 2 Beneficiary actually incurred them**
- 3 Mandatory under national law, under the relevant collective labour agreement or under the employment contract**



# Summary of specific cases of personnel-related costs



	Eligible under art. 6 – general eligibility conditions
Bonus	Yes
Benefits-in-kind	Yes
Teleworking	Yes
Parental leave/long-term sick leave	Yes
PhD student – academic fees	Yes
Recruitment costs	No, part of indirect costs



# Personnel Costs – Key points to remember



**Timesheets**

**Hourly rate**

**Reporting based on Actual costs incurred**

