

Labour market statistics: labour cost index

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The Commission presents a report on the implementation of Regulation (EC) No 450/2003 of the European Parliament and of the Council concerning the labour cost index (LCI) Regulation (EC) No 450/2003 creates a common framework for producing and transmitting comparable labour cost indices in the European Union. The Commission (Eurostat) publishes a quarterly news release on the hourly labour cost index. The Regulation provides that the Commission must submit a report to the European Parliament and the Council every two years. The report should look in particular at the quality of the data transmitted. Annual national quality reports are compulsory under the LCI Regulation.

The report notes that overall, the degree of compliance with the LCI Regulation has continued to increase since the previous report in 2008. Most Member States comply with its provisions. Member States have continued to channel resources into implementing actions to achieve more comparable and timely index series. This has clearly raised the overall quality and thus increased the usefulness of the data.

Since comparability and completeness have improved considerably, the report focuses on accuracy, timeliness and coherence.

- **Accuracy:** there are concerns regarding accuracy with various aspects of the LCI. Generally, they are due to shortcomings of the source data and can lead to high volatility of the LCI series. In principle, accuracy problems are discussed by the Member States affected in the yearly quality report, and the Commission (Eurostat) monitors the progress made or planned in the implementation of better sources. At the moment, three Member States are affected by accuracy problems. Germany and Hungary currently do not use source data that would allow them to comply fully with the regulation. LCI data delivered by Greece often show unexplainable growth rates which are difficult to reconcile with the developments in the labour market.
- **Timeliness:** this has continued to improve since the last report in 2008. Nevertheless, two Member States (Belgium and Ireland) failed to deliver the data on time. The Commission asked these countries to take the appropriate measures to ensure that the deadlines for the submission of the data are respected in the future.
- **Coherence:** in the annual quality report, Member States are asked to compare the growth rates of the LCI with those of hourly compensation of employees in national accounts (ESA95 definition). Both data collections measure the same phenomenon with divergences in the definitions, exhaustiveness of the sources and methodology for calculating the growth rates. Since not all Member States produce quarterly data for hourly compensation of employees (national accounts data), a complete overview of coherence is not possible. Furthermore, as national accounts still use the NACE rev.1 classification while the LCI uses NACE rev.2, the comparison is restricted to a very small number of aggregated NACE sections.

The Commission will be monitoring the remaining non-compliance and quality issues regularly through the data delivered and other national documentation. Where the desired or planned improvements are not advancing appropriately, the relevant national authorities will be approached, and the Commission will take the necessary action to enforce compliance.