

Labour market statistics: labour cost index

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The Commission presents a report on Regulation (EC) No 450/2003 of the European Parliament and of the Council concerning the labour cost index (LCI), which establishes a common framework for Member States to produce comparable LCIs and provide them to the Commission. The report examines the LCI data provided to the Commission for the reference quarters from the third quarter of 2016 (2016-Q3) to the first quarter of 2018 (2018-Q1). The LCI measures quarterly changes in total hourly labour costs borne by employers, making it possible to monitor developments in the cost pressure arising from the production factor 'labour'. The Commission focuses on the following criteria for assessing the quality of the LCI: relevance, completeness, punctuality, accuracy, comparability and coherence.

General progress since the last report

The report states that overall, the quality of the Member States' LCIs and the EU aggregates has continued to improve since the previous report in 2017 – in particular as regards the punctuality of Member States' transmissions, which is now almost completely satisfactory.

A new version of the Statistical Data and Metadata eXchange (SDMX) data structures makes it possible to collect new optional variables, such as quarterly labour costs and quarterly number of hours worked. The same SDMX data structures have been implemented to transmit LCI data to the European Central Bank (ECB). Thanks to SDMX standardisation, a new automatic validation tool (STRUVAL) has been implemented that notifies Member States of any IT issue detected in their LCI transmissions.

Furthermore, the programmes used to validate, aggregate and disseminate LCI data have been entirely re-engineered, making it possible to: (i) improve the reliability of the production chain; (ii) ensure consistency between totals and components by design; and (iii) produce new indicators such as annual growth rates and the size of the non-wage component.

Quality of data

Relevance: in 2017, the Commission (Eurostat) started to publish annual estimates of hourly labour costs by NACE Rev. 2 section, on the basis of labour cost survey levels and LCI trends. In addition, it has started disseminating the annual growth rate of hourly labour cost levels and the proportion of total labour costs made up of non-wage costs. The Commission has received positive feedback on the publication of these estimates and will continue to produce the annual labour costs with a NACE Rev. 2 breakdown.

Completeness: in general, the availability and quality of the LCI has continued to improve. Eurostat received calendar-adjusted data and calendar- and seasonally adjusted data from all Member States. All except Denmark and Sweden (which were granted derogations) also delivered non-seasonally adjusted data. Despite the improved coverage of seasonally adjusted data, it was decided, to keep calendar-adjusted data as headline figures.

Punctuality: Member States' punctuality in sending data to the Commission has improved since the previous report as data were transmitted on time by Greece while the transmissions of Croatia recorded a delay of 1 day maximum, over the whole reference period.

Accuracy: revisions of the EU headline figure (year-on-year growth rate) have exceeded 0.2 percentage points (pp) twice (upwards in both cases) since the first quarter of 2016. This was caused by major revisions being recorded in the United Kingdom during the transmission of March 2018. Only two other countries (Germany and the Netherlands) recorded noticeable revisions.

Comparability: using the new IT programmes, Eurostat's policy is systematically to detect inconsistencies of 0.1 pp or more between totals and components, and to report them to the country concerned in a validation report. The total LCI is then recalculated on the basis of the wage and non-wage components (indirect approach). Indices are thus calculated using a harmonised approach for all Member States, so as to ensure greater comparability.

Coherence with national accounts figures: one of the areas that continue to receive attention is the coherence of the LCI with other statistics on labour costs, in particular the quarterly national accounts data. Eurostat carried out a quality exercise for NACE Rev. 2 sections B to S aggregates for each Member State, using non-seasonally adjusted LCI data, except for Denmark and Sweden, for which calendar-adjusted data were available. The median annual growth rate of the LCI was compared with that of the hourly compensation of employees over 10 quarters. Variations of more than 1 pp were considered to warrant further analysis. This was the case for Croatia (5.1 pp), Greece (2.2 pp), Romania (2.1 pp), Ireland (1.4 pp), Malta (1.2 pp) and Slovenia (1.1 pp). The results of the analysis will be followed up with those Member States, in particular with respect to data on hours worked.

The Commission will continue to monitor compliance and data quality on a regular basis, using the data delivered and other national documentation, including quality reports.