COMMON POSITION (EC) No 54/2002

adopted by the Council on 23 September 2002

with a view to adopting Regulation 2002/. . ./EC of the European Parliament and of the Council of . . . concerning the labour cost index

(2002/C 269 E/02)

(Text with EEA relevance)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular Article 285(1) thereof,

Having regard to the proposal from the Commission [1],

Having regard to the opinion of the Economic and Social Committee [2],

Having regard to the opinion of the European Central Bank [3],

Acting in accordance with the procedure laid down in Article 251 of the Treaty [4],

Whereas:

(1) A range of statistics, of which labour cost indices form an essential part, is relevant for an understanding of the inflationary process and the dynamics of the labour market.

(2) The Community, and particularly its economic, employment and monetary authorities, need to have regular and timely labour cost indices for the purpose of monitoring changes in labour costs.

(3) The action plan on economic and monetary union statistical requirements, produced by the European Commission (Eurostat) in close collaboration with the European Central Bank, identifies as a priority the development of a legal basis covering short-term labour cost statistics.

(4) The benefits of collecting, at Community level, complete data on all segments of the economy should be balanced against the reporting possibilities and the response burden on small and medium-sized enterprises (SMEs).

(5) The Regulation is in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty. The creation of common statistical standards for labour cost indices can only be achieved on the basis of a Community legal act because only the Commission can coordinate the necessary harmonisation of statistical information at Community level, while the collection of data and compilation of comparable labour cost indices can be organised by the Member States.

(6) Council Regulation (EC) No 322/97 of 17 February 1997 on Community statistics [5] provides the general framework for the production of labour cost indices under this Regulation.

(7) The measures necessary for the implementation of this Regulation should be adopted in accordance with Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission [6].

(8) The Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom [7], has been consulted in accordance with Article 3 of that Decision,

HAVE ADOPTED THIS REGULATION:

Article 1

Objective

The objective of this Regulation is to establish a common framework for the production, transmission and evaluation of comparable labour cost indices in the Community. Member States shall produce labour cost indices for the economic activities defined in Article 4.

Article 2

Definitions

1. The labour cost index (LCI) is defined as the Laspeyres index of labour costs per hour worked, chain-linked annually and based upon a fixed structure of economic activity at NACE rev.1 section level, where NACE rev.1 is the classification established by Council Regulation (EEC) No 3037/90 of 9 October 1990 on the statistical classification of economic activities in the European Community [8]. Further disaggregations of NACE rev.1 sections, to be included in the fixed structure, shall be defined in accordance with Article 4(1). The formula to be used for the calculation of the LCI is defined in the Annex to this Regulation.

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[1] OJ C 304 E, 30.10.2001, p. 184.

[2] OJ C 48, 21.2.2002, p. 107.

[3] OJ C 295, 20.10.2001, p. 5.

[4] Opinion of the European Parliament of 28 February 2002 (not yet published in the Official Journal), Council Common Position of 23 September 2002 and decision of the European Parliament of . . . (not yet published in the Official Journal).

[5] OJ L 52, 22.2.1997, p. 1.

[6] OJ L 184, 17.7.1999, p. 23.

[7] OJ L 181, 28.6.1989, p. 47.

[8] OJ L 293, 24.10.1990, p. 1. Regulation as last amended by Commission Regulation (EC) No 29/2002 (OJ L 6, 10.1.2002, p. 3).

2. The labour costs are the total quarterly costs incurred by the employer in the employment of labour. The labour cost items and total staff employed are defined by reference to Annex II, sections A and D (items D1, D4 and D5 and their subcomponents, excluding items D2 and D3) of Commission Regulation (EC) No 1726/1999 of 27 July 1999 implementing Council Regulation (EC) No 530/1999 concerning structural statistics on earnings and on labour costs as regards the definition and transmission of information on labour costs [1].

3. The hours worked are defined by reference to Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community [2], Annex A, Chapter 11, paragraphs 11.26 to 11.31.

4. Technical specification of the index, including revisions to the weighting structure, can be redefined in accordance with the procedure referred to in Article 12(2).

Article 3

Scope

1. This Regulation shall apply to all activities defined in sections C to O of NACE rev.1.

2. The inclusion of economic activities defined by NACE rev.1 sections L, M, N and O in the scope of this Regulation shall be determined in accordance with the procedure referred to in Article 12(2), taking into account the feasibility studies defined in Article 10.

3. The LCI shall represent all statistical units as defined in Council Regulation (EEC) No 696/93 of 15 March 1993 on the statistical units for the observation and analysis of the production system in the Community [3].

Article 4

Breakdown of variables

1. The data shall be broken down by economic activities defined by NACE rev.1 sections and by further disaggregations, not beyond the level of NACE rev.1 divisions (two-digit level) or groupings of divisions, taking account of contributions to total employment and to labour costs at Community and national levels, defined in accordance with the procedure referred to in Article 12(2). Labour cost indices shall be provided separately for the three labour cost categories identified below:

(a) total labour costs;

(b) wages and salaries, defined by reference to item D.11 in Annex II to Regulation (EC) No 1726/1999;

(c) employers' social contributions plus taxes paid by the employer less subsidies received by the employer, as defined by the sum of items D.12 and D.4 less D.5 in Annex II to Regulation (EC) No 1726/1999.

2. An index estimating total labour costs, excluding bonuses, where bonuses are defined by D.11112 in Annex II to Regulation (EC) No 1726/1999, shall be provided broken down by economic activities, defined in accordance with the procedure referred to in Article 12(2), and shall be based on the NACE rev.1 classification, taking into account the feasibility studies defined in Article 10.

Article 5

Frequency and back data

1. The data for the LCI shall first be compiled for the first quarter of 2003, and thereafter for each quarter (ending on 31 March, 30 June, 30 September and 31 December of each year).

2. Back data covering the period from the first quarter of 1996 to the fourth quarter of 2002 shall be made available by the Member States. The back data shall be provided for each of the NACE rev.1 sections C to K and for the labour cost items mentioned in Article 4(1).

Article 6

Transmission of results

1. The data referred to in Article 4 shall be supplied in index form. The weights used to calculate the index, defined in the Annex to this Regulation, shall be made available for publication at the same time.

The appropriate technical format to be used for the transmission of the results referred to in Article 4, and the adjustment procedures to be applied to the data shall be defined in accordance with the procedure referred to in Article 12(2).

2. Member States shall transmit the data, broken down as specified in Article 4, to the Commission (Eurostat) within 70 days of the end of the reference period. Metadata, defined as the explanations needed to interpret the changes in the data either arising from methodological or technical changes, or due to changes in the labour market, shall be delivered with the data.

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[1] OJ L 203, 3.8.1999, p. 28.

[2] OJ L 310, 30.11.1996, p. 1; Regulation as last amended by Regulation (EC) No 359/2002 of the European Parliament and of the Council (OJ L 58, 28.2.2002, p. 1).

[3] OJ L 76, 30.3.1993, p. 1; Regulation as amended by the 1994 Act of Accession.

3. The back data referred to in Article 5 shall be transmitted to the Commission (Eurostat) at the same time as the LCI for the first quarter of 2003.

Article 7

Sources

Member States may produce the necessary estimates by using a combination of different sources specified below by applying the principle of administrative simplification:

(a) surveys, where statistical units, as defined in Regulation (EEC) No 696/93, are asked to give timely, accurate and complete information;

(b) other appropriate sources, including administrative data if these are appropriate in terms of timeliness and relevance;

(c) appropriate statistical estimation procedures.

Article 8

Quality

1. The current data and back data transmitted shall satisfy separate quality criteria to be defined under the procedure referred to in Article 12(2).

2. The Member States shall provide annual quality reports to the Commission, beginning in 2003. The content of the reports shall be defined under the procedure referred to in Article 12(2).

Article 9

Transition periods and derogations

1. Transition periods relating to the implementation of this Regulation may be granted under the procedure referred to in Article 12(2), not extending more than two years from the date of entry into force of this Regulation.

2. During the transition periods, derogations from this Regulation may be accepted by the Commission insofar as the national statistical systems require major adaptations.

Article 10

Feasibility studies

1. The Commission shall, in accordance with the procedure referred to in Article 12(2), institute a series of feasibility studies, to be undertaken by the Member States, in particular by those which cannot provide the data for NACE rev. 1 sections L, M, N, and O (Article 3(2)) or the breakdown of the index estimating total labour costs, excluding bonuses (Article 4(2)).

2. The feasibility studies shall be carried out, taking into account the benefits of collecting the data in relation to the cost of collection and the burden on business, to assess:

(a) how the quarterly labour cost indices defined in Article 4(1) can be obtained for NACE rev. 1 sections L, M, N and O; and

(b) how the index estimating total labour costs, excluding bonuses, defined in Article 4(2) can be obtained.

3. The Member States undertaking the feasibility studies shall submit an interim report on their results to the Commission no later than 31 December 2004. The participating Member States shall submit a final report on the feasibility studies to the Commission no later than 31 December 2005.

4. The feasibility studies concerning paragraph 2(a) shall take into account the results of the pilot studies referred to in the Annexes to Council Regulation (EC, Euratom) No 58/97 of 20 December 1996 concerning structural business statistics [1].

5. Measures adopted under Article 11(h) pursuant to the results of the feasibility studies shall respect the principle of cost-effectiveness, as defined in Article 10 of Regulation (EC) No 322/97, including the minimisation of the burden on respondents.

6. The implementation of measures adopted under Article 11(h) pursuant to the results of the feasibility studies shall make possible the transmission of data for the first quarter of 2007, provided that the results of the feasibility studies allow for the cost-effective production of data of sufficient quality.

Article 11

Implementing measures

The measures for implementing this Regulation, including measures to take account of economic and technical changes, shall be laid down in accordance with the procedure referred to in Article 12(2). Such measures shall concern in particular:

(a) definition, in accordance with Article 4(1), of the disaggregations to be included in the fixed structure;

(b) technical specification of the index (Article 2);

(c) inclusion of NACE rev.1 sections L, M, N and O (Article 3);

(d) breakdown of indices by economic activities (Article 4);

(e) format for transmission of results and the adjustment procedures to be applied (Article 6);

(f) separate quality criteria for current and back data transmitted and contents of quality reports (Article 8);

[1] OJ L 14, 17.1.1997, p. 1. Regulation as amended by Regulation (EC, Euratom) No 410/98 (OJ L 52, 21.2.1998, p. 1).

(g) transition period (Article 9);

(h) the establishment of feasibility studies and decisions pursuant to their results (Article 10); and

(i) the methodology to be used for chaining the index (Annex).

Article 12

Procedure

1. The Commission shall be assisted by the Statistical Programme Committee instituted by Article 1 of Council Decision 89/382/EEC, Euratom.

2. Where reference is made to this paragraph, Articles 5 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.

The period laid down in Article 5(6) of Decision 1999/468/EC shall be set at three months.

3. The Committee shall adopt its Rules of Procedure.

Article 13

Reports

The Commission shall submit a report on the implementation of this Regulation to the European Parliament and the Council every two years. This report shall evaluate in particular the quality of the transmitted LCI series data and the quality of the transmitted back data.

The first report shall be submitted no later than 31 December of the year following the entry into force of this Regulation. It will refer only to the actions executed by Member States to prepare the application of this Regulation.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at . . .

For the European Parliament
The President

For the Council
The President

ANNEX

Formula to be used for the calculation of the LCI

1. Define:

   w_i^t = labour costs per hour worked of employees in economic activity i in period t

   h_i^t = hours worked by employees in economic activity i in period t

   $W_i^j = w_i^j \cdot h_i^j$ = labour costs of employees in economic activity i in annual period j;

2. The basic Laspeyres formula to be used to calculate the LCI for period t with annual base period j is defined as

$$LCI_{tj} = \frac{\sum_i w_i^t h_i^j}{\sum_i w_i^j h_i^j} = \frac{\sum_i (w_i^t / w_i^j) w_i^j h_i^j}{\sum_i W_i^j} = \frac{\sum_i (w_i^t / w_i^j) W_i^j}{\sum_i W_i^j}$$

3. The methodology for chaining the index will be defined in accordance with the procedure referred to in Article 12(2).

4. The weights used to calculate the index and referred to in Article 6(1), are the values of:

$$\frac{W_i^j}{\sum_i W_i^j}$$

   where W_i^j, i and j are defined in paragraph 1 of this Annex. These weights should be used for the calculation of the index within two years of the period to which they relate.

STATEMENT OF THE COUNCIL'S REASONS

I. INTRODUCTION

1. On 26 July 2001, the Commission forwarded to the Council a proposal for a regulation of the European Parliament and of the Council concerning the labour cost index.

2. The above proposal is based on Article 285 of the Treaty according to which the procedure of co-decision with the European Parliament prescribed in Article 251 of the Treaty applies.

3. The European Parliament approved the Commission proposal without amendment at first reading on 28 February 2002.

4. The Economic and Social Committee adopted its opinion on 29 November 2001.

5. The European Central Bank adopted its opinion on 11 October 2001.

6. On 23 September 2002, the Council adopted its Common Position pursuant to Article 251 of the Treaty.

II. OBJECTIVE OF THE PROPOSAL

The purpose of the proposal is to provide an indicator on short term labour cost trends as a key component in the analysis of the functioning of labour markets. Existing indicators are unsatisfactory in terms of timeliness, coverage and comparability. Reflecting these considerations, a regulation on short-term labour cost statistics was included in the action plan for EMU statistics, as endorsed by the Council on 29 September 2000.

III. ANALYSIS OF THE COMMON POSITION

The Common Position follows the Commission proposal, approved by the European Parliament, with the following modifications.

A new recital 6 has been added by the Council to recall the general framework established by Council Regulation (EC) No 322/97 on Community statistics.

Recital 7 and Article 12 replace the management procedure proposed by the Commission with the regulatory procedure, which the Council feels is more appropriate to the type of measures to be introduced.

The Council has amended Article 2(1) to define the index in terms of the section level of NACE rev. 1, to be disaggregated in accordance with Article 4(1). This places the disaggregations to be made in its most appropriate place, in the Article on the breakdown of variables, rather than in that on definitions.

A new Article 3(2) has been introduced by the Council, providing for the inclusion of NACE rev. 1 sections L to O through the comitology procedure, after the conduct of feasibility studies established by the new Article 10. This is considered necessary as a number of Member States are not yet able to provide data on sections L to O, and will need to develop the methodology for doing so before such data can reliably be incorporated into the index.

Article 4 has been amended by the Council to reflect the difficulty a number of Member States have in providing data at the level of detail stipulated in the Commission's proposal. Any disaggregations beyond the level of NACE rev. 1 sections will be decided by comitology procedure and will not go beyond the two-digit level of divisions. Disaggregations may also be by groupings of divisions rather than individual divisions where this provides a sufficient level of detail with a lower burden.

The provision of data on labour costs excluding bonuses is separated from the provision of data for the main index, as a new Article 4(2). Given the serious difficulties a number of Member States have with the provision of this data, it will be provided in the form of an estimated index, with its breakdown to be decided by comitology procedure. It shall also be the subject of feasibility studies established under the new Article 10, for the same reasons as apply to sections L to O under Article 3(2).

In Articles 5, 6, and 8 the date of first collection of data has been changed from 2002 to 2003, reflecting the likely date of entry into force of the Regulation. The period covered by back data has been adjusted accordingly.

In Article 6 (1), references to 'data' and 'results' have been clarified by more specific references to data and results 'referred to in Article 4'.

The Council has amended the wording of Article 7 to reflect the fact that appropriate estimation procedures may be used in addition to data collection.

Article 8 has been amended to reflect the fact that different quality criteria should apply for current data and for back data, for the reasons described in respect of Article 6.

In Article 9, the paragraph in the Commission's proposal specifically referring to transition periods in respect of NACE rev. 1 sections L to O has been deleted, with the new Article 10 on feasibility studies laying down the procedure in respect of Member States which have difficulty collecting data for these areas.

The Council has introduced a new Article 10 setting down the modalities for feasibility studies, in those Member States which have difficulties, for the production of data on NACE rev. 1 sections L to O and the breakdown of the estimated index on total labour costs excluding bonuses. Paragraphs 5 and 6 of this Article specify that in adopting, by comitology procedure, implementing measures subsequent to the feasibility studies, cost-effectiveness will be a consideration, and that implementing measures should enable the data for the areas covered by the studies to be collected and incorporated in the index by 2007, at the latest. The Council feels this provides the best means of ensuring that the required areas are covered as soon as possible, while respecting the need for cost-effectiveness and for high quality data.

Article 11 has been amended to reflect the extension of decision-making by comitology procedure to a larger number of elements necessary for the implementation of the regulation.

Article 13 has been amended to reflect the altered timetable for implementation of the regulation, as well as the need to differentiate between the quality of series data and back data. It has also been amended to reflect the fact that the first report from the Commission should not report on the quality of data transmitted by Member States at such an early stage, but rather focus on procedural elements of their implementation of the Regulation.

IV. **CONCLUSION**

The Council considers that the modifications introduced in its Common Position are fully in line with the objectives of the proposed regulation and provide the necessary flexibility of approach to enable full implementation of the regulation, and the production of a timely, comprehensive and comparable indicator of short term labour costs as soon as possible.