

Procedure file

Basic information	
COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	2001/0166(COD) Procedure completed
Labour market statistics: labour cost index	
Subject 4.15.04 Workforce, occupational mobility, job conversion, working conditions 5.10.01 Convergence of economic policies, public deficit, interest rates 8.60 European statistical legislation	

Key players			
European Parliament	Committee responsible	Rapporteur	Appointed
	ECON Economic and Monetary Affairs		11/09/2001
		V/ALE MAYOL I RAYNAL Miquel	
	Former committee responsible		11/09/2001
	ECON Economic and Monetary Affairs		
		V/ALE MAYOL I RAYNAL Miquel	
	Former committee for opinion		
	JURI Legal Affairs and Internal Market	The committee decided not to give an opinion.	
	EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
Council of the European Union	Council configuration	Meeting	Date
	Agriculture and Fisheries	2448	23/09/2002
European Commission	Commission DG	Commissioner	
	Eurostat		

Key events			
23/07/2001	Legislative proposal published	COM(2001)0418	Summary
03/09/2001	Committee referral announced in Parliament, 1st reading		
19/12/2001	Vote in committee, 1st reading		Summary
19/12/2001	Committee report tabled for plenary, 1st reading	A5-0461/2001	
27/02/2002	Debate in Parliament		

28/02/2002	Decision by Parliament, 1st reading	T5-0078/2002	Summary
23/09/2002	Council position published	10803/2/2002	Summary
11/10/2002	Committee referral announced in Parliament, 2nd reading		
28/11/2002	Vote in committee, 2nd reading		Summary
28/11/2002	Committee recommendation tabled for plenary, 2nd reading	A5-0420/2002	
18/12/2002	Decision by Parliament, 2nd reading	T5-0615/2002	Summary
27/02/2003	Final act signed		
27/02/2003	End of procedure in Parliament		
13/03/2003	Final act published in Official Journal		

Technical information

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Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
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Stage reached in procedure	Procedure completed
Committee dossier	ECON/5/16039

Documentation gateway

Legislative proposal	COM(2001)0418 OJ C 304 30.10.2001, p. 0184 E	23/07/2001	EC	Summary
Document attached to the procedure	BCE(2001)0033 OJ C 295 20.10.2001, p. 0005	11/10/2001	ECB	Summary
Economic and Social Committee: opinion, report	CES1492/2001 OJ C 048 21.02.2002, p. 0107	29/11/2001	ESC	
Committee report tabled for plenary, 1st reading/single reading	A5-0461/2001	19/12/2001	EP	
Text adopted by Parliament, 1st reading/single reading	T5-0078/2002 OJ C 293 28.11.2002, p. 0020-0074 E	28/02/2002	EP	Summary
Council position	10803/2/2002 OJ C 269 05.11.2002, p. 0010 E	23/09/2002	CSL	Summary
Council statement on its position	11660/2002	23/09/2002	CSL	
Commission communication on Council's position	SEC(2002)1080	08/10/2002	EC	Summary
Committee recommendation tabled for plenary, 2nd reading	A5-0420/2002	28/11/2002	EP	
Text adopted by Parliament, 2nd reading	T5-0615/2002 OJ C 031 05.02.2004, p. 0160-0170 E	18/12/2002	EP	Summary
Implementing legislative act	32003R1216	07/07/2003	EU	Summary

	OJ L 169 08.07.2003, p. 0037-0043			
Follow-up document	COM(2004)0833	27/12/2004	EC	Summary
Follow-up document	COM(2006)0801	14/12/2006	EC	Summary
Follow-up document	COM(2009)0033	03/02/2009	EC	Summary
Follow-up document	COM(2011)0102	08/03/2011	EC	Summary
Follow-up document	COM(2013)0069	12/02/2013	EC	Summary
Follow-up document	COM(2015)0042	03/02/2015	EC	Summary
Follow-up document	COM(2017)0071	14/02/2017	EC	Summary
Follow-up document	COM(2019)0113	28/02/2019	EC	Summary
Follow-up document	COM(2020)0819	22/12/2020	EC	
Follow-up document	COM(2023)0034	23/01/2023	EC	

Additional information

European Commission

[EUR-Lex](#)

Final act

[Regulation 2003/450](#)

[OJ L 069 13.03.2003, p. 0001-0005](#) Summary

Labour market statistics: labour cost index

PURPOSE: To establish a legal basis for a Labour Cost Index (ILC). **CONTENT:** In an economic zone as large as the European Union labour costs can significantly determine inflation levels. As a result quick and effective analysis of labour costs is essential, especially for institutions such as the European Central Bank. In September 2000, the ECOFIN Council endorsed the Action Plan on Economic and Monetary Union in which statistical requirements on short-term labour costs was prioritised. In line with these Council conclusions, the Commission has prepared the following Regulation which will give legal definition to the Labour Cost Index (LCI). The proposed action will require Member States to provide quarterly data from employers on labour costs, using existing data where possible. The Regulation ensures that the amount of detailed information required will be simplified. For example, no breakdown by occupation of full-time/part-time workers will be necessary. The proposed Regulation has been drafted to be consistent with existing legislation labour costs, earnings and national accounts. Further, the methodology to be used for the index and data transmission formats will be defined in detail in the Commission regulation, together with the criteria for assessing the quality of the LCI from each Member State.?

Labour market statistics: labour cost index

This document comprises of an opinion of the European Central Bank concerning the labour costs index. On the whole, the ECB welcomes this draft regulation, which is part of the action plan on economic and monetary union (EMU) statistical requirements established at the request of the Ecofin Council by the Commission in close collaboration with the ECB. The ECB wishes to highlight the importance it attaches to several features of the draft regulation, which are already part of the EMU action plan, while also recognising that the need to limit the reporting burden for enterprises has required significant compromises to be made. These features include: 1) the proposed NACE Rev.1 coverage including the services sector: the draft regulation covers over 90% of euro-zone employment whereas at present the data provided only cover around 65%. This is an important improvement as it means a better understanding of the development of labour costs throughout the economy; 2) the proposed NACE Rev. 1 breakdown: the draft regulation increases the level of detail of data required, broken down by economic activities, which is important to explain changes in the overall results; 3) the availability of an index of labour costs both including and excluding bonus payments: bonus payments tend to be cyclical element of the overall labour costs. The analysis of data on labour costs will be greatly facilitated if it is possible to distinguish this element of overall labour costs; 4) the proposed requirement that data be provided within 70 days: this would be an improvement as the current availability of labour cost data is extremely poor with first European aggregate estimates available only after approximately 100 days; 5) the availability of an appropriate amount of back data: it is important for analytical purposes to be able to assess labour cost indices over time. However, the ECB recognises the burden which would be imposed on Member States and hence supports limiting transmission of back data to a selected number of labour cost items and for NACE sections C-k only. 6) the improved comparability of data necessary for good euro-zone aggregates as Member States would still be allowed touse a combination of different

sources, the implementing procedures might usefully include a periodic assessment of the impact of their use on national results, and of other potential sources of non-comparability. The ECB strongly supports the proposed timetable for the implementation of the draft regulation and calls on the Member States not to request derogations. ?

Labour market statistics: labour cost index

The committee adopted the report by Miquel MAYOL i RAYNAL (Greens/EFA, E) approving the proposal without amendment under the codecision procedure (1st reading).?

Labour market statistics: labour cost index

The European Parliament adopted the report by Mr Miquel MAYOL i RAYNAL (Greens/EFA, E) approving the proposal without amendment.?

Labour market statistics: labour cost index

The common position follows the Commission proposal, approved by the European Parliament. Moreover, 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. Four key provisions have been incorporated into the Council's common position and are fully supported by the Commission: 1) Feasibility studies for NACE Rev.1 sections L-O : The introduction of feasibility studies by the Council, to replace the transitional period of five years, recognises the difficulties which a number of Member States face in covering these sectors of the economy on a quarterly basis. The feasibility studies will enable these Member States to study the methods already in use in other Member States, so that a cost-effective solution can be proposed for approval through the comitology procedure, with implementation due no later than 2007. 2) Fixing the economic activity at the NACE section level The Commission agrees that at this stage, an economic structure fixed at NACE subsection level is too detailed for many Member States to implement and is not an urgent priority for users, particularly as it focuses disproportionately on the manufacturing sector. The common position allows the possibility of changing the fixed structure to the more detailed NACE 2-digit level (which relates to all economic sectors) through comitology in the future. 3) Reduction in the detail required for labour costs that exclude bonuses In order to calculate the index of total labour costs excluding bonuses, data on bonus payments have to be produced on a quarterly basis. This presents serious difficulties for several Member States. The common position addresses these difficulties by removing the requirement for a breakdown by economic activity and by emphasising that quarterly estimates are acceptable. The Commission accepts this approach, because the common position also allows the possibility of further economic breakdowns by comitology in the future, the reduction in the detail is acceptable to users and there is the provision for feasibility studies to help any Member State unable to provide the index. 4) Separate quality criteria for current data and back data The Commission also accepts the Council's amendment in the common position indicating that back data can be subject to less stringent quality criteria compared with current data. This reflects practical difficulties in Member States where no historic information is available on which to make estimates for back data of the same quality as current data. The quality criteria for current data will be more demanding, however, in order to ensure that current results are of as high a quality as possible. The Council has also reworded certain parts of the text to make it easier to understand and amended dates to be consistent with the expected entry into force of the Regulation. These changes do not affect the substance of the proposed Regulation. Comitology procedure issues raised during the adoption of the common position (and of the Commission position). In its common position, the Council has replaced the management procedure proposed by the Commission with a regulatory procedure. The Commission considers this change acceptable for all the implementing measures that are subject to comitology procedures.?

Labour market statistics: labour cost index

The common position fully addresses the objectives of the Regulation proposed by the Commission. It meets the immediate and urgent needs of users, respect concerns over cost and burdens and in addition contains the flexibility to meet more detailed requirements in the future, subject to agreement through comitology. The Commission expresses a favourable opinion on the common position of the Council adopted unanimously.?

Labour market statistics: labour cost index

The committee adopted the report by Miquel MAYOL i RAYNAL (Greens/EFA, E) approving the Council's common position without amendment under the 2nd reading of the codecision procedure.?

Labour market statistics: labour cost index

The European Parliament adopted a resolution based on the report by Miquel MAYOL I RAYNAL (Greens/EFA, Spain) and approved the common position.?

Labour market statistics: labour cost index

PURPOSE: to establish a common framework for the establishment of labour cost indices.

COMMUNITY MEASURE: Regulation (EC) No 450/2003 of the European Parliament and of the Council concerning the labour cost index.

CONTENT: this Regulation follows on from the fact that a range of statistics, of which labour cost indices form an essential part, is required for an understanding of the inflationary process and the dynamics of the labour market. Furthermore, the Action Plan on Economic and Monetary Union statistical requirements, produced by the European Commission (Eurostat) in collaboration with the European Central Bank, identifies as a priority the development of a legal basis covering short-term labour cost statistics.

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 must produce labour cost indices for the economic activities defined in the Regulation. The provisions include a definition of the labour cost index (LCI.) 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 Regulation 530/1999 and its implementing legislation. The hours worked are defined by reference to Regulation 2223/96.

The main provisions of this Regulation are as follows:

- this Regulation applies to all activities defined in sections C to O of NACE Rev.1. The inclusion of economic activities defined by NACE Rev.1 sections L, M, N and O in the scope of the Regulation are to be determined in accordance with the procedure and the feasibility studies defined in the Regulation. The LCI will represent all statistical units as defined in Council Regulation 696/93.

- the Regulation makes provision for the breakdown of variables. LCI must be provided separately for the three labour cost categories identified below:

- a) total labour costs;
- b) wages and salaries, defined by reference to Regulation 1726/1999;
- c) employers' social contributions plus taxes paid by the employer less subsidies received by the employer;

- an index estimating total labour costs, excluding bonuses, and based on the NACE Rev.1 classification, must be provided, taking into account the feasibility studies defined in the Regulation.

- the data for the LCI will 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).

- Member States must provide back data covering the period from the first quarter of 1996 to the fourth quarter of 2002. The back data will be provided for each of the NACE Rev.1 sections C to K and for the labour cost items mentioned. This must be sent to Eurostat at the same time as the LCI for the first quarter of 2003.

- Member States must transmit the data required to Eurostat within 70 days of the end of the reference period.

- Transition periods may be granted under the specified procedure for not more than two years from the date of entry into force of the Regulation.

- The Commission will institute a series of feasibility studies, to be undertaken by the Member States, in particular by those that cannot provide the data for NACE Rev. 1 sections L, M, N, and O or the breakdown of the index estimating total labour costs, excluding bonuses.

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

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

ENTRY INTO FORCE: 27/02/2003.

Labour market statistics: labour cost index

PURPOSE : to ensure that the compilation of the index includes seasonal and working-day adjustment, and to establish predetermined transmission formats. **COMMUNITY MEASURE :** Commission Regulation 1216/2003/EC implementing Regulation 450/2003/EC of the European Parliament and of the Council concerning the labour cost index. **CONTENT :** Seasonal and working-day adjustment of the labour cost index is an essential part of the compilation of the index. Adjusted series make it possible to compare results and to interpret the index in a comprehensible manner. This directive provides that the index series must be delivered in the following forms: - unadjusted; - working-day adjusted; - seasonally and working-day adjusted. In addition, predetermined transmission formats minimise the problems arising from the data transmission and, together with standardised quality reports, improve the interpretation and fast usage of the labour cost index. Therefore, the Member States must send the transmitted indices and metadata in electronic form to the Commission (Eurostat). Transmission must conform to appropriate interchange standards approved by the Statistical Programme Committee. Eurostat will make available detailed documentation in relation to approved standards and supply guidelines on how to implement these standards. The Regulation also sets out the quality criteria and provides that the content of the annual quality reports for the labour cost index will be as set out in Annex I to this Regulation. Finally, the Regulation states that the Laspeyres chain index formula to be used for calculating the labour cost index for combinations of NACE Rev. 1 sections referred to in the Annex to Regulation 450/2003/EC is set out in Annex IV to this Regulation. **ENTRY INTO FORCE :** 28/07/03.?

Labour market statistics: labour cost index

The Commission presents its report on the on the implementation of Regulation 450/2003/EC concerning the labour cost index. After the endorsement of the Regulation, the Member States have begun to implement its requirements. Most Member States continued to develop provisional index series (which had already been disseminated for several years by Eurostat) to become final indices, whereas other countries began to consider possible alternative approaches. For some countries it was the first time they had had to develop a labour cost index.

The report shows that all necessary measures to fully comply with the Regulation have been undertaken by the Czech Republic, Denmark, Lithuania, Hungary, Portugal and Slovak Republic. Another group of Member States are fully implementing the Regulation apart from the items that are subject to the transition period. This group includes Germany, Spain, the Netherlands and Austria.

Fifteen Member States are still in a preparatory phase of the implementation of the Regulation. Six of those have agreed transitional arrangements for the full implementation of the Regulation.

The remaining items to implement the Regulation mainly concern the full breakdown of the data by economic activities, back data and the (seasonal) adjustments of the series. Producing an index in a timely manner in 70 days also requires adjustments to the production process. For some countries the search for, and testing of, the most suitable data sources is still going on.

Labour market statistics: labour cost index

The Commission presents its report for 2006 on the implementation of Regulation (EC) No 450/2003 concerning the labour cost index (LCI), which establishes a common framework for the production, transmission and evaluation of comparable labour cost indices in the Community. Eurostat publishes a quarterly news release on the labour cost index. Article 13 of the Regulation requires the submission of biennial reports on the implementation of the Regulation. These reports must evaluate in particular the quality of the transmitted LCI series data and the quality of the transmitted back data.

Labour costs are generally regarded as an important factor in the analysis of short- and medium-term economic development. The timely production of a labour cost index in the euro area is thus considered by the Commission and the European Central Bank to be of the utmost importance for assessing the inflationary pressure that may arise from short-term developments in the labour market. The labour cost index is also important for the social partners in wage negotiation and for the Commission itself in monitoring short-term developments in labour costs. This report focuses particularly on accuracy, timeliness, comparability, and completeness.

General progress since last report: since the implementation of reporting in 2004, substantial progress has been achieved, especially in the general availability of the labour cost index. By now, all EU Member States have implemented the LCI and the data are delivered regularly to the Commission although not necessarily within the mandatory deadlines. The availability of the LCI from all EU Member States allows the European Union aggregates to be compiled and makes it possible to compare with sufficient accuracy the development of the hourly labour costs between the Member States. There are, however, a number of quality issues which still require extra effort from certain Member States in order to complete the harmonisation process. Just as the Member States have implemented the necessary facilities for the production of the LCI, the Commission (Eurostat) has also implemented a production system that allows reception, verification, manipulation, storage and dissemination of the Labour Cost Index data in a timely manner. These processes became fully operational in 2005.

Quality evaluation: the following Member States have undertaken all necessary measures to comply fully with the Regulation: Czech Republic, Denmark, Germany, Estonia, Spain, Latvia, Lithuania Luxembourg, the Netherlands, Austria, Poland, Portugal, Slovenia, Slovak Republic and the United Kingdom. However, the Netherlands has not delivered the regulatory quality report. The quality evaluation for the Netherlands is therefore still uncertain and a full guarantee on quality cannot be given. Also, even if the quality is evaluated as sufficient for the current part of the LCI series, shortcomings with historical time series still remain in two Member States: Latvia and the UK.

Member States with quality shortcomings: after inspection, the Commission found that the quality of the LCI is not sufficient in all respects to fulfil the requirements of Regulation (EC) No 450/2003 for the following Member States: Belgium, Greece, France, Ireland, Italy, Cyprus, Hungary, Malta, Finland and Sweden. The report looks at deficiencies in reporting for each country in turn. These are mainly related to the accuracy element of quality. Definition and coverage of some of the aspects of the LCI do not fully correspond to the legal requirement. Insufficient timeliness, missing working-day and seasonally adjusted series and incomplete historical series also play their part in lowering the quality of the LCI series. Two Member States have not completed the regulatory quality reporting. The Commission (Eurostat) will be monitoring the remaining non-compliance and quality issues regularly through the data delivered and other national documentation. Where desired or planned improvements have not advanced appropriately, the corresponding national authorities will be contacted.

Recent actions by the Commission and Member States: in 2006, the Commission (Eurostat) together with the Member States completed the evaluation of the feasibility studies on extending the scope of the LCI to cover economic activities such as public administration, education and health care (NACE Rev.1 sections L to O) and to develop an index excluding irregular bonuses. The draft Commission Regulation for the extended data collection has been introduced in November 2006. A decision over an index excluding irregular bonuses has not yet been taken as investigations showed that more efforts are still needed in the definitions and especially searching the means making this sub-index operational with acceptable quality. Further issues concerning the relevance and accuracy of the LCI have been given preliminary consideration.

As the EU labour cost index series are being used frequently in monitoring labour cost developments for the EU and its Member States, it is of the utmost importance that the national authorities provide data of the highest quality. However, it should be underlined that the situation has improved substantially since the Regulation became fully applicable at the beginning of 2005. All Member States - not only those applying the Regulation fully - have directed 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.

Labour market statistics: labour cost index

This report from the Commission assesses the implementation of Regulation (EC) No 450/2003 of 27 February 2003 concerning the labour cost index (LCI). It highlights progress made since the last report in 2006.

The report recalls that labour costs are an important factor in the analysis of short- and medium-term economic development. The timely

production of a labour cost index for the European Union as well as the Euro zone is therefore considered by the Commission and the European Central Bank to be of the utmost importance for assessing the inflationary pressure that may arise from developments in the labour market. Moreover, it notes that the labour cost index is important for the social partners in wage negotiations and for the Commission itself in monitoring short-term developments in labour costs.

Overall, the report notes that the degree of compliance with the Regulation has increased since the previous report in 2006. All 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.

In the meantime, all missing back data series as well as missing working-day and seasonally adjusted series have been delivered. The timeliness of data delivery has improved, and the number of Member States with accuracy problems has decreased. However, nine Member States still have shortcomings concerning one or more quality aspects of the LCI. For three Member States these shortcomings are due to the incidental late delivery of data only, and therefore of a transitory nature. Six Member States have more serious problems with the accuracy aspect of quality. This compares favourably to the situation in 2006, when 10 Member States reported accuracy problems.

The Commission (Eurostat) has urged Member States to step up their improvement efforts. 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 have not advanced appropriately, the corresponding national authorities will be contacted, and the Commission will take the necessary actions to enforce compliance.

Labour market statistics: labour cost index

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.

Labour market statistics: labour cost index

In accordance with the requirements of Regulation (EC) No 450/2003, the Commission presents a report on labour cost index (LCI) data from reference quarter 2010Q3 to quarter 2012Q2.

The major changes introduced in 2009 relating to the introduction of the new NACE Rev.2 classification and the coverage of non-market services were described in the [2010 report](#). Since the last report, progress has been made on a number of issues. Generally speaking, the availability and quality of the labour cost index (LCI) continued to improve.

The improvements in relevance and completeness are particularly noteworthy. Moreover, the full availability of aggregates (including the NACE Rev. 2 sections O to S) has added to the overall usefulness of the LCI. The publication of yearly estimates of labour-cost levels based on the LCI provides users with significant new added value.

However, the report discusses certain matters which should be improved, and highlights the fact that the punctuality of data transmissions from Member States has not improved since the previous report delivered in 2011, although no country except for Greece was systematically late. The Commission states that Member States should continue channelling resources into measures to achieve punctual data transmissions. Where the desired improvements are not taking place as planned, the relevant national authorities will be approached and the Commission will take the necessary measures to enforce compliance.

Labour market statistics: labour cost index

The Commission presented 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).

Aims of the LCI and amending Regulations: Regulation (EC) No 450/2003 concerning the labour cost index establishes a common framework for the production and provision to the Commission of comparable labour cost indices by Member States.

This Regulation has been amended on several occasions:

- in July 2003: Regulation (EC) No 1216/2003, setting out in greater detail the procedures that Member States must follow when sending their indices to the Commission, the seasonal adjustments to be made to the indices and the content of the national quality reports;
- in March 2007: Regulation (EC) No 224/2007 amending Regulation (EC) No 1216/2003 and extends the scope of the labour cost index to cover the economic activities of non-market services;
- in August 2007: Regulation (EC) No 973/2007 which amended a number of regulations on specific statistical domains, including the labour cost index, in order to be able to implement the statistical classification of economic activities set out in NACE Revision 2.

Objectives of the report: pursuant to Article 13 of Regulation (EC) No 450/2003, the Commission must submit a report to the European Parliament and the Council every two years. The report should, in particular, examine the quality of the labour cost index data.

This report focuses on:

- the relevance of the data,
- its accuracy,
- the punctuality of delivery of data,
- its accessibility and clarity,
- its comparability, consistency and completeness.

This report will therefore focus on improvements made in relation to relevance and coverage, and will address the issues of the consistency of the data with national accounts data and the comparability of working-day adjusted data. Particular attention is given to the problem of data not being provided by Member States within the deadlines set, and the consequences of this for the quality of the published European aggregates.

In general, the availability and quality of the labour cost index has continued to improve. Seasonally adjusted data are now available from all Member States except Ireland and Croatia. National quality reports for the reference year 2013 were provided by all Member States except Greece and Croatia, and have been made available to the public.

Consistency of data: one of the areas that continues to receive attention is the consistency of the labour cost index with other statistics on labour costs, in particular the quarterly national accounts data. This has been analysed from both a theoretical and an empirical point of view and the results have been discussed with Member States. Moreover, the Commission (Eurostat) will organise a workshop with Member States in 2015 at which they will assess and try to further improve the overall quality of statistics on labour costs.

The Commission (Eurostat) has also improved the availability of estimates of hourly labour costs by publishing averages for a one-year period that are largely based on the labour cost index and can be produced soon after the end of the reference period. As a result, national annual labour cost statistics, which used to be collected under a gentlemen's agreement, are no longer being provided by Member States for publication by the Commission.

Other main conclusions: overall, the quality of the labour cost index has continued to improve since the previous report (see the summary dated 12.02.2013). The improvements in Member States punctuality in delivering data and in the completeness of the data are particularly noteworthy. Moreover, the full availability of aggregates has added to the overall usefulness of the labour cost index.

User needs are being better met thanks to the publication of yearly estimates of labour costs based on labour cost index data. Delivery of data by Member States is close to satisfactory. With the exception of Greece, no country was systematically late in providing data to the Commission.

In recent years, the Commission (Eurostat) has regularly urged Member States to make greater efforts to conform to requirements in this area. The Commission will continue to monitor as-yet-unresolved issues relating to non-compliance and data quality on a regular basis, using the data delivered and other national documentation, including quality reports. Where no or insufficient improvement is seen, the relevant national authorities will be approached and the Commission will take the necessary measures to enforce compliance.

Labour market statistics: labour cost index

In accordance with Regulation (EC) No 450/2003 on the labour cost index (LCI), the Commission presented a report on the quality of the labour cost index data for the reference quarters ranging from third quarter 2014 to second quarter 2016.

The report focused on improvements in relevance, completeness, punctuality, accuracy and comparability, and examines the consistency between the labour cost index and the national accounts. It also deals with the problem of data not being supplied by the Member States within the set deadlines, as well as the impact of this situation on the quality of published European aggregates.

General progress: the main findings of the report were as follows:

- the use of the Statistical Data and Metadata eXchange (SDMX) standard (worldwide reference for sharing statistical information) for nomenclatures and variables used in the labour cost index data has been extended to all Member States. The latest SDMX improvements are in the process of being implemented and deployment of the new version is expected to take place in the next reference quarter;
- the quality reports submitted by the Member States have been migrated to a new version of the metadata manager of the European Statistical System Metadata Handler and made available to all users;

the overall quality of statistics on the labour cost index and some technical aspects were evaluated in a workshop on this topic organised by Eurostat and proposals for improvements were agreed.

At the October 2016 working group meeting on labor market statistics, countries not using the indirect method for seasonal adjustment (wages/non-wages and NACE aggregates) and whose data presented sizeable inconsistencies between components and total, agreed to implement the indirect method by mid-2017. The consistency of labour cost index data is expected to improve further.

Eurostat has also started publishing annual estimates of the hourly labour cost levels by NACE sections, starting from 2012 onwards, based on both labour cost survey levels and labour cost index trends.

The Commission received positive comments on the publication of these estimates.

Data quality assessment: the report found that overall the quality of the labour cost indices of the Member States and of the EU has continued to improve since the previous report, published in 2014. Eurostat received working-day adjusted data and seasonally and working-day adjusted data from all Member States.

Member States punctuality remained good except for Greece whose labour cost index data were still behind the established deadlines.

Eurostat held a bilateral meeting with the Greek statistical office in May 2016, during which a roadmap for tackling these structural issues was agreed.

The Commission will continue to monitor issues relating to non-compliance and data quality on a regular basis. Where no or insufficient improvement is seen, the Commission will closely follow-up with the competent national statistical authorities.

Labour market statistics: labour cost index

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.