COMMISSION OF THE EUROPEAN COMMUNITIES

COM(92) 125 final

Brussels, 31 March 1992

Proposal for a

COUNCIL REGULATION (EEC)

concerning the organization of a survey of labour costs in industry and the services sector

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. The Commission cannot carry out certain tasks assigned to it by the Treaty establishing the European Economic Community, in particular those set out in Articles 2, 3, 117, 188, 122 and 123 thereof, without access to data on labour costs and employees' incomes in the Community providing a valid basis for comparison between countries. For this reason, a series of specific Community surveys on labour costs in industry [1], wholesale and retail distribution, banking and insurance [2] has been carried out since 1959 in pursuance of Council Regulations. These surveys were conducted by the Commission of the European Communities in cooperation with the National Statistical Institutes and the ministries of labour in the Member States.

2. The comparative analysis of the level and composition of labour costs in the Member States requires that data be obtained on the basis of uniform survey conditions and definitions. These conditions are met by the Community surveys on labour costs, which to date constitute the sole European source of statistics on wages and salaries providing a valid basis for comparison. This is why the survey results published by Eurostat are valued highly by the Commission departments, economic and social decision-makers and researchers.

3. The Commission's activities in various domains require up-to-date figures on wage and salary costs. Eurostat, in cooperation with the competent authorities in the Member States, has worked out methods of updating the main results of the surveys on labour costs. However, since enterprises' expenditure on wages, salaries and related employers' contributions is subject to substantial change, such updating can only furnish valid results in the years directly following the survey; thereafter, it is necessary to repeat the survey.

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(1) Regulation No. 10 (OJ No. 56, 31.8.1960, p. 1199/60)
Regulation No. 14 (OJ No. 55, 16.8.1961, p. 1054/61)
Regulation No. 28 (OJ No. 41, 28.5.1962, p. 1277/62)
Regulation No. 151 (OJ No. 133, 13.12.1962, p. 2841/62)
Regulation No. 101/66/EEC (OJ No. 134, 22.7.1966, p. 2540/66)
Regulation (EEC) No. 1899/68 (OJ No. L 289, 29.11.1968, p. 4)
Regulation (EEC) No. 2259/71 (OJ No. L 238, 23.10.1971, p. 1)
Regulation (EEC) No. 328/75 (OJ No. L 37, 12.2.1975, p. 1)
Regulation (EEC) No. 494/78 (OJ No. L 68, 10.3.1978, p. 1)
Regulation (EEC) No. 1596/81 (OJ No. L 159, 17.6.1981, p. 1)
Regulation (EEC) No. 3149/83 (OJ No. L 309, 10.11.1983, p. 2)
Regulation (EEC) No. 1612/88 (OJ No. L 145, 11.6.1988, p. 1)

(2) Regulation (EEC) No. 2053/69 (OJ No. L 263, 21.10.1969, p. 8)
Regulation (EEC) No. 3192/73 (OJ No. L 326, 27.11.1973, p. 1)
Regulation (EEC) No. 494/78 (OJ No. L 68, 10.3.1978, p. 1)
Regulation (EEC) No. 1596/81 (OJ No. L 159, 17.6.1981, p. 1)
Regulation (EEC) No. 3149/83 (OJ No. L 309, 10.11.1983, p. 2)
Regulation (EEC) No. 1612/88 (OJ No. L 145, 11.6.1988, p. 1)

4. For this reason, Eurostat's Working Party on Wage Statistics considered at the time that labour cost surveys should be repeated every three years. In the course of Council discussions on the Regulation relating to the 1984 survey, it was decided to extend the interval between surveys from three to four years, so that the subsequent survey was carried out with reference to 1988. It is desirable to maintain this periodicity and to plan the next survey with reference to 1992.

5. The labour cost surveys have gradually increased the range of economic activities covered. Initially, only industry was studied, while later surveys also covered wholesale and retail distribution, banking and insurance. Since the end of the 1960s, the scope of the survey has not changed. However, greater account needs to be taken of the growth in employment in the services sector. For this reason, the Working Party on Wage Statistics considers it necessary to extend the survey to the following sectors: hotels and restaurants, activities of travel agencies and tour operators, real estate, renting and services to business. This choice reflects the current priorities in improving services statistics.

6. In order to lighten the burden on enterprises and on the budgets of the European Communities and the Member States, it is not planned to make an exhaustive survey of all enterprises, but to proceed on the basis of a representative sample. In addition, to facilitate the enterprises' task, the Working Party has agreed to cease collecting data on the basis of employee-category (manual worker, non-manual worker), thereby facilitating the task of replying to the survey-questionnaires and improving the timescale for publication of the results.

7. As with the 1972, 1975, 1978, 1981, 1984 and 1988 surveys the survey is to cover local units or enterprises with at least ten employees. The survey will therefore be comparable with those conducted in previous years, and with other Community wage and salary statistics (harmonized statistics on earnings).

8. The planned survey will furnish detailed statistical data on employers' expenditure on wages, salaries and related contributions, as well as on hours worked.

9. The Working Party on Wage Statistics has emphasized the need to take a decision on conducting this survey as soon as possible, so that the enterprises and establishments to be included in the sample can take appropriate measures to reply to the questionnaires from the beginning of 1992.

10. The smooth functioning of the surveys requires the Community to contribute towards the cost of carrying them out and of processing the results. Because the scope of the survey has been extended to services sectors not covered in the past, because it is also to be conducted in the new German territories and because changes have had to be made to the survey management programmes, an increase in the Community contribution to the survey costs should be considered.

11. To this end, the Commission submits the following draft Regulation to the Council.

Proposal for a

COUNCIL REGULATION (EEC) No

of

concerning the organization of a survey of labour costs in industry and the services sector

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community and in particular Article 213 thereof,

Having regard to the Commission proposal,

Whereas, in order to fulfil the tasks assigned to it by the Treaty, particularly Articles 2, 3, 117, 118, 122 and 123, the Commission must have information regarding labour costs and workers' incomes in the Member States;

Whereas the statistical data available in the Member States do not permit valid comparisons, particularly because of divergences in national legislations, regulations and administrative practices; whereas surveys must therefore be conducted and processed on the basis of standard definitions and methods;

Whereas the best way of ascertaining the level, breakdown and development of labour costs and workers' income is to carry out specific surveys, as was most recently done in 1989 in implementation of Regulation (EEC) No 1612/88(1), on the basis of accounting data for 1988;

Whereas, because of the major changes in the level and structure of expenditure by enterprises on wages and related employers' contributions, a new survey must be carried out based on accounting data for 1992 in industry, trade, banking and insurance, in order to update the results of the previous survey;

(1) OJ No L 145 of 11.6.1988, p. 1.

Whereas, because of the changes in the economic structures and the unemployment situation in the Member States the range of economic activities covered must be extended, particularly in the services sector;

Whereas, because of the size of the field covered, the survey must be based on a sample in order to avoid placing an excessive burden on the enterprises and the budgets of the European Communities and the Member States,

HAS ADOPTED THIS REGULATION:

Article 1

As part of its periodical surveys on labour costs and workers' incomes, the Commission shall carry out a survey on labour costs in industry and certain services sectors in 1993 on the basis of accounting data for 1992.

Article 2

The survey shall cover enterprises or local units with at least 10 employees carrying out the activities delimited and defined in sections C, D, E, F, G, H and K, divisions 65 and 66, and group 63.3 of the Classification of Economic Activities in the European Communities (NACE Rev.1), apart from the exceptions indicated in Annex I.

The survey shall be based on a sample.

Article 3

Employers must supply, for the enterprises or local units in the sample, the information necessary for determining the labour costs on the basis of accounting data for 1992 under the conditions set out below.

Article 4

The survey shall cover:

a) wage costs, including bonuses and ex gratia payments, and all ancillary costs including in particular contributions by employers to social security schemes, any supplementary voluntary schemes and other social expenditure, including the cost of vocational training and any taxes or subsidies directly relating to labour costs;

b) the total staff employed by the enterprises or local units;

c) working hours.

Article 5

Data shall be collected by the statistical institutes of the Member States, which shall draw up appropriate questionnaires. The Commission shall determine the list of characteristics and definitions to be used for the surveys. It shall also, under the same conditions, stipulate the starting and closing dates for the survey and deadlines for answering the questionnaires.

The Member States shall ensure that the parties responsible for supplying information provide accurate and complete answers to the questionnaires within the specified time limits.

Article 6

The statistical departments of the Member States shall process the replies to the questionnaires. After verification and in accordance with the utilization programme defined by the Commission, they shall transmit the results of the survey to the Commission, including the data declared confidential by the Member States pursuant to national legislation or practice concerning statistical confidentiality.

The results shall be broken down by sector of economic activity according to NACE Rev.1, by region and by size category of enterprise or local unit.

Article 7

The individual data supplied in the survey may be used for statistical purposes only. It is forbidden to use them for any other purposes, particularly tax purposes, or to communicate them to third parties.

Article 8

This Regulation shall enter into force on the day following the date of its publication in the Official Journal of the European Communities.

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

For the Council,

President

ANNEX I

Exceptions to the field covered by the survey

1. For all the Member States: class 65.11.

2. For Germany: section H, divisions 50, 70 and 71 and group 63.3. Divisions 72, 73 and 74 will be excluded for the territory of the former German Democratic Republic and East Berlin.

3. For Greece: section F, group 51.1 and class 51.57.

4. For Ireland: section H.

DG-34 Eurostat

FINANCIAL STATEMENT No 1
SECTION 1: FINANCIAL IMPLICATIONS

1. Title of operation

Action relating to the sectoral statistical programmes connected with the provisions of the Single European Act.

Organization of a survey of labour costs in industry and services in 1992.

2. Budget headings involved

- Financial prospects - 4. other policies
- Sub-section B-5. Consumers, internal market, industry and innovation
- Chapter B5-60. Statistical information policy connected with the completion of the internal market and in support of Community policies
- Line B5-6000. Operating appropriations
- Line B8-5900. Operations support appropriations

3. Legal basis

- Article 213 of the Treaty

4. Description of operation

4.1. Specific objectives of operation

Work to standardize surveys, studies and analyses intended to produce a set of Community statistical information concerning:

- social policy,

for a total of thirty component projects of the European Commission's statistical programme 1989-1992, including this project, which involves a survey of labour costs in industry and services.

4.2. Duration

One-off operation.

4.3. Target population

The beneficiaries of this operation are: the Community institutions, the governments of the Member States, economic and social decision makers in the Member States, research institutes, universities and the media.

5. **Classification of expenditure or of revenue**

5.1. Non-compulsory expenditure
5.2. DA/NDA
5.3. Type of revenue involved: NONE

6. **Type of expenditure or revenue?**

6.1. 100% subsidy

NO - The Commission's contribution only represents a fraction of the order of 15 to 30% of the real cost of collecting the data, because the Commission's statistical activity is devolved to a large extent; nevertheless, the expenditure is essential to encourage the standardization of data collection and compilation and their transmission to Eurostat.

6.2. Subsidy for joint financing with other sources in the public and/or private sector

YES - Public sector joint financing (budgets of the national statistical services).

6.3. Interest subsidy

NO

6.4. Other

NONE

6.5. Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed?

NO

6.6. Will the proposed operation cause any change in the level of revenue?

NO

7. **Financial impact on appropriations for operations (part B of the budget)**

7.1. Method of calculating total cost of operation:

Total cost of operation in 1993: 1.31 million ecu

of which:

- contribution to Member States (survey, collection and processing): **1.22 million ecu**
- **Provision of services** (studies, analyses, data management): -

7.2. Proportion of mini-budget in total cost of operation: 0.09 million ecu

7.3. Indicative schedule of commitment and payment appropriations

Not applicable

8. **What anti-fraud measures are planned in the proposal for the operation?**

- Payments in respect of any contracts and agreements into which the Commission enters are only made on the basis of the results obtained.

- The statistical information is considered an objective means of evaluating Community action programmes and thus contributes to consolidating the mechanism for fraud prevention.

SECTION 2: ADMINISTRATIVE EXPENDITURE (part A of the budget)

1. **Will the proposed operation involve an increase in the number of Commission staff? If so, how many?**

No

2. **Indicate the amount of staff and administrative expenditure involved in the proposed operation. Explain the method of calculation.**

Unit of the DG taking part in the work: (as per establishment plan of 01.01.91): Unit E2 - Living and working conditions. Staff: 11 as of 01.01.1991, of which 2 on the "Survey of Labour Costs" project.

0.5% of total DG 34 staff (389 as of 01.01.1991) are engaged on the "Survey of Labour Costs" project.

SECTION 3: ELEMENTS OF COST EFFECTIVENESS ANALYSIS

1. Objectives and coherence with financial programming

1.1. Specific objective(s) of proposed operation:

- **Statistics in the context of social policy:**

Earnings, employment, vocational training and syntheses of social statistics.

1.2. Is the operation incorporated in the financial programming of the DG for the years concerned?

YES - Note 476 of 8 February 1991 - DG 34

1.3. To which broader objective defined in the DG's financial programming does the objective of the proposed operation correspond?

Objective No 1

2. Grounds for the operation

2.1. Reasons for choosing this operation rather than an alternative which would achieve the same objectives.

This operation achieves four results:

- It provides the Institutions with the quantitative elements on the basis of which any action programme pursuant to Article 3 (2) of the Financial Regulation can be drawn up, monitored and evaluated: "it therefore contributes to more effective and pertinent use of the Community budget".

- It provides the national administrations with comparable statistics on all of the Member States, allowing them to evaluate and monitor the development of Community policy programmes.

- It provides political, economic and social decision makers in the Community with figures on which to base and evaluate their decisions in their respective fields of activity: it is therefore an essential part of the European information market.

- It provides the scientific community with the information necessary to improve the analysis and understanding of economic and social life in the Community.

a) cost:

- The bulk of the financing for this operation comes from the Member States (section 1, paragraph 6.1.), which have a well-established structure for collecting and compiling data. If the Commission had to finance this programme entirely, the cost would be extremely high and the product would certainly be less reliable.

b) spin-off effect:

- The results of the operation contribute to improving the statistical information used in work related to social policy, economic cohesion and convergence in the internal market.

- The collection of statistical information is based on a highly devolved structure, within which the national systems are responsible at the level of each Member State. The Community statistical programme becomes an integral part of the national statistical programmes and thus contributes to creating a European statistical area.

c) multiplier effect

- Multiplier effect in the direction of a European statistical area and therefore towards greater integration of the national statistical systems at Community level.

3. Monitoring and evaluation of the operation

3.1. Performance indicators selected:

- Monitoring of operational objectives connected with the provisions of the Single European Act using the ?

3.2. Annual progress report on programme:

Implementation of the statistical programme is constantly checked against a monitoring file (TBPS) which defines the operational objectives and resources needed for each project (± 190) on the basis of the planning-execution principle. At the beginning of each year, Eurostat prepares a report on the programme's progress during the previous year. This report is in three parts:

- the first summarizes the main achievements of the year in policy terms;

- the second describes the objective laid down and the results obtained for each project;

- the third provides statistics on the use made of human, budgetary, computer and administrative resources during the previous year.

IMPACT ASSESSMENT FORM

IMPACT OF THE PROPOSAL ON BUSINESSES
with special reference to small and medium-sized enterprises (SMEs)

Title of the proposal: Proposal for a Council Regulation on the organization of a survey of labour costs in industry and the services sector

Reference No of the document:

The proposal

1. **Taking account of the principle of subsidiarity, why is Community legislation necessary in this area, and what are its principal aims?**

   The aim of the survey is to obtain comparable data on the levels and structures of labour costs in the Member States for the purpose of implementing Articles 2, 3, 117, 118, 122 and 123 of the Treaty establishing the European Community.

   The statistical information available in the Member States is an inadequate basis for valid comparisons, for reasons which include, in particular, the differences between their legislation and administrative practices. The only way to ensure the comparability of statistics in this domain is to carry out surveys and exploit the results on the basis of uniform definitions and common methods.

   The survey of labour costs is presently the only statistical source in the field of remuneration to provide a regular flow of comparable data on the detailed composition of labour costs in the Member States. This characteristic means that the survey is intensively used by the Commission's departments, both sides of industry and researchers as a source of statistical information.

Impact on business

2. **Who will be affected by the proposal?**

   - which sectors of business?

   The survey covers undertakings in sections C, D, E, F, G, H, K, divisions 65, 66 and group 63.3 of the General Industrial Classification of Economic Activities within the European Communities NACE (Rev.1).

-which sizes of business (what is the concentration of small and medium-sized firms)?

The statistical units used for the survey are the local unit with 10 and more employees in the industrial domain and the undertaking with 10 and more employees in the services domain.

Results are to be obtained for the following size classes:

units with 10-19 employees
units with 20-49 employees
units with 50-99 employees
units with 100-199 employees
units with 200-499 employees
units with 500-999 employees
units with 1000 and more employees

The proposed survey will differ from the 1988 survey in that the size class of "units with 10-49 employees" used in 1988 will be split into two size classes containing "units with 10-19 employees" and "units with 20-49 employees".

The survey will not include units with less than 10 employees.

To reduce the burden on undertakings and NSIs, the survey will be carried out by sampling. The sampling plans will be established by the NSIs which will, in general, use different sampling fractions for the different size classes.

- are there particular geographical areas of the Community where these businesses are found?

What will business have to do to comply with the proposal?

Undertakings selected as respondents will be obliged to supply the information required for the determination of labour costs, and this information must be true and complete and forwarded in time to meet the deadline fixed in the Regulation.

4. What economic effects is the proposal likely to have?

- on employment? No effect

- on investment and the creation of new businesses? No effect

- on the competitive position of busineses? No effect

5. **Does the proposal contain measures to take account of the specific situation of small and medium-sized firms (reduced or different requirements, etc)?**

   Yes. Units with less than 10 employees will be excluded from the field, so as to reduce the number of units from which survey data need to be collected.

Consultation

6. **List the organizations which have been consulted about the proposal and outline their main views.**

   Representatives of UNICE and the CES attended the meetings of Eurostat Working Group on Wages held on 27 September and 19-20 November 1991 to prepare the survey and indicated that they were in favour. But the UNICE representative had doubts about the possibility of including units with less than 10 employees.

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DOCUMENTS

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