

Mr Hubert Charlier
Head of Unit
Labour Market
EUROSTAT / E / 1
Bâtiment Jean Monnet
(BECH B4/431)
Rue Alcide de Gasperi
L-2920 Luxembourg

22 January 2002

Dear Mr Charlier,

UNICE Comments on
Eurostat questionnaire concerning the Labour Price Index

After the attempt to introduce a common regulation on the Labour Cost Index (LCI) and the Labour Price Index (LPI) failed, Eurostat has concentrated on the LCI. The recent Eurostat questionnaire on the LPI, however, shows that this index is expected to play an important role in the future framework of European wage and labour cost statistics.

In the introduction to the LPI questionnaire, the need for an LPI is related to the strategic goal for the EU, set at the Lisbon European Council in March 2000 and reinforced at the Stockholm European Council in March 2001. Specifically, the need for an occupation-based measure of labour costs has been related to the four pillars of the European Employment Guidelines, established at the Luxembourg Jobs Summit in November 1997, to which all members are committed – employability, entrepreneurship, adaptability and equal opportunities.

The connection between these goals and the LPI seems rather vague. The information that is needed to monitor these policy goals can, at least to some extent, be found in sources that are already in existence, such as labour force statistics, education statistics, statistics on companies established and closed down, etc. UNICE finds it very questionable whether an LPI would be cost effective in this respect.

After many unsuccessful attempts to create an LPI, which is representative of all jobs in all economic activities across Europe, Eurostat now suggests a more limited approach, e.g. an index which is customised to focus on certain aspects of the labour market where interest is highest. Thus the response burden for the companies could also be reduced.

However, targeting needs may differ substantially from country to country, from region to region, from industry to industry, and even across time periods. The problems referred to are local, thus they need local solutions. They also change over time. An all European LPI is too general to respond to the diverse needs mentioned. On the other hand, a targeted index would hardly be sufficiently representative to facilitate comparisons between Europe and other economic regions, such as the USA or Japan.

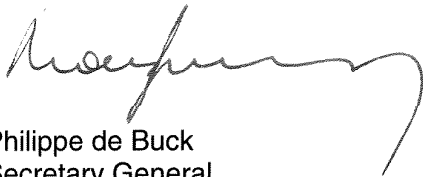
The LPI questionnaire focuses on detailed targeting needs concerning occupations, cost items, economic activities and regions. We feel, however, that it is not possible to express any position on these subjects until the role of the LPI in the European framework of wage and labour cost statistics has been clarified.

Eurostat seems to suggest, that the LPI should be considered as the main short-term measure for monitoring changes in earnings and labour costs. On the other hand, Eurostat has recently concentrated on introducing the renewed Labour Cost Index. UNICE has actively supported this development (under certain conditions) and finds it hard to accept, that this should be only a temporary solution. Moreover, against the background of what has been achieved in this field during the last ten years, splitting resources between two short term indicators on labour costs/prices is dubious. Furthermore, in terms of the response burden, it is difficult to defend two short-term indexes.

From UNICE's point of view, the Labour Cost Index is more urgent than the Labour Price Index. If there is a real need for a price index, a more realistic approach would be to build it on a yearly basis. The structure of the work force does not change fast enough to necessitate a quarterly price index, especially if there is already a quarterly cost index of good quality. Moreover, many of the items included in the price index are difficult or impossible to measure on a quarterly basis. This applies especially to irregular payments and some non-wage labour costs.

From a response burden point of view, it is important that a possible new LPI could be based on already existing data. At least in some member states, there are good yearly statistics on the structure of wages. Social contributions are mainly based on tariffs, so they could be estimated with sufficient accuracy.

Finally, UNICE appreciates Eurostat's call for a thorough discussion on the whole system of statistics on earnings and labour costs. Until this has been done, it is not possible to make any detailed comments on the Labour Price Index.



Philippe de Buck
Secretary General