This document is meant purely as a documentation tool and the institutions do not assume any liability for its contents

►B REGULATION (EC) No 450/2003 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 27 February 2003

concerning the labour cost index

(Text with EEA relevance)

(OJ L 69, 13.3.2003, p. 1)

Amended by:

		Official Journal		
		No	page	date
►M1	Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006	L 393	1	30.12.2006

▼B

REGULATION (EC) No 450/2003 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 27 February 2003

concerning the labour cost index

(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 European 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

([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 (OJ C 293 E, 28.11.2002, p. 20), Council Common Position of 23 September 2002 (OJ C 269 E, 5.11.2002, p. 10) and Decision of the European Parliament of 18 December 2002 (not yet published in the Official Journal).
([5]) OJ L 52, 22.2.1997, p. 1.

▼B

the exercise of implementing powers conferred on the Commission ([1]).

(8) The Statistical Programme Committee (SPC), established by Council Decision 89/382/EEC, Euratom ([2]), 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 ►**M1** NACE Rev. 2 ◄ section level, where ►**M1** NACE Rev. 2 ◄ 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 ([3]). Further disaggregations of ►**M1** NACE Rev. 2 ◄ 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.

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 D.1, D.4 and D.5 and their subcomponents, excluding items D.2 and D.3) 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 ([4]).

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 ([5]), 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).

▼M1

Article 3

Scope

1. This Regulation shall apply to all activities defined in sections B to S of NACE Rev. 2.

([1]) OJ L 184, 17.7.1999, p. 23.
([2]) OJ L 181, 28.6.1989, p. 47.
([3]) 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).
([4]) OJ L 203, 3.8.1999, p. 28.
([5]) OJ L 310, 30.11.1996, p. 1. Regulation as last amended by European Parliament and Council Regulation (EC) No 359/2002 (OJ L 58, 28.2.2002, p. 1).

▼M1

2. The inclusion of economic activities defined by NACE Rev. 2 sections O to S 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.

▼B

Article 4

Breakdown of variables

1. The data shall be broken down by economic activities defined by ►M1 NACE Rev. 2 ◄ sections and by further disaggregations, not beyond the level of ►M1 NACE Rev. 2 ◄ divisions (2 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 ►M1 NACE Rev. 2 ◄ classification, taking into account the feasibility studies defined in Article 10.

▼M1

Article 5

Frequency and back data

1. The data for the LCI shall first be compiled according to NACE Rev. 2 for the first quarter of 2009, and thereafter for each quarter (ending on 31 March, 30 June, 30 September and 31 December of each year).

2. Back data from the first quarter of 2000 to the fourth quarter of 2008 shall be made available by the Member States. The back data shall be provided for each of the NACE Rev. 2 sections B to N and for the labour cost items mentioned in Article 4(1).

▼B

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

▼B

technical changes, or due to changes in the labour market, shall be delivered with the data.

▼M1

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 2009.

▼B

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 ►M1 NACE Rev. 2 ◄ 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 sections L, M, N and O; and

▼B

(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);

▼M1

(c) inclusion of NACE Rev. 2 sections O to S (Article 3);

▼B

(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);

(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 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.

([1]) OJ L 14, 17.1.1997, p. 1. Regulation as amended by Regulation (EC, Euratom) No 2056/2002 (OJ L 317, 21.11.2002, p. 1).

▼B

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.

▼B

ANNEX

The 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 = $w_i^j * h_i^j$ = 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:

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

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.