

EUROPEAN CENTRAL BANK

OPINION OF THE EUROPEAN CENTRAL BANK

of 11 October 2001

at the request of the Council of the European Union concerning a proposal for a Regulation of the European Parliament and of the Council concerning the labour cost index

(CON/2001/33)

(2001/C 295/04)

1. On 17 September 2001, the European Central Bank (ECB) received a request from the Council of the European Union for an opinion on a proposal for a Regulation of the European Parliament and of the Council concerning the labour cost index (hereinafter referred to as the 'draft regulation').
2. The ECB's competence to deliver an opinion is based on the first indent of Article 105(4) of the Treaty establishing the European Community. In accordance with the first sentence of Article 17.5 of the Rules of Procedure of the ECB, this opinion has been adopted by the Governing Council of the ECB.
3. The objective of the draft regulation is to establish a common framework for the production, transmission and evaluation of comparable labour cost indices in the Community. In particular, the draft regulation requires the transmission of quarterly data on labour costs to the European Commission (Eurostat) by the Member States.
4. The ECB welcomes the draft regulation, which is part of the action plan on economic and monetary union (EMU) statistical requirements (hereinafter referred to as 'EMU action plan'), established at the request of the Ecofin Council by the Commission (Eurostat) in close collaboration with the ECB. The EMU action plan is a response to the report of the Monetary Committee on information requirements in EMU, endorsed by the Ecofin Council on 18 January 1999, and the first two progress reports on information requirements in EMU drawn up by the Economic and Financial Committee. The third progress report, endorsed by the Ecofin Council on 19 January 2001, also specified the timetable for modifying existing statistical regulations.
5. The provision of harmonised data on labour costs broadens and deepens the data available for the analysis and assessment of risks to price stability as carried out under the second pillar of the ECB's monetary policy strategy. Labour costs are a major element of production costs for the economy as a whole and have a significant impact on price formation. In addition, labour costs provide input for indicators of competitiveness. The European aggregate data on labour costs currently available, based on data transmitted to the Commission (Eurostat) voluntarily by national statistical institutes, reflect the significant differences in the definition of the national series used for the euro-zone series calculation. Quarterly compensation data available from the ESA 95 national accounts are not a substitute, as they are insufficient in terms of detail and their quality depends on the quality of the underlying primary labour cost statistics.
6. 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.
 - (a) 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 with, in particular, improved coverage of service sector costs.
 - (b) 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.
 - (c) The availability of an index of labour costs both including and excluding bonus payments: bonus payments tend to be a 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.
 - (d) 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.

- (e) 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 also recognises the burden which would be imposed on Member States if required to provide a full set of back data and hence supports limiting transmission of back data to a selected number of labour cost items and for NACE sections C-K only.
- (f) The improved comparability of data necessary for good euro-zone aggregates: as Member States would still be allowed to use a combination of different sources, the implementing procedures mentioned in Article 10 might usefully include a periodic assessment of the impact of their use on national results, and of other potential sources of non-comparability.
7. The ECB strongly supports the proposed timetable for the implementation of the draft regulation and calls on the Member States not to request derogations. If Member States took advantage of the derogations allowed to the fullest extent possible, fully harmonised European aggregates for NACE sections C-K would not become available until 2004 and complete European aggregates including NACE sections L-O would not become available until 2007. Even the target of 80 % coverage of the euro-zone by the end of 2002 — a target supported by the Ecofin Council — could be put at risk.
8. This opinion shall be published in the *Official Journal of the European Communities*.
- Done at Vienna on 11 October 2001.
- The President of the ECB*
Willem F. DUISENBERG
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