

Indicator (definition)	Real unit labour cost growth: Growth rate of the ratio: compensation per employee in current prices divided by GDP in current prices per total employment.
Eurostat Unit	National Accounts Production
Other Commission DGs	Economic and Financial Affairs
European Statistical System Working Group (WG)	National Accounts
Date	December 2010

1. Overall assessment of accuracy and comparability (Description of quality grades under the following link: http://circa.europa.eu/Public/irc/dsis/structind/library?l=/general_information/quality_profiles/annex_enpdf/EN_1.0_&a=d)

A
 B
 C
 Indicator to be Developed

Data is collected from reliable sources applying high standards with regard to the methodology and ensuring a high degree of comparability.

2. Objective and relevance of the indicator:

The indicator real unit labour cost growth compares remuneration (compensation per employee) and productivity (gross domestic product (GDP) per employment) to show how the remuneration of employees is related to the productivity of their labour. It is the relationship between how much each "worker" is paid and the value he/she produces by their work. Its growth rate is intended to give an impression of the dynamics of the participation of the production factor labour in output value created. The variables used in the numerator (compensation, employees) refer to employed labour only, while those in the denominator (GDP, employment) refer to all labour, including self-employed.

The creation of the single European market exposes enterprises to competition with enterprises in other Member States. This means that pressure will be exerted on enterprises with high direct wage costs to secure the productivity that will enable them to compete with enterprises elsewhere in the Community with lower wage costs.

The European Commission is working on improving competitiveness of European employees taking into account several new measures in the new Strategy, Europe 2020 such as:

- "An agenda for new skills and jobs" to modernise labour markets and empower people by developing their skills throughout the lifecycle,
- facilitate and promote intra-EU labour mobility and better match labour supply with demand.

Restriction of the indicator's relevance and other characteristics which may lead to restrictions in using it in monitoring and reporting

It should be kept in mind that the variables used in the numerator (compensation of employees, number of employees) refer to employed labour only, while those in the denominator (GDP, employment) refer to all labour, including self-employed.

3. Data availability:

(**t₁**: earliest reference year available; **t₂**: latest reference year available in December 2010)

	Member States	Candidate and Acceding Countries	US and Japan	EEA-EFTA
t ₁	1990: DK, ES, FR, IT, LU, NL, FI, UK 1992: DE, AT 1993: LV 1994: EE, LT, SE 1995: SK 1996: BE, BG, CZ, IE, CY, HU, PL, PT, SI	1995: TR 1997: HR 1998: MK	1990: JP	1990: NO 1999: LI

	2000: MT, RO 2001: EL			
t ₂	2010 (forecast): BG 2012 (forecast): BE, CZ, DK, DE, EE, IE, EL, ES, FR, IT, CY, LV, LT, LU, HU, MT, NL, AT, PL, PT, RO, SI, SK, FI, SE, UK	1999: TR 2012 (forecast): HR, MK	2000: JP (forecast)	2008: LI 2012 (forecast): NO

Comments: For all member states, apart from BG, forecasts between 2010 and 2012. For BG forecasts only in 2010. For JP estimated values between 1990 and 1995 and forecasts between 1998 and 2000, for EL provisional data between 2004 and 2009, for PL break in series in 2005. Provisional data for EL between 2004 and 2009.

4. Overall accuracy

High



Compensation of employees is the total remuneration, in cash or in kind, payable by an employer to an employee in return for work done by the latter during the accounting period. The compensation is calculated in current prices.

The accuracy is regularly monitored during the Eurostat working group on National Accounts.

Figures are subject to revision due to the normal revision process associated to national accounts.

Restricted

(sources, errors,
methodology, etc.)



5. Comparability across countries

High



Comparability of GDP and Compensation of employees' data (as a part of GDP) across countries is ensured by the application of the legal framework represented by the European System of Accounts (ESA 95) and the System of National Accounts (SNA 93).

Comparability of GDP for EU countries is regularly monitored in the context of the work of the Gross National Income (GNI) Committee. In addition, international harmonisation of techniques and, to some extent, compilation tools is ensured by the work of the national accounts working groups (Eurostat, OECD, UN).

At present, some EU Member States are still finalising the implementation phase of ESA 95 and full comparability is not yet achieved but this leads only to minor discrepancies.

Comparability of total employment and employees (and self-employed) data is ensured by application of the same concept and definitions (ESA 95) across countries. The definitions of employment data used are consistent with ILO definitions that ensure international comparability.

Comparability problems across countries may arise due to different structures and structural changes of their systems (e.g. social security systems) as well as due to different structures of employment (e.g. part-time employment, work opportunities).

Restricted



6. Comparability over time

High



ESA 95 requires coherent long time series for GDP and compensation of employees (as a part of GDP) which are produced by most of the EU Member States. In some countries, methodological breaks can affect time series (normally on a temporary basis). Backward calculations of time series are provided to ensure full time coherence in a case of methodological changes.

Comparability of the total employment and employees and (self-employed) figures over time is ensured by application of the same concept (ESA 95) over time.

Comparability problems may arise due to different structures and

structural changes across countries (e.g. changes in financing of social security from public to private or the development of part-time employment or work opportunities).

Restricted

7. Development perspective for improving the quality of this indicator (including as far as possible an indication of the burden on Member States and respondents.)

Continuous improvements relate to new methodology and compilation techniques as well as to harmonization and full implementation of international national accounts rules for all countries. Improvement on the harmonisation of employment measures at the international level.

8. Contribution to the coherence of the set/potential to qualify for an integrated policy analysis

The indicator can be complemented by several indicators derived from national accounts and which are closely correlated: GDP growth, investments, consumption, disposable income, etc. Moreover, links can be established with other indicators derived from consistent accounting frameworks including social and environment indicators.

Relevant European legislation:

Council Regulation (EC) No 2223/96 of 25 June 1996 on the European system of national and regional accounts in the Community (ESA 95).

Population data is provided under gentlemen's agreements.

Council Regulation 448/98 on financial intermediation services measured indirectly (FISIM)

Commission Regulation 1500/2000 on general government expenditure and revenue

Commission Regulation 995/2001 on taxes and social contributions

EP/Council Regulation 2558/2001 on settlements under swaps arrangements and under forward rate agreements

Commission Regulation 113/2002 on revised classifications of expenditure according to purpose.

Regulation (EC) No 1445/2007 of the European Parliament and of the Council of 11 December 2007 establishing common rules for the provision of basic information on Purchasing Power Parities and for their calculation and dissemination

GDP and beyond Measuring progress in a changing world (2009) COM(2009) 433 final