

Indicator (definition)	Labour productivity per person employed: Gross Domestic Product (GDP) in Purchasing Power Standards (PPS) per person employed relative to the European Union average (EU-27=100).
Eurostat Unit	National accounts data production; National accounts methodology (for PPPs)
Other Commission DGs	DG ECFIN, DG EMPL
European Statistical System Working Group (WG)	WG on National Accounts, WG on Purchasing Power Parities
Date	March 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. Restrictions in comparability over time are related to the construction of the indicator as such rather than to shortcomings with regard to data production and are well documented and explained.

2. Objective and relevance of the indicator:

Labour productivity per person is a main indicator of EU competitiveness. Output can be raised through more labour input or more output per unit of labour input (labour productivity), which is driven by capital and technology. Raising labour productivity is particularly important for sustaining growth during a period of ageing populations.

The European Commission has already taken action in order to increase the labour productivity by implementing the Decision of the European Parliament and of the Council establishing a Competitiveness and Innovation Framework Programme (2007-2013) [COM(2005) 121 final].

The INTEGRATED GUIDELINES FOR GROWTH AND JOBS (2008-2010) set up the ideas measures to be taken at labour productivity level and also at employment level.

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 this indicator does not take into account the structure of employment and therefore may for instance not properly reflect the impact of part-time employment. This may reduce its comparability across countries. The indicator is indexed to the EU average (EU-27=100). Rescaling of the indicator following enlargement has to be taken into account when comparing it with previous releases.

The indicator is constructed primarily for spatial comparison and not for comparison over time.

3. Data availability: details January 2010

(t_1 : earliest reference year available; t_2 : latest reference year available in March 2010)

	Member States	Candidate and Acceding Countries	US and Japan	EEA-EFTA
t_1	1995: 25 Member States 1999:RO 2000: MT	1995: TR 1996: HR 1997:MK	1995	1995: NO, CH 1998: IS
t_2	2008	2008	2008	2008

2009-2011: forecast. 2005: break in series. EL 2004-2008: provisional TR: 2000-2011 forecast EL: 1995-1999 estimation

4. Overall accuracy

High



GDP is a measure for the economic activity. GDP data are regularly transmitted in the framework of the transmission programme associated to Annex B of ESA 95 (European System of Accounts) this transmission programme has been updated by Regulation (EC) N° 1392/2007 of the

European Parliament and of the Council.. Countries compile GDP according to standard international rules (ESA 95/SNA 93 – with some exceptions). At the European level, accuracy of GDP is regularly monitored in the framework of the GNI (Gross National Income) Committee and technical aspects are regularly analysed in several working groups and technical committees.

The number of persons employed is equal to total employment which covers all persons – both employees and self-employed – engaged in some productive activity that falls within the production boundary of the economy. The number of persons employed is calculated according to the National Accounts concepts (ESA 95). It should be noted that data refer to the National Accounts concepts as opposed to the national labour statistics concepts. Figures may therefore differ from labour statistics. The accuracy is regularly monitored during the Eurostat working group on National Accounts.

Purchasing Power Parities (PPPs) are currency conversion rates that convert economic indicators expressed in national currencies and national price levels to a common currency, called Purchasing Power Standard (PPS), which equalises the purchasing power of different national currencies and thus allows meaningful comparison across countries. PPPs are calculated by Eurostat in strict collaboration with the OECD in the framework of the European Comparison Programme (ECP) whose aim is to make annual volume comparisons of the main national accounts aggregates. 2006, 2007, 2008: PPPs for European countries are annual benchmark results calculated by Eurostat. PPPs for non-European countries are OECD estimates

While harmonisation of methods and data revisions since 1999 have considerably decreased its size still a roughly estimated +/-5% error margin should be allowed for the indicator at aggregated level (which can be considered to be even higher at disaggregated levels).

The reason is that PPPs are statistical constructs rather than precise numbers. The error margins surrounding PPPs depend on the reliability of the expenditure weights and the price data as well as the extent to which particular goods and services selected for pricing by participating countries truly represent the price levels in each country. 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 data 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).

Comparability of employment 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.

Guidelines concerning the preparation and production of input data for **PPSs** are prepared and updated by Eurostat in co-operation with the participant countries and international organisations to harmonise the methods and to achieve comparable data.

Minor comparability problems may arise due to the differences in the representativeness of the products priced.

There are still some drawbacks in the process of data collection outside the ECP carried out by Eurostat which reduces its usability as for international comparisons, especially if comparisons entail countries that belong to different continents as they have different habits and expenditure patterns.

Restricted

6. Comparability over time

High

Restricted

The indicator is not suited for comparability over time as PPPs are constructed primarily for spatial comparison and not for comparison over time. PPP samples are planned to maximise comparability of items across countries at a given point in time- not over time. Because PPP samples change over time, the comparison over time should be avoided.

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.)

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

The indicator is a headline indicator. It can be complemented by several indicators derived from national accounts and social and economic cohesion closely correlated: productivity, working hours, GDP growth, disposable income, etc.

This indicator is also link to social and labour force indicators, employment etc.

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

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