



EUROSTAT QUALITY PROFILE

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-25=100).
Eurostat Unit	C2, National accounts data production; C1, 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	22 May 2007

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:

The indicator GDP per person employed intends to give an overall impression of the productivity of national economies expressed in relation to the European Union average. For productivity measures, GDP at current prices expressed in PPS is used. GDP is evaluated at market price.

The Stockholm European Council (2001) noted that the ageing society calls for clear strategies for ensuring the adequacy of pension systems as well as of health care systems and care of the elderly. These strategies will be facilitated by the parallel effort to increase labour market participation, productivity and mobility.

The Brussels European Council (2003) noted that there has been real progress on employment but reaching the 70% employment rate Lisbon target by 2010 will require far-reaching structural reform aimed at full employment, higher productivity and quality in work.

The Thessaloniki European Council (2003) called for reforms necessary to create more and better jobs in order to promote full employment, making labour markets more efficient, inclusive and adaptable, adapting tax and benefit systems to make work pay, increasing labour market participation in line with the Lisbon targets, promoting a new balance between flexibility and security, facilitating labour mobility and improving and updating skills to achieve higher productivity and better quality jobs.

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-25=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

(t₁: earliest reference year available; t₂: latest reference year available in May 2007)

	EU Member States	ACC/CC	USA and Japan	EFTA ¹
t ₁	1995: 23 Member States 2000: MT AT: no data	1995: TR, BG, HR 1999: RO MK: no data	1995	1995: NO, CH 1998: IS
t ₂	2005 (2006-08 forecasts)	2005 (2006-08 forecasts)	2005 (2006-08 forecasts)	2005 (2006-08 forecasts)

Due to change in methodology t₁ has declined from 1991 to 1995 for all countries.

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). 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. In December 2003, a set of revised PPPs for the years 1995-2002 has been released by Eurostat. Previous years PPPs and forecasts are directly derived from the evolution of implicit deflators associated to GDP.

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.

¹ While being a member of the EFTA, Liechtenstein has complete or partial exemptions from several statistical requirements due to its size. Thus, Liechtenstein is excluded from this overview as most of the data for structural indicators are missing.

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).

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 **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

ESA 95 requires coherent long time series for **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 **employment figures** over time is ensured by application of the same concept (ESA 95) over time.

However, 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.

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 harmonisation and full implementation of international national accounts rules for all countries.

Improvement on the harmonisation of employment measures at the international level.

As a compromise to allow for a comparison over time Eurostat will analyse the possibility of providing this indicator based on a set of PPPs for a reference year and constant price series. However, it should be noted that the more one moves away from that reference year, the less precise the indicator becomes due to changes in the relative price structure among countries.

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

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).

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