



EUROPEAN CENTRAL BANK

EUROSYSTEM

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# **The ECB's experimental Indicator of negotiated wages**

Workshop on Labour costs  
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**1** Why data are needed

**2** How constructed

**3** Caveats

**4** Results

**5** The future

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## Why data are needed?

- Labour costs potential influence on price outlook
- Aims to capture outcome of collective bargaining process
- Timely!

# Overview

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- Target definition:

“reflect the increase in basic pay agreed between employers and employees, exc. social security contributions.”

- M frequency: DE, ES, IT, NL, AT, PT, SI  $\approx$  69% euro area
- Q frequency: BE, FR, FI  $\approx$  29%
- A frequency: MT
  
- As close as possible to target definition. Some miss considerably.

- Weighted average of annual percentage changes
- Use moving coverage ESA compensation weights
- $\approx$  45 days after reference quarter;
- less reliable monthly indicator ESCB internal use



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- Title “experimental” & “indicator” for good reasons
  - Not harmonised data!
  - Coverage is not often “whole economy”
  - Treatment of bonuses; overtime payments
  - No seasonal adjustment
  - Only annual % changes
  - Recording practices
  - etc.

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## Chart 1 Negotiated wages<sup>1</sup>, compensation per employee and hourly labour cost

(annual percentage change; whole economy)

- Negotiated wages - quarterly series
- Compensation per employee
- - - Total hourly labour cost
- Negotiated wages - monthly estimate



<sup>1</sup> Negotiated wages reflect the increase in basic pay agreed between employers and employees, excluding employers' social security contributions. The ECB target definition includes bonuses, overtime and other compensation only if they are the result of collective bargaining at the centralised/union level. However, national differences exist.

Correlation with CpE = 0.65; LCI 0.72

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- Use LFS to scale coverage from individual negotiations
- Recording practice harmonisation
- More input from National Authorities (NSIs / Labour ministries)

**Thank you for  
your attention!**

