

The use of LCI by social partners

Workshop on Labour Costs in Italy, Rome
5-6 May 2015

By Martin Jeppesen (maj@da.dk), Confederation of Danish
Employers and representing Business Europe at LAMAS



Social partners are relevant users

Report to the European Parliament and Council:

- *"The labour cost index is also important for the social partners in wage negotiations..."*

Eurostat metadata:

- *"Private companies may use the LCI for indexing contracts, wage agreements and competitiveness analysis."*

Country specific metadata:

- 18 of 27 countries mentions employers or employer organisations as users, but only 7 relates the use to wage negotiations.

What is the use by employers and employer organisations?

- Wage levels as a guideline when negotiating wages for newly employed or renegotiation with employees.
- Wage changes when regulating wages for employees (and when estimating room for wage increases).
- Labour cost levels as input when analysing the competitive situation to be used in relation to collective bargaining.
- Labour cost changes when projecting the competitive position to be used in relation to collective bargaining.

LCI is second best for employers

LCI measures changes at an aggregated level caused by both changes in labour costs, hours and compositional changes in the employed population.

Originally the LCI was accompanied by another indicator – the Labour Price Index – meant to measure only changes coming from labour costs and hours.
More in line of what employers need.

The LPI was never realised at an EU-scale, because it was considered too burdensome and the user demands was low at the time.

Survey

Survey among the 39 members of Business Europe.

Target group:

- Have knowledge about collective bargaining, wage negotiations or on influencing national minimum wages.
- Have knowledge about what kind of statistics that are used in relation to this.

Also persons not using the LCI could be in the target group.

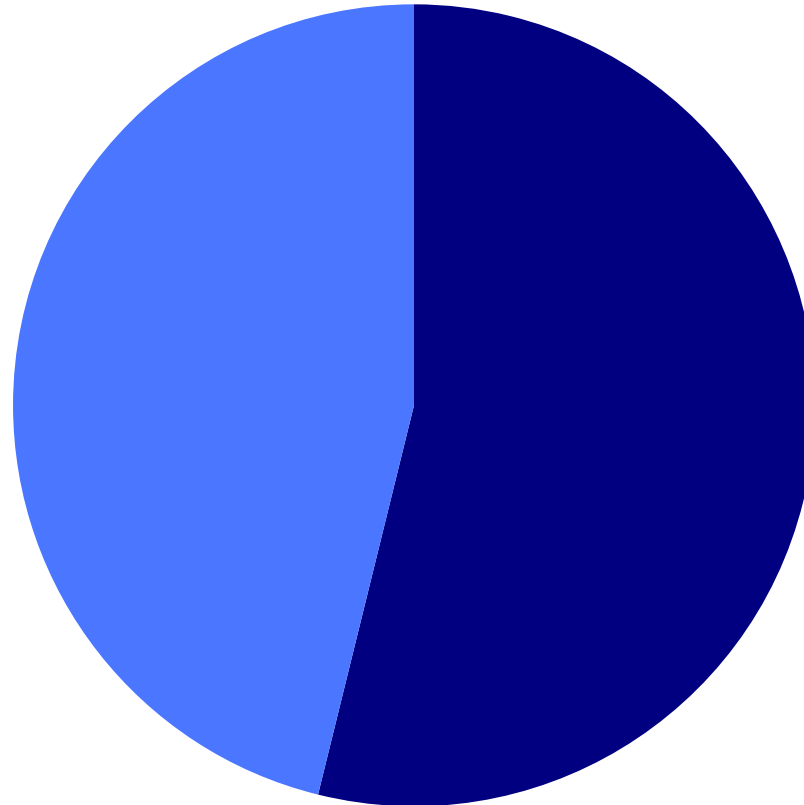
Respondents

- Relying on personal network.
- Invitations send to 14 organisations, some chose not to answer, others forwarded the questionnaire.
- Finally 13 respondents answered from 13 organisations, covering 8 countries:
 - Denmark, Finland, Germany, Iceland, Netherlands, Norway, Spain and Sweden.
- Not representative, but biases towards northern Europe.
- Gives insight of the understandings of some dedicated users.

LCI is used once a quarter by every second user

How often do you look at or use the LCI, percent

■ Once a year or more ■ Once a quarter or more



LCI is mostly used for macro analytical purpose

What does your organisation use the LCI for, percent



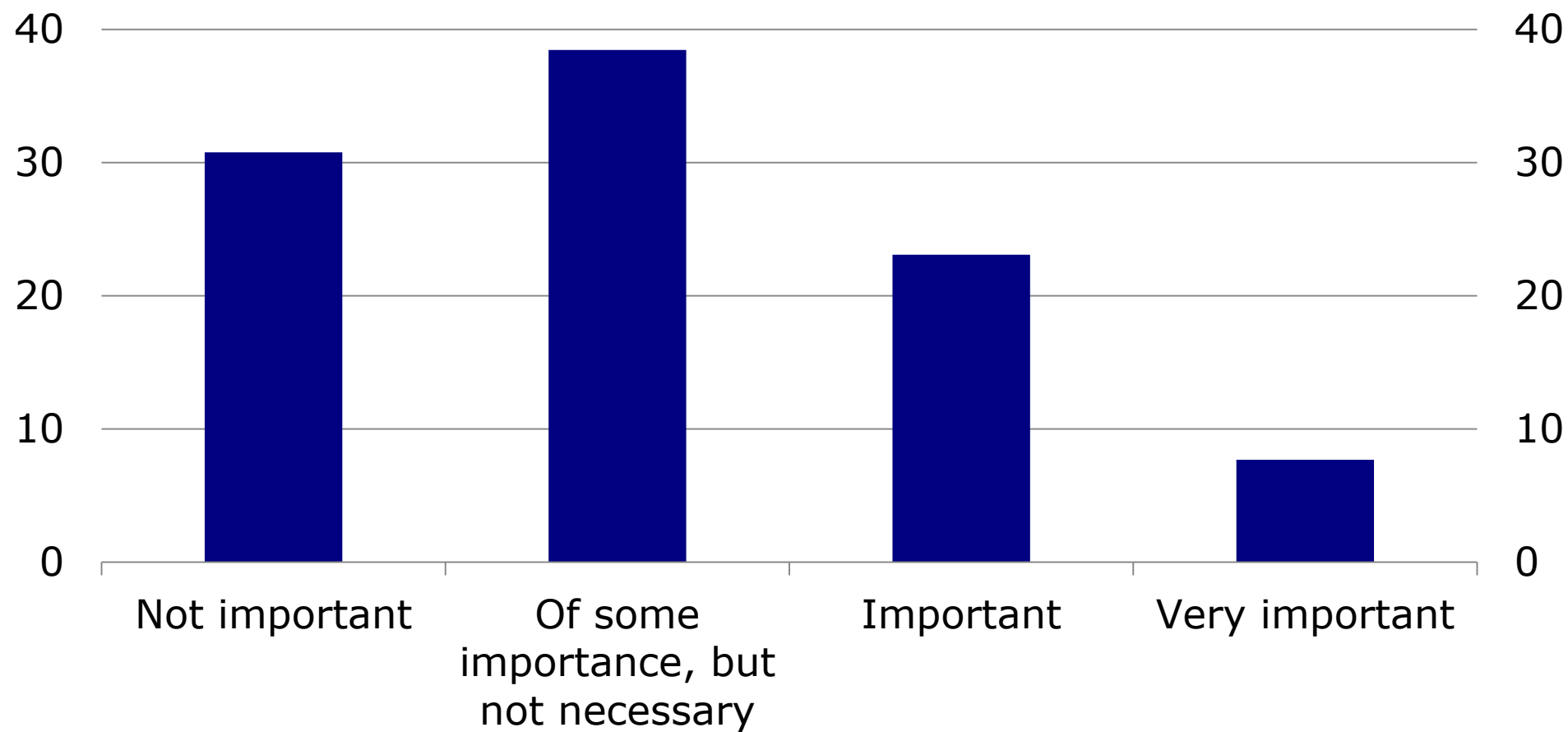
Note: Multiple answers allowed, so the sum is more than 100 percent.

Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

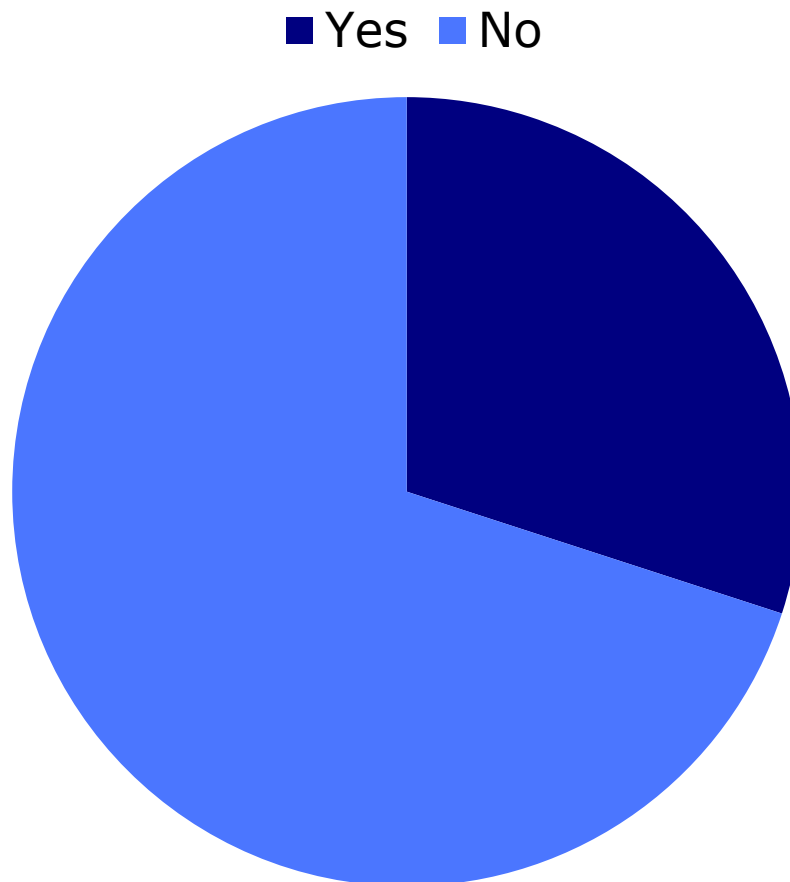
2 of 3 find the LCI unimportant or unnecessary

How important is the LCI for your organisation in relation to wage negotiations etc., percent



LCI is a measure for own country for 1 of 3

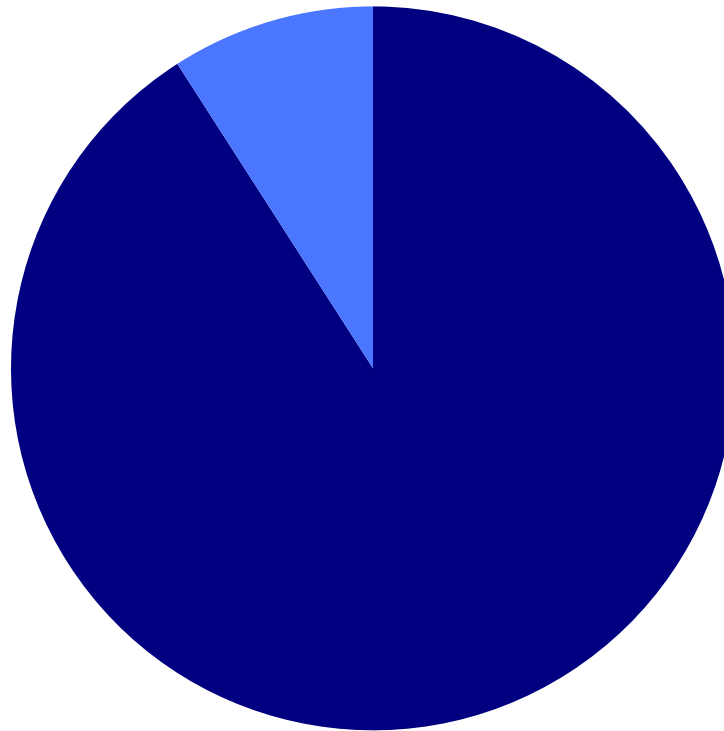
Does your organisation use the LCI as a measure for your own country, percent



LCI is almost never the primary data source

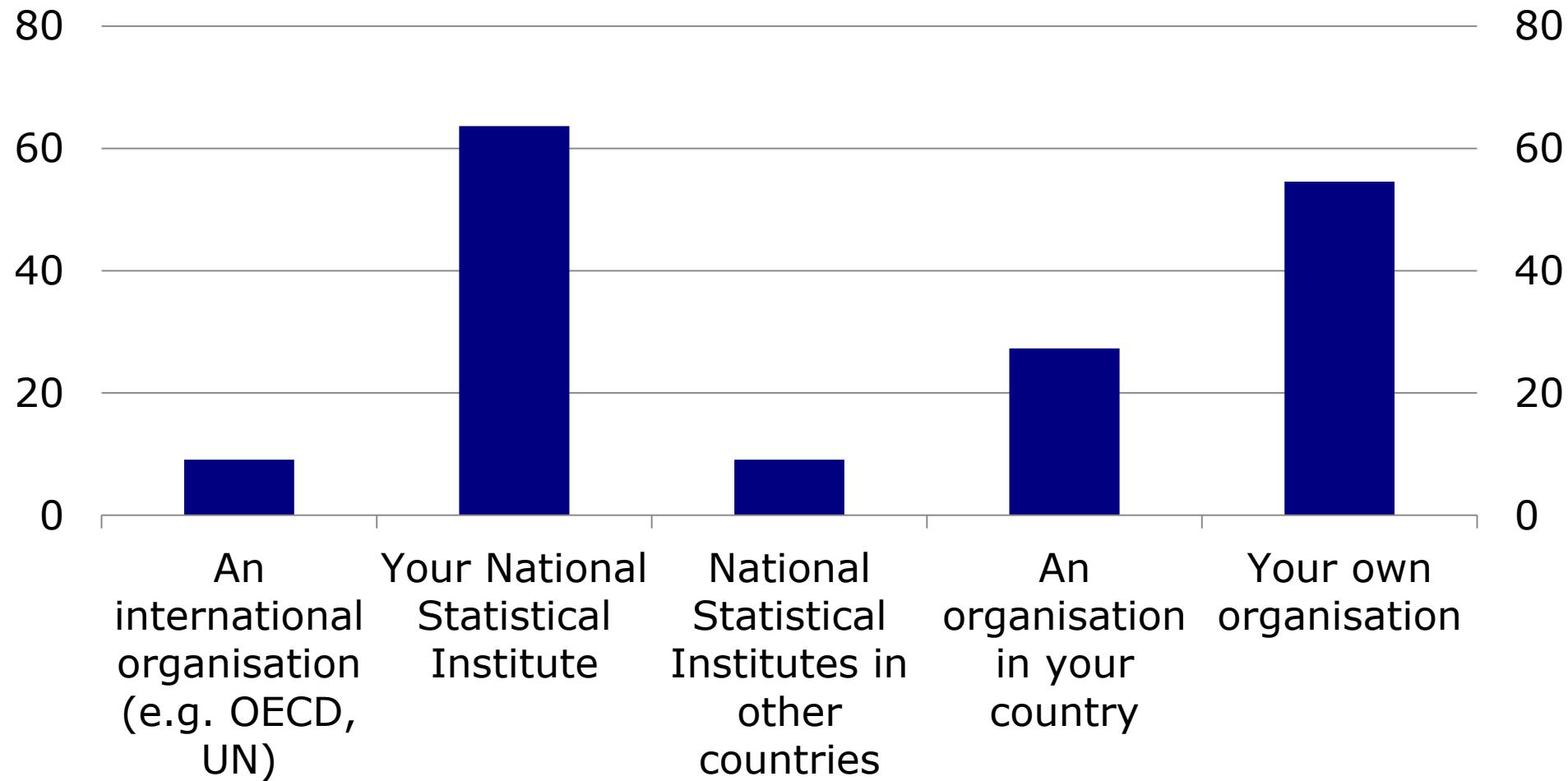
Which source is the primary source when measuring wage changes for your own country, percent

■ Other data source ■ LCI



Wage data on own country is mostly coming from NSI or own organisation

Where is the other data source produced, percent



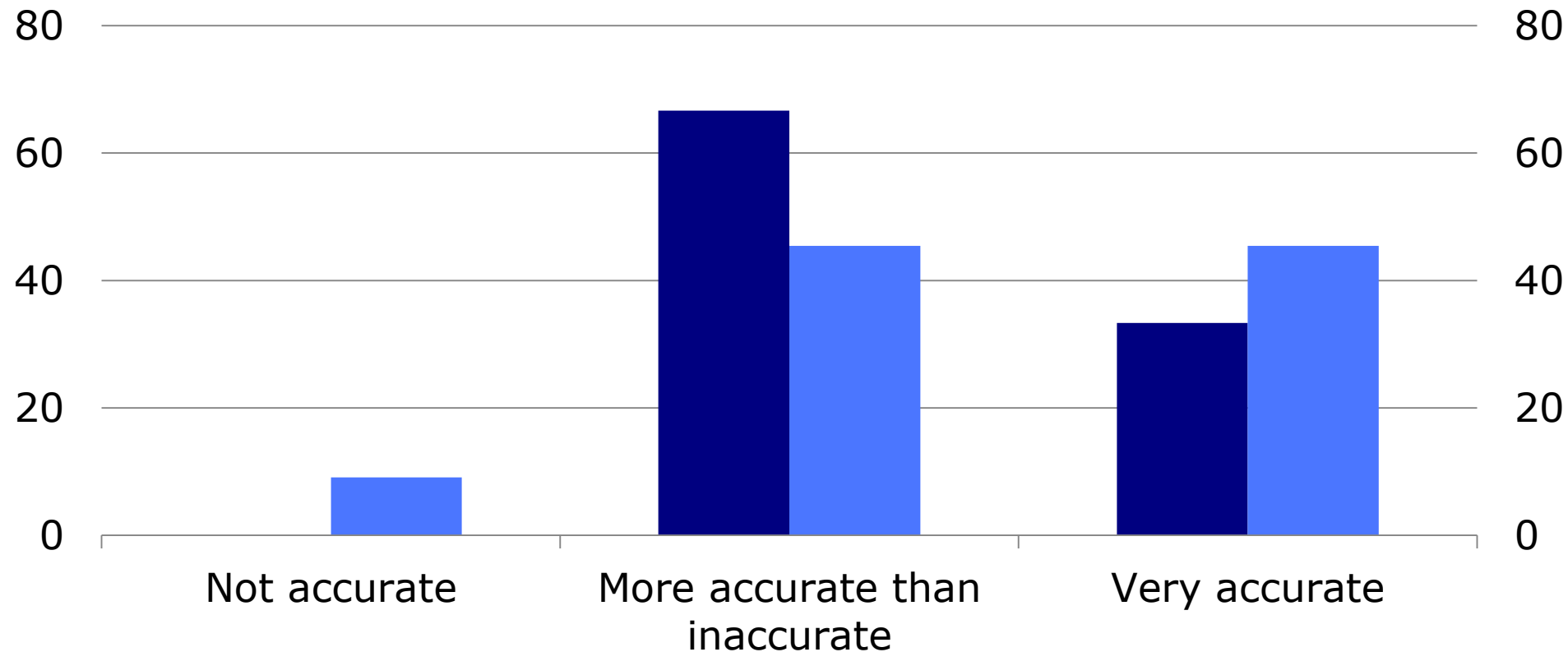
Note: Don't know answers: 2. Multiple answers allowed, so the sum is more than 100 percent.
Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

Other sources are seen as more accurate

How accurate is the source in describing the actual wage development in your country, percent

■ LCI ■ Other source



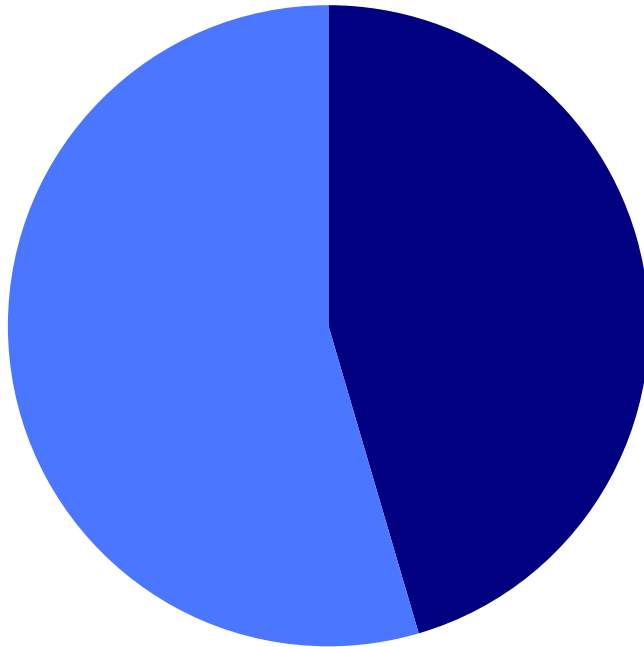
Note: Don't know answers: 2. Only answered by respondents who uses the data source.
Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

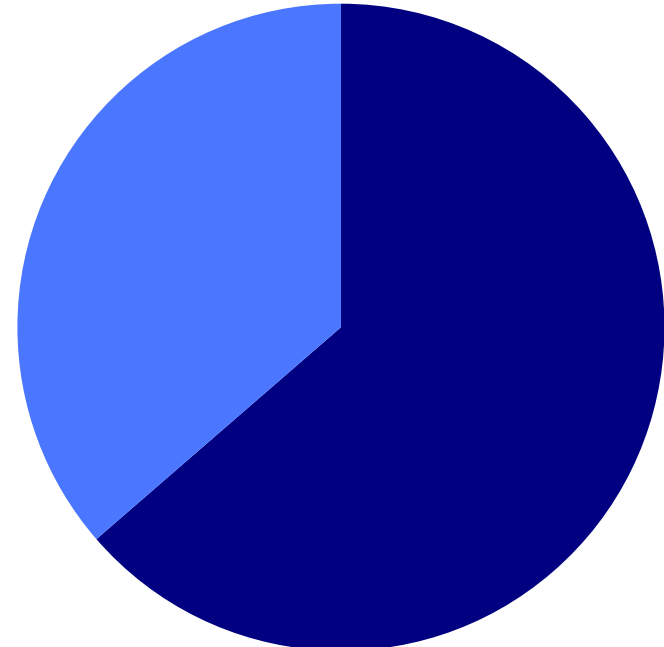
Other sources are more commonly used

Does your organisation use the LCI or other data source as a measure for other countries, percent

■ Yes ■ No



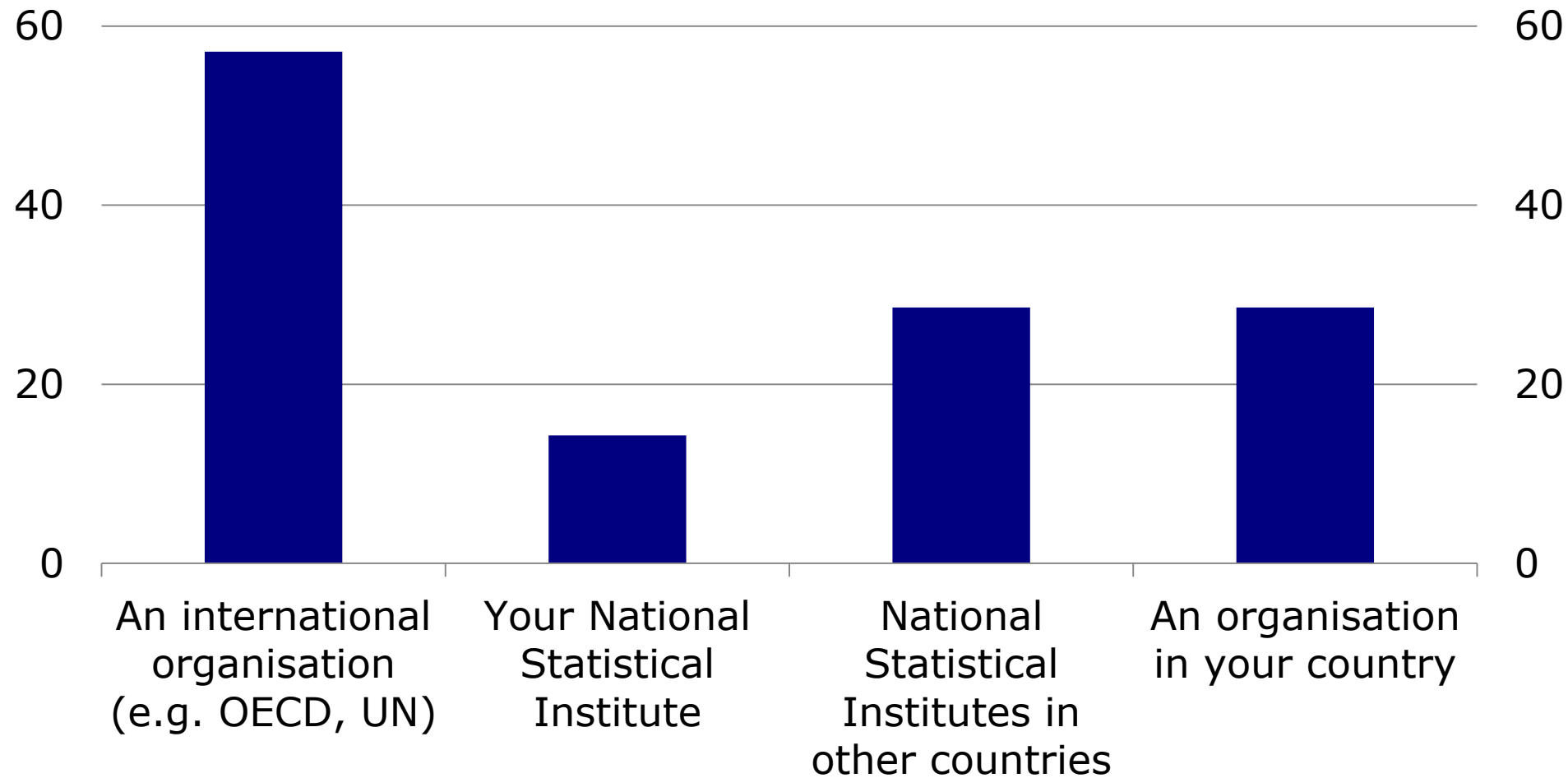
LCI



Other data source

Wage data on other countries are mostly coming from international organisations

Where is the other data source produced, percent



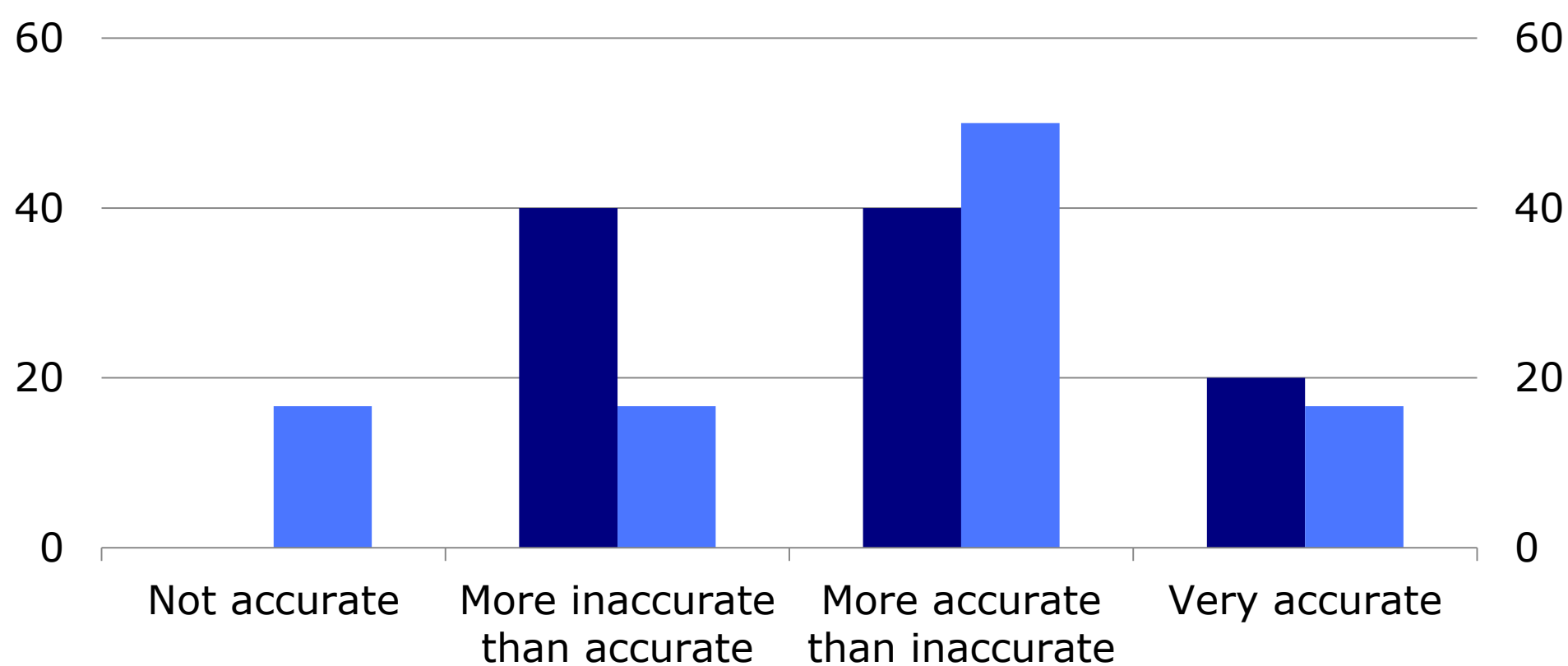
Note: Don't know answers: 2. Multiple answers allowed, so the sum is more than 100 percent.
Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

LCI is seen as slightly more accurate

How accurate is the source in describing the actual wage development in other countries, percent

■ LCI ■ Other source



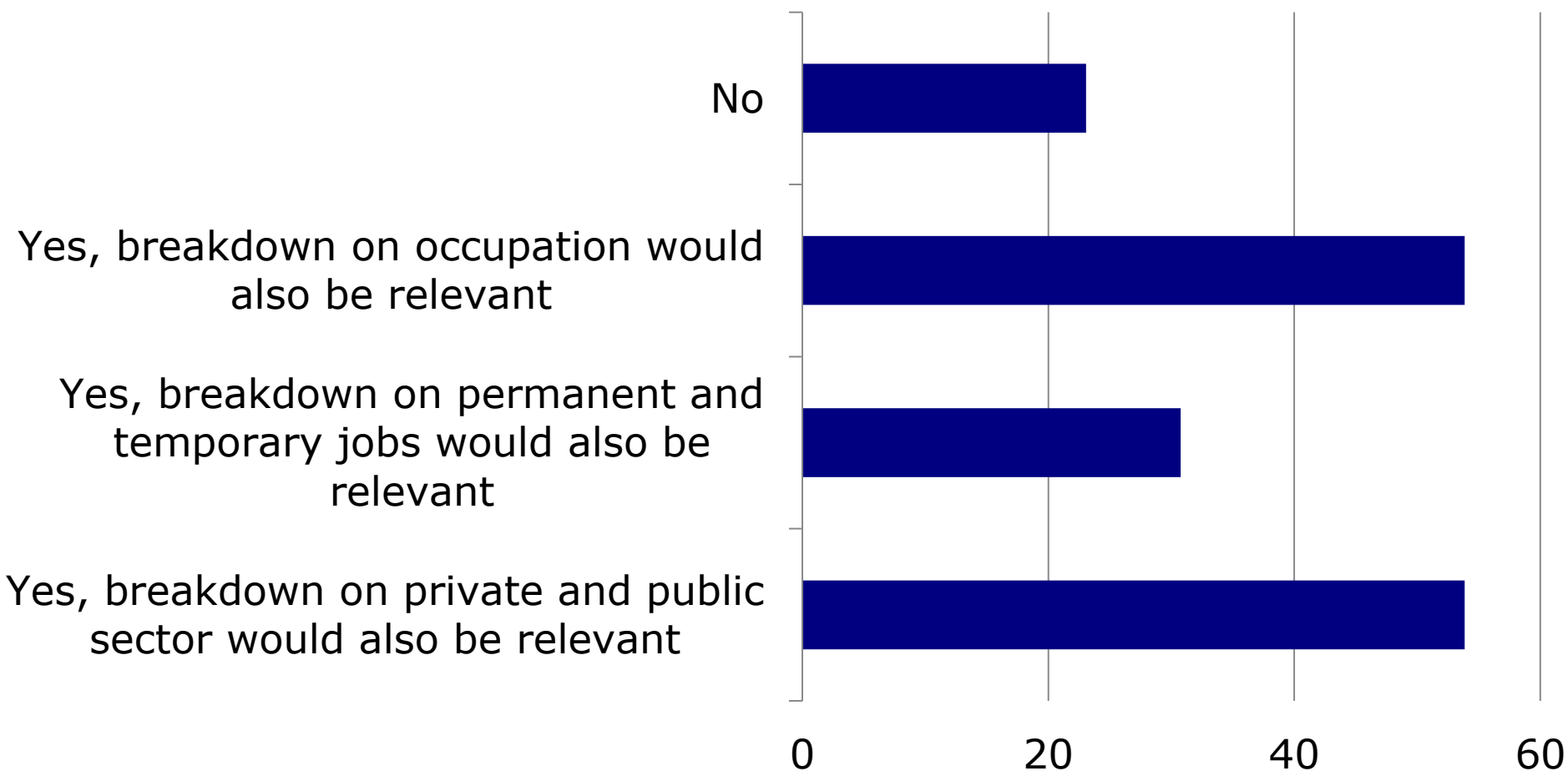
Note: Only answered by respondents who uses the data source.

Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

Request for breakdown on occupation

Would additional breakdowns be relevant, percent



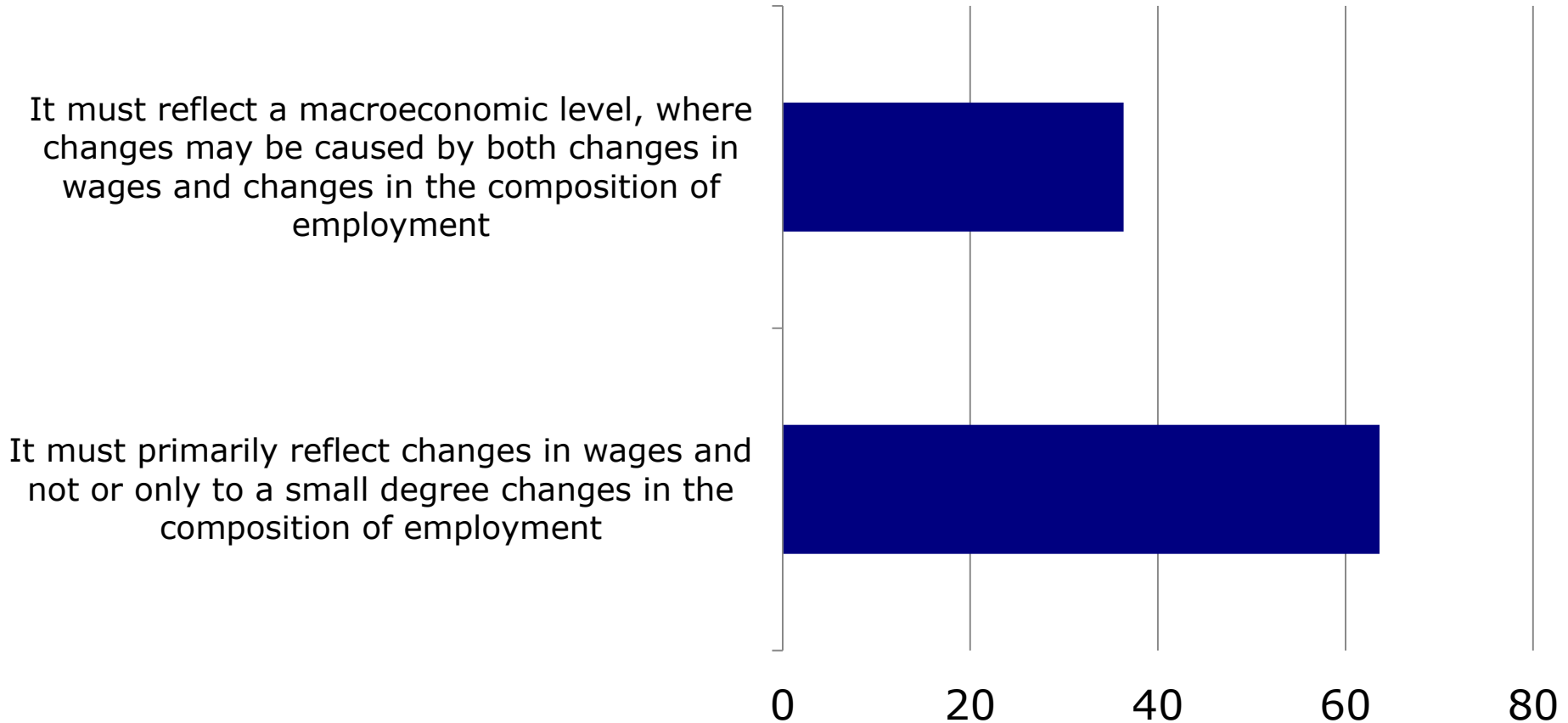
Note: Multiple answers allowed, so the sum is more than 100 percent.

Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

Dok ID:

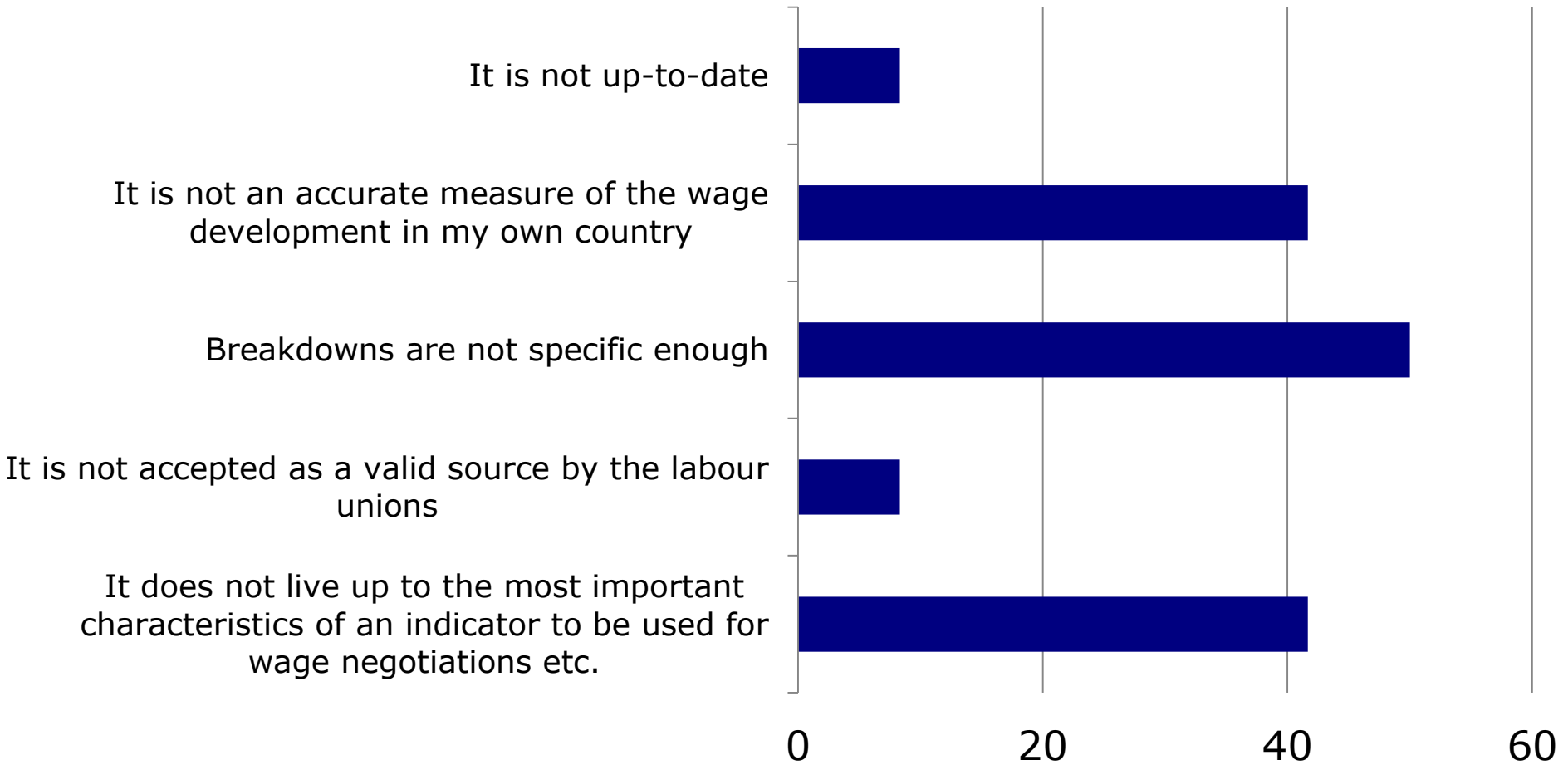
A majority think an indicator primarily should reflect changes in wages

What is the most important characteristic of an indicator to be used for wage negotiations etc., percent



A majority thinks the LCI is not an accurate measure

Main reasons preventing from using LCI even more, percent



Note: Don't know answers: 1. Multiple answers allowed, so the sum is more than 100 percent.
Source: Survey conducted by the Confederation of Danish Employers in March/April 2015.

DoK ID:

The needs of social partners are not met

- Increasing need for reliable statistics on wages and labour costs across countries.
- Employer organisations are reluctant towards LCI.
- For wage negotiations an indicator should primarily reflect changes in wages.

Recommendations:

- Eurostat and NSI should make it clear to users what the LCI is reflecting.
- Eurostat should revise wording in metadata and status reports regarding the use by social partners.
- Eurostat and NSI should consider what alternatives may be offered to social partners.