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COMMISSION STAFF WORKING DOCUMENT
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
on European labour market statistics on businesses, repealing Council Regulation (EC)
No 530/1999 and Regulations (EC) No 450/2003 and (EC) No 453/2008 of the European
Parliament and of the Council

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Introduction and background

Eurostat, the statistical office of the European Union (EU), ensures the production of high-quality comparable European statistics according to the statistical principles set out in Regulation (EC) No 223/2009 on European statistics. The main uses of European statistics are to serve EU policy design, implementation and monitoring, and their main users are EU institutions, researchers, national authorities and the public. The European Statistical System is the partnership between Eurostat and the national statistical institutes (NSIs) that works as a network. Eurostat's role is to lead the way in the harmonisation of statistics in close cooperation with national statistical authorities, which collect data and compile statistics for national and EU purposes.

To set out and implement policies and activities benefiting the EU population in areas of EU competence, as laid down in Articles 2 and 3 of the Treaty on the Functioning of the European Union (TFEU), EU institutions need complete, timely, reliable, detailed, harmonised and comparable European statistics. In particular, labour market statistics on businesses are an important source of information for policymaking and monitoring.

European labour market statistics on businesses (LMB) are official statistics that describe businesses function in relation to labour markets. For instance, it can show if there are vacant posts in companies (labour demand), how many vacant posts there are compared to those already occupied and how the posts differ depending on the type of economic activity of an enterprise. Moreover, LMB provide information on the costs borne by employers for employing staff (labour costs), how those costs are structured (e.g. what are the wages and other costs) and how they differ depending on the region or economic activity. They also include data on individual wages for a representative sample of employees, together with their characteristics (e.g. age, sex, occupation, educational attainment level) as well as those of their employers (economic activity, size class etc.). For employers, wages are a significant part of production costs and determine to some extent their cost competitiveness. For most employees, wages make up the main part of their income and contribute to their economic welfare.

LMB cover the following data collections:

- job vacancy statistics, which record the number of occupied and vacant posts;
- labour cost survey on the level and composition of labour costs borne by enterprises for employing labour;
- the labour cost index, which captures changes in the hourly labour costs borne by enterprises for employing labour;
- the structure of earnings survey on earnings paid to individual employees and information about their socio-economical characteristics;
- the gender pay gap, which measures the relative difference between the average gross hourly earnings of male and female employees and uses the structure of earnings survey as a primary source.

The legal acts governing LMB are:

- Council Regulation (EC) No 530/1999 of 9 March 1999 concerning **structural statistics on earnings and labour costs** (OJ L 63, 12.3.1999, p. 6);

- Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the **labour cost index** (OJ L 69, 13.3.2003, p. 1);
- Regulation (EC) No 453/2008 of the European Parliament and of the Council of 23 April 2008 on quarterly **statistics on Community job vacancies** (OJ L 145, 4.6.2008, p. 234).

Problem definition

The evaluation concluded that the set of legislation on LMB allowed for collecting high-quality information, which is widely used for the intended purpose, and that Member States improved their compliance with the legislation over time. The strengths of the LMB lie in their well-established reputation as a source of coherent, efficient, comparable and accurate information, which are widely used by organisations and policymakers at all levels. Over the past 10 to 20 years, the importance of LMB has grown apace with policy developments in the areas of equality, working conditions and the monitoring of the monetary union. Comparable data at EU level for these policies is essential and provides clear value added.

However, the evaluation has also highlighted some weaknesses in the adaptation of LMB to new needs, sources and methods. The first problem with the existing legal framework is that LMB do not address new needs, sources and methods. The legal framework does not reflect the latest user needs and is not flexible enough to address those that will emerge in the future. Users are seeking timelier data, through more frequent data collection and releases (depending on the type of LMB) and/or shorter deadlines for transmission and dissemination. The LMB regulations did not envisage the use of innovative data sources as they were not available at that time; therefore, statistical quality reporting is not adjusted to assess the quality of those sources that could be used today. Another emerging trend is the use of administrative data. Member States are making more use of this source, which enables more frequent data collection (e.g. quarterly) with a lower burden on businesses. However, the quality reporting framework in the current LMB legislation is not suitable for this type of data.

Second, LMB do not capture significant actors of the EU economy, such as micro firms. This shortcoming was already identified when the legal acts were adopted. It was addressed differently (by requiring feasibility studies that lead to an amendment of the legislation or by providing financial support for creating the capabilities needed) but not sufficiently resolved in the case of some data collections. Therefore, the information collected is biased in some LMB, in particular due to the incomplete coverage of some sectors of the economy or types of enterprises. This situation also varies depending on the data collection and developments in the different countries. As a result, the data provided to Eurostat cannot be used to their full potential (e.g. EU aggregates cannot be calculated for the whole economy, and country comparisons are hampered, for the structure of earnings survey for example, as not all countries extended their data collection to micro-enterprises). The lack of a legal obligation to provide information on the annual gender pay gap also became problematic after this indicator was included in the monitoring of the European Pillar of Social Rights, goal 5 ‘Gender Equality’ of the UN Sustainable Development Goals and the gender equality strategy. Some Member States have not provided any annual gender pay gap data.

Third, LMB could be made more consistent by simplifying the legal architecture (replacing the three framework regulations currently in force with one consolidated text). This unified legal framework would benefit from systematic references to the corresponding concepts used in closely related domains, such as the national accounts and European business statistics. Since the adoption of the LMB legislation, the legislation in both domains has been updated and their methodology has been revised (European system of accounts 2010, Regulation on

European business statistics adopted in 2019). Therefore, it is necessary to align LMB to bring consistency across domains and provide clarity to the users of LMB legislation, including the statistical offices of the Member States.

The evaluation has identified that these problems will persist and may worsen in the future if not legislative action is taken.

Objectives

The general objective of the action is to produce labour market and business statistics that are up to date, relevant, comprehensive in coverage of important economic sectors, comparable across Member States and consistent with related statistical domains. This can be broken down into three specific objectives aligned to the problems outlined above:

- adapt the regulatory framework to allow for flexibility in meeting emerging needs, publish more timely statistics, and promote the use of innovative sources and methods (whose quality has been duly assessed);
- extend the coverage of statistics to the whole economy and ensure exhaustive gender pay gap data;
- improve the consistency with related statistical domains.

Policy options and their impacts

To develop policy options, Eurostat drew up an exhaustive list of all possible measures identified during the preparatory work with the national statistical institutes, a public consultation and stakeholder consultation for each data collection. The measures were then bundled into regulatory frameworks or policy options.

Table 1 shows the resulting options, which are ranked by an increasing level of ambition. **Option 0** is the baseline scenario. In **option 1**, the data collections specified in the three existing regulations are integrated under a new single framework regulation that also covers the gender pay gap. Definitions, concepts and approaches are aligned, and an overall planning is set up to better synchronise data transmissions. There are strong methodological links between: (i) the structure of earnings survey and the gender pay gap; and (ii) the labour cost survey and the labour cost index. However, option 1 does not address emerging needs, the timeliness of data collections or their coverage to the extent that these should be addressed voluntarily in this option.

In **option 2**, the coverage is extended to micro businesses for the structure of earnings survey (main information); the labour cost survey is not extended to those enterprises. The scope of both those surveys is extended to the NACE section 'Public administration and defence; compulsory social security', and job vacancy statistics cover the whole economy. Timeliness is improved for the labour cost index; it is slightly improved (by 2 months) for the structure of earnings survey; there is no improvement in the timeliness of the survey on labour costs. The frequency of both surveys stays as it is in the baseline. Developing a legal basis for the gender pay gap and covering emerging needs is also part of this option. This option ensures improved quality reporting for all data collections and better harmonisation and planning via the integrated framework regulation.

Finally, **option 3** exhaustively tackles the needs for improvement and harmonisation of all LMB as expressed by stakeholders. It includes all identified policy measures. These measures are related to coverage, timeliness and high frequency of surveys on the structure of earnings and labour costs, quality reporting and use of administrative data and innovative sources, alignment of concepts across LMB domains, making gender pay gap data collection compulsory and covering emerging needs. That means that the coverage of both surveys is

extended to micro firms and to the NACE section ‘Public administration and defence; compulsory social security’, and job vacancy statistics cover the whole economy. The timeliness of the structure of earnings survey shows a significant improvement, while the labour cost survey shows a moderate improvement. In this option, LMB benefits from improved quality reporting and better harmonisation and planning through one integrated framework regulation.

Table 1: Options 0 (baseline), 1, 2 and 3 under a new single framework regulation – main features and differences

Cluster of measures	Option 0 (baseline)	Option 1	Option 2	Option 3
Gender pay gap (annual data collection)	No	Compulsory	Full implementation	Full implementation
Coverage	No	Voluntary	Micro-enterprises in the structure of earnings survey (main information only). Public sector covered in both surveys (structure of earnings and labour costs). Full coverage of job vacancy statistics.	Micro-enterprises in both surveys – structure of earnings and labour costs (complete information). Public sector covered in both surveys (structure of earnings and labour costs). Full coverage of job vacancy statistics.
Timeliness and frequency	No	Voluntary (timeliness only)	Timeliness improved to some extent (significant improvement to the labour cost index and moderate improvement to the structure of earnings survey). No increase in the frequency of surveys.	Timeliness improved for the labour cost index and for structure of earnings and labour cost surveys. The frequency of both surveys is doubled.
Quality reporting, use of administrative data and innovative sources	No	Voluntary (but compulsory for the gender pay gap)	Full implementation	Full implementation
Emerging needs	No	Voluntary	Yes	Yes

Comparison of options and the preferred option

A qualitative assessment of the four options selected for the impact assessment was carried out. It assessed proportionality, followed by effectiveness, efficiency and coherence. A summary of this assessment is presented in Table 2.

In terms of costs, option 3 creates a significant increase in the burden on businesses and this leads to an 88% increase in their costs for answering surveys. Option 2 results in an 11% increase in the burden on businesses. In option 3, the costs for data compilers increase by 64% against 12% in option 2. Option 1 creates a negligible increase in the burden on and costs for businesses and national statistical institutes.

	Increase in costs for NSIs (in EUR)	% increase in total costs for NSIs
Option 1	215 000	1%
Option 2	3 700 000	12%
Option 3	19 300 000	64%

	Increase in costs for businesses (in EUR)	% increase in total costs for businesses
Option 1	92 000	0.2%
Option 2	4 700 000	11%
Option 3	38 000 000	88%

All the options ensure proportionality. Option 2 was identified as addressing the needs of data users and providers in the most cost-efficient way. Although data users would like to see a more ambitious proposal such as option 3, it would be difficult to reach an agreement on that option given its impact on the burden on businesses.

Table 2: How the options compare

Assessment		Score		
		Option 1	Option 2	Option 3
Consistency with the proportionality principle (pass/uncertain/fail)	Does the option go beyond what is necessary to satisfactorily achieve the objectives?	Pass	Pass	Pass
	Is the scope of the option limited to aspects that Member States cannot achieve satisfactorily on their own and that the EU can do better?	Pass	Pass	Pass
	Are costs for the EU, national governments, regional and local authorities, businesses and the public commensurate with the initiative's objectives?	Pass	Pass	Uncertain
	Is the type of action (choice of instrument) as simple as possible and consistent with a satisfactory achievement of the objective and effective enforcement?	Pass	Pass	Pass
Effectiveness (-- to ++)	Strategic objective (SO) 1.1: Adapting the regulatory framework to allow flexibility in meeting emerging needs	+	++	++
	SO 1.2: Release more timely statistics	+	+	++
	SO 1.3: Promote the use of innovative sources and methods (whose quality has been duly assessed)	+	++	++
	SO 2: Improve the coverage of statistics to the whole economy and ensure exhaustive gender pay gap data	+	+	++
	SO 3: Improve the consistency with related statistical domains	+	++	++
	Impact on fundamental rights, including the promotion of equality	+	+	++
	Social impact	+	++	++
	UN Sustainable Development Goals	0	+	++
Coherence with overarching objectives of EU policy (-- to ++)	Coherence	-	+	+
Efficiency (-- to ++)	Efficiency	0	++	+

Monitoring and evaluation

The performance of the new LMB framework will be monitored and evaluated using the operational objectives set under each of the specific objectives. To achieve this, 20 monitoring indicators and provisional targets have been drawn up. A first evaluation concluding the implementation phase is planned within 3 to 5 years after the entry into force of the new legal

framework. After transition to the application phase, the functioning and impact of the legislation will be evaluated regularly every 3 to 5 years.