



COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 8.10.2002
SEC(2002) 1080 final

2001/0166 (COD)

**COMMUNICATION FROM THE COMMISSION
TO THE EUROPEAN PARLIAMENT**

pursuant to the second subparagraph of Article 251 (2) of the EC Treaty

concerning the

**common position of the Council on the adoption of a Regulation of the European
Parliament and of the Council concerning the Labour Cost Index**

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1. BACKGROUND

Proposal submitted to the European Parliament and to the Council (COM(2001) 418 final - 2001/0166 (COD)) :	23 July 2001
European Central Bank adopted its opinion :	11 October 2001
Economic and Social Committee adopted its opinion :	29 November 2001
Opinion of the European Parliament (first reading) :	28 February 2002
Adoption of the common position by the Council :	23 September 2002

2. AIM OF THE COMMISSION PROPOSAL

The requirement for an indicator on short-term labour cost trends was identified in the Action Plan on economic and monetary union statistical requirements, prepared by the Commission (Eurostat) in close collaboration with the European Central Bank. This Action Plan was endorsed by the Council on 29 September 2000.

3. COMMENTS ON THE COMMON POSITION

3.1. General

At first reading, the European Parliament approved the Commission's proposal without amendment.

3.2. Decisions on the European Parliament's amendments after first reading

Not applicable

3.3. New provisions introduced by the Council and the Commission's position.

Four key provisions have been incorporated into the Council's common position and are fully supported by the Commission:

- Feasibility studies for NACE Rev.1 sections L-O

The introduction of feasibility studies by the Council, to replace the transitional period of five years, recognises the difficulties which a number of Member States face in covering these sectors of the economy on a quarterly basis. The feasibility studies will enable these Member States to study the methods already in use in other Member States, so that a cost-effective solution can be proposed for approval through the comitology procedure, with implementation due no later than 2007.

- Fixing the economic activity at the NACE section level

The Commission agrees that at this stage, an economic structure fixed at NACE sub-section level is too detailed for many Member States to implement and is not an urgent priority for users, particularly as it focuses disproportionately on the manufacturing sector. The common position allows the possibility of changing the fixed structure to the more detailed NACE 2-digit level (which relates to all economic sectors) through comitology in the future.

- Reduction in the detail required for labour costs that exclude bonuses

In order to calculate the index of total labour costs excluding bonuses, data on bonus payments have to be produced on a quarterly basis. This presents serious difficulties for several Member States. The common position addresses these difficulties by removing the requirement for a breakdown by economic activity and by emphasising that quarterly estimates are acceptable. The Commission accepts this approach, because the common position also allows the possibility of further economic breakdowns by comitology in the future, the reduction in the detail is acceptable to users and there is the provision for feasibility studies to help any Member State unable to provide the index.

- Separate quality criteria for current data and back data

The Commission also accepts the Council's amendment in the common position indicating that back data can be subject to less stringent quality criteria compared with current data. This reflects practical difficulties in Member States where no historic information is available on which to make estimates for back data of the same quality as current data. The quality criteria for current data will be more demanding, however, in order to ensure that current results are of as high a quality as possible.

- Other changes

The Council has also reworded certain parts of the text to make it easier to understand and amended dates to be consistent with the expected entry into force of the Regulation. These changes do not affect the substance of the proposed Regulation.

3.4. Comitology procedure issues raised during the adoption of the common position (and of the Commission position).

In its common position, the Council has replaced the management procedure proposed by the Commission with a regulatory procedure. The Commission considers this change acceptable for all the implementing measures that are subject to comitology procedures.

4. CONCLUSION

The common position fully addresses the objectives of the Regulation proposed by the Commission. It meets the immediate and urgent needs of users, respects concerns over costs and burdens and in addition contains the flexibility to meet more detailed requirements in the future, subject to agreement through comitology. For the reasons set out above, the Commission hereby expresses a favourable opinion on the common position of the Council adopted unanimously.