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*****I**
REPORT

on the proposal for a European Parliament and Council regulation concerning
labour cost index
(COM(2001) 418 – C5-0348/2001 – 2001/0166(COD))

Committee on Economic and Monetary Affairs

Rapporteur: Miquel Mayol i Raynal

Symbols for procedures

- * Consultation procedure
majority of the votes cast
- **I Cooperation procedure (first reading)
majority of the votes cast
- **II Cooperation procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- *** Assent procedure
*majority of Parliament's component Members except in cases
covered by Articles 105, 107, 161 and 300 of the EC Treaty and
Article 7 of the EU Treaty*
- ***I Codecision procedure (first reading)
majority of the votes cast
- ***II Codecision procedure (second reading)
*majority of the votes cast, to approve the common position
majority of Parliament's component Members, to reject or amend
the common position*
- ***III Codecision procedure (third reading)
majority of the votes cast, to approve the joint text

(The type of procedure depends on the legal basis proposed by the Commission)

Amendments to a legislative text

In amendments by Parliament, amended text is highlighted in ***bold italics***. Highlighting in *normal italics* is an indication for the relevant departments showing parts of the legislative text for which a correction is proposed, to assist preparation of the final text (for instance, obvious errors or omissions in a given language version). These suggested corrections are subject to the agreement of the departments concerned.

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PROCEDURAL PAGE

By letter of 23 July 2001 the Commission submitted to Parliament, pursuant to Article 251(2) and Article 285 of the EC Treaty, the proposal for a European Parliament and Council regulation on labour cost index (COM(2001) 418 - 2001/0166 (COD)).

At the sitting of 3 September 2001 the President of Parliament announced that she had referred the proposal to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Legal Affairs and the Internal Market and the Committee on Employment and Social Affairs for their opinions (C5-0348/2001).

The Committee on Economic and Monetary Affairs appointed Miquel Mayol i Raynal rapporteur at its meeting of 11 September 2001.

The committee considered the Commission proposal and draft report at its meetings of 22 November 2001 and 19 December 2001.

At the latter meeting it adopted the draft legislative resolution unanimously.

The following were present for the vote: Philippe A.R. Herzog, vice-chairman and acting chairman; Miquel Mayol i Raynal, rapporteur; Alejandro Agag Longo, Hans Blokland, Hans Udo Bullmann, Ieke van den Burg (for Richard A. Balfe), Harald Ettl (for Peter William Skinner), Carles-Alfred Gasòliba i Böhm, Robert Goebbels, Lisbeth Grönfeldt Bergman, Brice Hortefeux, Pierre Jonckheer, Othmar Karas, Piia-Noora Kauppi, Christoph Werner Konrad, Alain Lipietz, Astrid Lulling, Thomas Mann (for Karl von Wogau), Ioannis Marinou, Fernando Pérez Royo, John Purvis (for Jonathan Evans), Alexander Radwan, Bernhard Rapkay, Olle Schmidt, Charles Tannock, Marianne L.P. Thyssen and Bruno Trentin.

The Committee on Legal Affairs and the Internal Market decided on 11 September 2001 not to deliver an opinion and the Committee on Employment and Social Affairs decided on 12 September 2001 not to deliver an opinion.

The report was tabled on 19 December 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

LEGISLATIVE PROPOSAL

Proposal for a European Parliament and Council regulation concerning labour cost index (COM(2001) 418 – C5-0348/2001 – 2001/0166(COD))

The proposal is approved.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the proposal for a European Parliament and Council regulation concerning labour cost index (COM(2001) 418 – C5-0348/2001 – 2001/0166(COD))

(Codecision procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2001) 418¹),
 - having regard to Article 251(2) and Article 285 of the EC Treaty, pursuant to which the Commission submitted the proposal to Parliament (C5-0348/2001),
 - having regard to Rule 67 of its Rules of Procedure,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0461/2001),
1. Approves the Commission proposal;
 2. Asks to be consulted again should the Commission intend to amend its proposal substantially or replace it with another text;
 3. Instructs its President to forward its position to the Council and Commission.

¹ OJ C : not yet published.

EXPLANATORY STATEMENT

Legal basis

The proposal for a regulation is based on Articles 285(1) and 251 of the Treaty. Article 285(1), referring to statistics, stipulates that ‘...the Council, acting in accordance with the procedure referred to in Article 251, shall adopt measures for the production of statistics where necessary for the performance of the activities of the Community’. Under Article 251 the codecision procedure is to be used.

Proposal’s background and content

The view that labour costs are one of the largest potential sources of inflation lies behind the Commission proposal. The European institutions responsible for economic, employment and monetary affairs should therefore be provided with regular and reliable labour cost indices. In addition, this information would enable the European Central Bank to monitor inflation more successfully, and the social partners would be able to use it in negotiating wage agreements.

Your rapporteur does not share the viewpoint that labour costs are one of the largest sources of inflation. In fact, in most cases salary increases are merely a result of increases in the cost of living. Nonetheless, he considers it useful for the European Union to have reliable statistics in this area, to permit better evaluation of its social and economic situation.

Since 1997, a labour cost index (LCI) has been used, but it has been without a legal basis and has not been entirely satisfactory. Currently the lack of reliable information in this area is considered a real weakness. This is why the Action Plan on EMU statistical requirements (endorsed by the ECOFIN Council on 29 September 2000) added short term labour cost statistics to the package of projects to be presented to Parliament and the Council during early 2001.

The proposal’s objective is to establish a common framework for the production, transmission and evaluation of comparable labour cost indices (Article 1). These costs are defined as the total quarterly costs incurred by the employer in the employment of labour (Article 2(2)). The data must be broken down by economic categories (Article 4(1)). Four indices will be established:

- total labour costs;
- labour costs excluding bonuses which are not paid regularly;
- wages and salaries;
- employers' social contributions plus taxes paid by the employer less subsidies received as compensation for direct labour costs.

The data for the LCI shall be compiled on a quarterly basis (Article 5(1)). The data must be supplied in index form within 70 days of the end of the reference period (Article 6). Transition periods may not extend more than two years from the date of entry into force of the regulation (Article 9(1)). In implementing the regulation (including derogation decisions) the Commission shall be assisted by the Statistical Programme Committee, acting in accordance with the *management procedure* (Article 11). A report on the regulation’s implementation, including an assessment of the quality of the data supplied, will be submitted to Parliament

and the Council every two years.

Specific comments

An analysis of labour costs is certainly an important factor in formulating economic, monetary and employment policies, and the Commission's proposal is undeniably justified. The proposal is primarily concerned with technical points, particularly with regard to the definition of the LCI and the formula for calculating it (annex to the regulation). The choice of the management committee procedure seems justified, given current practice within the sector.

Two issues should, however, be considered:

- the possibility of making the LCI more precise by creating a separate index for total cost excluding professional training expenditure for which the employer is responsible;
- the possibility of postponing the first deadline for the submission of an assessment report until 31 December 2003, in order to permit an analysis based on a period of operation which takes account of a possible transition period.

Concerning the first point, Eurostat should check whether data availability would make it feasible. As for the assessment report, it is clear that if there were too many derogations, the report would only be an interim one; it would therefore be better to make provision as soon as possible for a second report, and to ensure that it includes analysis which is as thorough as possible.