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*****II**

RECOMMENDATION FOR SECOND READING

on the Council common position with a view to the adoption of a Regulation of the European Parliament and of the Council concerning the labour cost index (10803/2/2002 – C5-0453/2002 – 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

At the sitting of 28 February 2002 Parliament adopted its position at first reading on the proposal for a European Parliament and Council regulation on labour cost index (COM(2001) 418 - 2001/0166 (COD)).

At the sitting of 10 October 2002 the President of Parliament announced that the common position had been received and referred to the Committee on Economic and Monetary Affairs (10803/2/2002 – C5-0453/2002).

The committee had appointed Miquel Mayol i Raynal rapporteur at its meeting of 11 September 2001.

It considered the common position and draft recommendation for second reading at its meeting of 5 November 2002 and 28 November 2002.

At the latter it adopted the draft legislative resolution unanimously.

The following were present for the vote: John Purvis, acting chairman and vice-chairman; Generoso Andria, Richard A. Balfe (for Jonathan Evans), Luis Berenguer Fuster (for Robert Goebbels), Pervenche Berès, Roberto Felice Bigliardo, Hans Udo Bullmann, Bert Doorn (for José Manuel García-Margallo y Marfil), Manuel António dos Santos (for Christa Randzio-Plath), Harald Ettl (for Giorgos Katiforis), Ingo Friedrich, Lisbeth Grönfeldt Bergman, Brice Hortefeux, Christopher Huhne, Othmar Karas, Christoph Werner Konrad, Astrid Lulling, Thomas Mann (Hans-Peter Mayer), Helmuth Markov (for Philippe A.R. Herzog), David W. Martin, Fernando Pérez Royo, Elly Plooij-van Gorsel (for Carles-Alfred Gasòliba i Böhm), Alexander Radwan, Bernhard Rapkay, Herman Schmid (for Ioannis Patakis), Olle Schmidt, Peter William Skinner, Helena Torres Marques, Bruno Trentin, Ieke van den Burg (for Mary Honeyball) and Theresa Villiers.

The recommendation for second reading was tabled on 28 November 2002.

DRAFT LEGISLATIVE RESOLUTION

European Parliament legislative resolution on the Council common position with a view to the adoption of a Regulation of the European Parliament and of the Council concerning the labour cost index (10803/2/2002 – C5-0453/2002 – 2001/0166(COD))

(Codecision procedure: second reading)

The European Parliament,

- having regard to the Council common position (10803/2/2001),
 - having regard to its position at first reading¹ on the Commission proposal to Parliament and the Council (COM(2001) 418²,
 - having regard to Article 251(2) of the EC Treaty,
 - having regard to Rule 78 of its Rules of Procedure,
 - having regard to the recommendation for second reading of the Committee on Economic and Monetary Affairs (A5-0420/2002),
1. Approves the common position;
 2. Notes that the act is adopted in accordance with the common position;
 3. Instructs its President to sign the act with the President of the Council pursuant to Article 254(1) of the EC Treaty;
 4. Instructs its Secretary-General duly to sign the act and, in agreement with the Secretary-General of the Council, to have it published in the Official Journal of the European Communities;
 5. Instructs its President to forward its position to the Council and Commission.

¹ OJ C not yet published.

² OJ C 304, 30.10.2001, p. 184.

EXPLANATORY STATEMENT

Background

The Commission proposal is based on the assumption that, in a zone as large as the eurozone, labour costs are generally considered as the main potential source of inflation. A timely labour cost index is thus considered by the Commission to be of utmost importance for the European Central Bank, to monitor inflation in the EMU, and for social partners to use in negotiating wage agreements. The lack to date of such an index has been identified as major weakness in the action plan for EMU statistics.

The current proposal seeks to remedy that by establishing a common framework for the production, transmission and evaluation of comparable labour cost indices. These costs are defined as the total quarterly costs incurred by the employer in the employment of labour. The data for the LCI shall be compiled on a quarterly basis. In implementing the regulation (including derogation decisions) the Commission shall be assisted by the Statistical Programme Committee. 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.

At first reading, the Parliament approved the Commission proposal without proposing any amendments. Subsequently, the Council arrived at a Common Position in late September 2002.

Critical Appraisal

In its Common Position, the Council has made a number of adjustments to the original Commission proposal. Your rapporteur considers that these changes are in line with the spirit of the original proposal and thus as such can be accepted in principle.

It should however be pointed out that the Council has made a substantial change which is not even mentioned in the Statement of the Council's reasons: the Council has changed the Committee procedure from the management procedure, as proposed by the Commission, to the regulatory procedure. This change does, on reflection seem to be in line with the criteria laid down in article 2 of the Comitology Decision (Council Decision 1999/468//EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission). The measures to be adopted by the Statistical Programme Committee appear to be "measures of general scope" and the Regulatory Procedure is thus appropriate.

He is therefore proposing that the Common Position should be adopted without amendment. At the same time, he would like to reiterate his misgivings about the rationale behind the proposal. He does not share the Commission's viewpoint that labour costs are one of the largest sources of inflation. Salary increases are more often than not merely a result of increases in the cost of living. Finally, your rapporteur considers that salary increases should be measured against labour productivity, and to that end, a productivity index should be developed in the near future.