

LCI – total labour cost

LCI – total labour cost: definition

The **Labour Cost Index** (LCI) describes the hourly labour cost (wages and contributions) in France across non-agricultural market sectors excluding services to households. Harmonised at European level (regulations no. 450/2003 and no. 1216/2003), LCI is sent to Eurostat 70 days after the end of the quarter. This is a chain-linked Laspeyres index, base 100 in 2016,¹ and is seasonally and working-day adjusted. The indicator published every quarter in *Informations Rapides* covers the non-agricultural market sectors excluding services to households (sections B to N of the French Classification of Activities - NAF 2008 rev. 2).

The **LCI** measures changes in:

- wages and salaries, social contributions (from workers and employers),
- taxes² net of subsidies³.

The **LCI** is calculated as the ratio of the number of hours worked to the sum of the wage bill, social contributions and other costs after allowance has been made for charge exemptions.

Social contributions include employers' social security contributions, the self-reliance solidarity contribution, unemployment insurance, contributions to supplementary pension schemes (AGIRC-ARRCO), death insurance, contribution to the wage guarantee scheme and contribution to the social dialogue. The rates for these charges are tracked quarterly. Reductions in charges are deducted.

The index also includes other costs such as the payroll tax, the contribution for not employing people with disabilities, and other contributions and taxes (net of subsidies) paid by employers. Some of these other costs are updated every year from information provided by ACOSS, and others every four years when the results from the French Labour Cost Survey become available; the rate changes between two surveys are distributed over the first quarters of the four studied years.

The subsidies taken into account are those related to the wage bill or workforce of certain specific categories of people. As a subsidy to the employer, the tax credit for encouraging competitiveness and jobs (CICE) reduces the labour cost up to a percentage of the salaries lower than 2.5 times the minimum wage. It has been included in the calculation of the index since the 1st January 2013, when the CICE came into force as an established entitlement (date of the operative event for the tax credit). The rate increased from 4% on 1st January 2013 to 6% on 1st January 2014. In the overseas departments (DOM) it increased to 7.5% on 1st January 2015 and then to 9% on 1st January 2016. In metropolitan France, the CICE rate increased to 7% on 1st January 2017 before decreasing to 6% on 1st January 2018. Finally, on 1st January 2019, the CICE was replaced by a uniform reduction in the rate of the health insurance employer contributions (6 points) for workers earning lower than 2.5 times the minimal wage, in metropolitan France as well in DOM (except Mayotte), but the DOM-specific exonerations (Lodeom) have been strengthened to compensate for this transformation. Overall, the CICE transformation is neutral on the LCI.

¹ From the Q1 2015 publication onwards and in accordance with European regulations, the base year for these indices is now 2016 and not 2012 (the average of the four quarterly indices for 2016 is equal to 100). If necessary, in order to obtain the series with 2012 as base year, the quarterly changes in percentage have to be applied to the old series or – in an equivalent way - the series have to be divided by the average of the indices of the four 2012 quarters and multiplied by 100.

² any duty or tax based on the wage bill or on workforce.

³ Subsidies associated with the wage bill or the workforce of certain categories of people.

Three main sources are used to calculate the **LCI**. Short-term data from the Central Agency of Social Security Associations (ACOSS) provide the wage bill, workforce numbers / the number of employees, social contributions exemptions and the wage bill below the CICE ceiling. The hours worked come from the ACEMO survey conducted by DARES, and other costs are taken from INSEE's quadriennial Labour Cost Survey (LCS). These data are provisional when they are taken into account in the index and might be revised by the producers. Thus the index might also be revised particularly for recent quarters.

Major revisions to the index (changes to methodology, incorporation of LCS surveys) are documented in supplementary *Methodological Notes*.

LCI – wages and salaries

As stipulated in the European regulations referred to above, in addition to the **LCI – total labour cost**, INSEE also calculates an hourly wage index, **LCI – wages and salaries**, based on the same sources. This wage index differs markedly from the basic monthly wage (*see table below*).

	LCI – wages only	Basic monthly wage
Wage	hourly	monthly
Scope	includes bonuses and additional salaries	excludes bonuses
Working hours and qualifications depends on actual working hours and qualification structure	calculated using a constant qualification structure	

As a result, the **LCI – wages and salaries** is an index of the *labour cost* (excluding employers' social contributions) whereas the basic monthly wage is an index of *price of work* at a constant qualification structure. Therefore the basic monthly wage does not take into account the impact on wages of the increase in employees' qualifications. Conversely, the **LCI – wages and salaries** is conceptually similar to the average wage per capita in the market sector of the Quarterly National Accounts: both indicators cover the entire wage bill, with the **LCI – wages and salaries** relating this wage bill to a number of hours worked, whereas the average wage per capita relates it to a number of employees.

All European Union member states produce the same type of index, published on the Eurostat website: www.epp.eurostat.ec.europa.eu