

## Labour cost index

### Release schedule: flash estimate at Q+45 days, detailed results at Q+75 days

As of November 2023, INSEE reduces the publication deadlines for the **Labour Cost Index (LCI)**. An initial estimate (“flash estimate”) of this index is published approximately 45 days after the end of the quarter in question. The flash estimate is produced using data from the Nominative Social Declaration (DSN). It anticipates the estimate of the detailed results, published approximately 75 days after the end of the quarter in question, which uses the consolidated data from the URSSAF Caisse nationale payroll data.

The data published in the flash estimates relate to the main sectors of activity (Industry, Construction, Services), while the detailed results are published at the A21 level of the NAF Rev. 2. When the flash estimate of LCI for a given quarter is published, the data on previous quarters are not revised.

### Labour Cost Index (LCI): an hourly wage indicator and an hourly cost indicator

The **Labour Cost Index (LCI)** is made up of two indicators:

- the first measures changes in average gross hourly earnings. Previously known as LCI – Wages and salaries, it has been renamed LCI – Hourly Wages in November 2023;
- the second provides a complementary focus from the employers' point of view, measuring more broadly changes in average hourly labour costs. Previously known as total labour cost index (LCI), it has been renamed LCI – Hourly costs in November 2023.

### LCI – hourly costs: definition

The **Labour Cost Index (LCI)** describes the hourly labour cost (wages and contributions net of subsidies) in France across non-agricultural market sectors excluding services to households (sections B to N of the NAF Rev. 2). Harmonised at European level (regulations no. 450/2003 and no. 1216/2003), the LCI is sent to Eurostat, the statistical office of the European Union; INSEE publishes the results on its website 45 days after the end of the quarter for the flash estimate, and 75 days after the end of the quarter for the detailed results. It is a chain-linked Laspeyres index, base 100 in 2020<sup>1</sup>, seasonally and working-day adjusted.

The **LCI** measures changes in:

- wages and salaries,
- social contributions (from workers and employers)
- taxes<sup>2</sup> net of subsidies.<sup>3</sup>

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.

Total payroll includes the remuneration paid to employees, on the basis of which social security and tax contributions (social security contributions, unemployment insurance contributions, CSG, income tax, etc.) are calculated, as well as certain items not subject to contributions, such as the Value Sharing premium (PPV).

Social contributions include employers' social security contributions, the self-reliance solidarity contribution, unemployment insurance, contributions to supplementary pension schemes (AGIRC-ARRCO), death

<sup>1</sup> From the Q1 2023 publication onwards and in accordance with European regulations, the year of reference for these indices is 2020 and not 2016 (the average of the 4 quarterly indices for 2020, weighted by the volume of work – total number of hours paid – is equal to 100). However, it should be noted that, as a result of the health-related restrictions, the volume of work varied significantly in 2020; in some sectors, the simple (unweighted) average of the quarterly indices for 2020 may differ significantly from the weighted average (by construction equal to 100).

<sup>2</sup> This is any duty or tax based on the wage bill or on workforce.

<sup>3</sup> Subsidies associated with the wage bill or the workforce of certain categories of people.

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 the Urssaf-Caisse nationale, and others every four years when the results from the Labour Cost Survey (LCS) become available.

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 1<sup>st</sup> 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 1<sup>st</sup> January 2013 to 6% on 1<sup>st</sup> January 2014. In the overseas departments (DOM) it increased to 7.5% on 1<sup>st</sup> January 2015 and then to 9% on 1<sup>st</sup> January 2016. In metropolitan France, the CICE rate increased to 7% on 1<sup>st</sup> January 2017 before decreasing to 6% on 1<sup>st</sup> January 2018. Finally, on 1<sup>st</sup> 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**. Another more recent example is the inclusion in the index of specific support measures introduced as part of the health crisis (the "1 young person 1 solution" plan to assist in the hiring of young employees, and the plan to support the tourism sector via exemptions or aid for the payment of contributions).

Three main sources are used to calculate the **LCI**:

- Short-term data from the Urssaf-Caisse nationale provide the wage bill, the number of employees, social contributions exemptions. Note: for the flash estimate at Q+45 days, the wage bill is obtained by using data from the Nominative Social Declaration (DSN) in advance.
- Since the first quarter of 2020, the hourly volume of work has come from the Nominative Social Declarations (DSN), a new source. Previously, it was calculated from the quarterly surveys on labour activity and employment conditions (Acemo) conducted by Dares. The (paid) hours measured in the DSN better reflect variations in the volume of work than those previously obtained from the Acemo surveys, which only recorded collective working hours and excluded individual variations such as overtime or partial activity.
- Some 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.

## LCI – hourly wages

As stipulated in the European regulations referred to above, in addition to the **LCI – hourly costs**, INSEE also calculates an hourly wage index, **LCI – hourly wages**, based on the same sources. This wage index differs markedly from the basic monthly wage (*see table below*), published by DARES (statistical service of the Ministry of Labour).

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

As a result, the **LCI – hourly wages** is an index of the *labour cost* (excluding employers' 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 trend of increase in employees' qualifications. Conversely, the **LCI – hourly wages** is conceptually similar to the average wage per capita in the market sector of the Quarterly Accounts: both indicators cover the entire wage bill, with the **LCI – hourly wages** relating this wage bill to a number of hours worked, whereas the average wage per capita relates it to a number of employees. However, the average wage per capita covers employee savings, which is not the case for the **LCI – hourly wages**. This conceptual similarity is generally understood as long as fluctuations in the average hourly volume of work per employee are limited; it does not apply to the health crisis period of 2020-2021. Indeed, this period was marked by massive extent to short-time working scheme, which resulted in a very sharp drop in paid hours worked but made it possible to preserve many jobs. Thus, the variations in the **LCI – hourly wages** were very different during this period from those of the average wage per capita in the market sector.

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