

## Revised index of hourly Labour Cost– all employees

### ICHTrev-TS: presentation

The revised index of **hourly Labour Cost (ICHTrev-TS)** is generally used for indexing contracts. It is therefore not subject to revision. It covers all non-agricultural market sectors, and includes a sectoral grouping focusing on the mechanical and electrical industries (IME). It is a chain-linked Laspeyres index, base 100 in December 2008.

The ICHTrev-TS measures change across all:

- Wages and salaries,
- social contributions,
- Taxes<sup>1</sup> net of subsidies.<sup>2</sup>

The ICHTrev-TS is calculated as the ratio of the number of hours worked to the sum of the wage bill and social contributions once allowance has been made for charge exemptions.

Social contributions include employers' social security contributions, the self-reliance solidarity contribution, unemployment insurance, contributions to the supplementary pension schemes (AGIRC-ARRCO), unemployment insurance. The rates for these contributions are measured quarterly. The index also takes into account the effect of extending compulsory collective healthcare cover, which must be offered by private sector employers to all employees who do not already have it, from 1<sup>st</sup> January 2016.

However, the ICHTrev-TS does not take into account conventional contributions (apart from the contributions that all enterprises/businesses must pay by law).

The subsidies taken into account are those related to the wage bill or workforce of certain specific categories of people, notably the tax credit for encouraging competitiveness and jobs (CICE) and the new hiring bonus for small and medium-sized enterprises, which came into force in Q1 2016. As the tax credit for encouraging competitiveness and jobs (CICE) is calculated on the wage bill, it is taken into account in calculating the ICHTrev-TS as an employer subsidy. It has been included in the calculation of the index since 1<sup>st</sup> January 2013. The rate increased from 4% on 1<sup>st</sup> January 2013 to 6% on 1<sup>st</sup> January 2014, then in the overseas departments (DOM) only, it increased to 7.5% on 1<sup>st</sup> January 2015 and to 9% on 1<sup>st</sup> January 2016. Until Q1 2015, due to a lack of available data, the wage bill eligible for CICE was imputed based on the Annual Declaration of Social Data (DADS). Since Q2 2015, changes in the ICHTrev-TS index have taken into account, on an annual basis, the wage bill base declared by enterprises as being eligible for CICE using the summary contributions forms (BRC) sent to the Central Agency of Social Security Associations (ACOSS). The ICHTrev-TS is obtained by applying the quarterly change calculated with this new information to the last published point.

To ensure that the ICHTrev-TS index cannot be revised, it is smoothed using a 4-quarter moving average.

### Two sources

Two sources are used to calculate the ICHTrev-TS. Short-term data from ACOSS provide the wage bill, workforce and social contributions exemptions. The number of hours worked comes from the ACEMO survey conducted by DARES. Data are not revised from one quarter to the next.

### Background to ICHTrev-TS

ICHTrev-TS replaces ICHT-TS, and before this the ICMO (Workers' Labour Cost Index).

ICHT was a "uniform qualification structure" indicator (i.e. measuring change in the labour cost without taking into account any changes in the qualification of the jobs being done), tracking change in the basic hourly wage and social contributions. Since Q1 2009, ICHTrev-TS has taken into account all aspects of wages (bonuses, overtime pay), and also any change in the qualification structure.

Whereas ICHT covered 4 specific sectors of activity (mechanical and electrical industries, textiles, clothing-leather and services provided mainly to businesses), the current indicator is calculated for all 13 sections of the French classification of economic activities (NAF rev. 2) covering the non-agricultural market sector excluding household services. The indicator is therefore available at a much more aggregated level of the classification, yet covers a

<sup>1</sup> This is any duty or tax based on the wage bill or on workforce.

<sup>2</sup> These are subsidies associated with the wage bill or the workforce of certain specific categories of people.

broader range of activities, providing businesses with a labour cost indicator that is much closer to that of their sector of activity.

A detailed presentation of the French Classification of economical Activities NAF rev. 2 can be found at the following address: <https://www.insee.fr/fr/information/2406147>

## Comparability between ICHTrev-TS and ICHT-TS series

Since Q1 2009, the old IME ICHT-TS has been replaced by an equivalent indicator, IME ICHTrev-TS. To extend the old series beyond December 2008, multiply the new indicator by the adjustment coefficient of 1.43.

For other indicators for which there is no new equivalent series, the adjustment coefficient between an old series A and a new series B is calculated from the ratio of the December 2008 index for series A to that of December 2008 for series B. Next multiply an index from series B by this adjustment coefficient to obtain the corresponding series A index.

*Example of an adjustment calculation for the “Services provided mainly for businesses” sector:*

The ICHT-TS for the “Services provided mainly for businesses” sector in December 2008 was 142.0. If the user decides to adjust this series to one of the equivalent ICHTrev-TS series, for example, ICHTrev-TS for the “Administrative and Support Service activities” a sector where the December 2008 index was 100, then the adjustment coefficient is  $142.0/100 = 1.42$ .

To extend the index into January 2009, multiply the ICHTrev-TS for the “Administrative and Support Service activities” sector for January 2009, which is 100.1, by this adjustment coefficient, which gives  $100.1 * 1.42 = 142.1$ .

## Publication calendar

ICHTrev-TS is a monthly index, but is published quarterly: the three monthly indices for a single quarter Q are published at the start of quarter Q+2. However, for the group of IME industries the delay is shorter than for other sectors: at the beginning of quarter Q the ICHTrev-TS figures for the last two months of quarter Q-2, and for the 1<sup>st</sup> month of quarter Q-1 are available. To obtain this index, an estimate is made on the basis of the latest available data. This estimate is not revised in the following quarter.

## Employer contribution indices

An index of employer contributions is also published. This differs from ICHTrev-TS in two attributes: the three monthly indices for a given quarter have the same value, and there is no forecast of this index for the IME sector, for the first month of the next quarter. This index of contributions measures change in the  $(1 + \text{rate of contributions})$  variable, where the rate of contributions is the percentage of the gross salary that is represented by the employer contributions. This is the same definition as for the old rate of contributions index, which makes the adjustment easier. The adjustment coefficient between two series is calculated and applied in the same way as for the cost indices.

## ICHTrev-TS and ICT: two labour cost indices produced by INSEE, both with different objectives

INSEE produces another quarterly Labour Cost Index (LCI). This index is harmonised at European level, the aim being to outline the hourly labour cost (wages and contributions) in France. Unlike the ICHTrev-TS, which is used to index contracts, the LCI is intended for short-term analysis and can be revised.

## Backcasting

**For the purpose of structural studies only**, the ICHTrev-TS index has been backcast monthly for the years 2007 and 2008 using the new calculation method. These backcast indices should therefore not be used for contract indexing purposes. The only method for those calculations is that of the adjustment coefficient, as explained above.

### Revised index of hourly Labour Cost – All employees – by activity

	Year 2007											
	Jan.	Feb.	Marc	April	May	June	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Mechanical and electrical Industries	94.0	94.3	94.5	94.8	95.1	95.4	95.6	95.8	96.1	96.3	96.5	96.7
Mining and quarrying	92.6	93.0	93.3	93.6	93.8	94.1	94.3	94.6	94.8	95.2	95.6	95.9
Manufacturing	94.4	94.6	94.9	95.2	95.4	95.7	95.9	96.1	96.4	96.6	96.9	97.1
Electricity, gas, steam, air conditioning supply	93.8	93.9	94.0	94.0	94.0	94.0	94.1	94.3	94.4	94.6	94.7	94.8
Water supply; sewerage, waste management, and remediation activities	95.2	95.4	95.7	96.1	96.6	97.0	97.2	97.4	97.5	97.7	97.9	98.1
Construction	96.3	96.5	96.7	96.9	97.1	97.2	97.4	97.6	97.8	98.0	98.1	98.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	95.9	96.1	96.3	96.5	96.7	96.9	97.1	97.3	97.5	97.7	97.8	98.0
Transportation and storage	95.3	95.5	95.8	96.1	96.5	96.8	97.0	97.3	97.5	97.7	97.9	98.2
Accommodation and food services	96.5	96.7	96.9	97.1	97.3	97.5	97.6	97.7	97.8	98.1	98.3	98.6
Information and communication	94.8	94.9	95.0	95.2	95.5	95.7	95.9	96.2	96.5	96.8	97.0	97.3
Financial and insurance activities	93.4	94.3	95.1	95.4	95.7	96.0	96.3	96.6	97.0	97.4	97.9	98.3
Real estate activities	96.1	96.5	96.8	97.1	97.3	97.6	97.9	98.1	98.4	98.6	98.8	99.0
Professional, scientific and technical activities	93.6	94.0	94.4	94.8	95.1	95.4	95.7	96.0	96.3	96.6	96.9	97.2
Administrative and support service activities	93.2	93.3	93.5	93.7	93.9	94.1	94.4	94.7	95.0	95.6	96.2	96.8

  

	Year 2008											
	Jan.	Feb.	Marc	April	May	June	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.
Mechanical and electrical Industries	97.1	97.4	97.7	98.0	98.3	98.6	98.8	99.1	99.3	99.5	99.8	100.0
Mining and quarrying	96.2	96.5	96.8	97.1	97.4	97.6	98.0	98.3	98.7	99.1	99.6	100.0
Manufacturing	97.4	97.6	97.9	98.1	98.4	98.7	98.9	99.1	99.3	99.6	99.8	100.0
Electricity, gas, steam, air conditioning supply	95.5	96.1	96.8	97.0	97.3	97.5	97.9	98.2	98.6	99.0	99.5	100.0
Water supply; sewerage, waste management, and remediation activities	98.3	98.6	98.9	98.8	98.8	98.8	99.0	99.2	99.5	99.7	99.8	100.0
Construction	98.4	98.5	98.6	98.8	99.0	99.1	99.3	99.4	99.5	99.7	99.8	100.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	98.2	98.4	98.6	98.7	98.9	99.0	99.2	99.3	99.5	99.7	99.8	100.0
Transportation and storage	98.3	98.4	98.5	98.7	98.9	99.0	99.2	99.3	99.5	99.6	99.8	100.0
Accommodation and food services	98.6	98.6	98.6	98.7	98.8	98.9	99.1	99.2	99.4	99.6	99.8	100.0
Information and communication	97.6	97.9	98.2	98.4	98.7	98.9	99.1	99.3	99.5	99.6	99.8	100.0
Financial and insurance activities	98.3	98.3	98.3	98.5	98.7	98.9	99.1	99.3	99.5	99.7	99.8	100.0
Real estate activities	99.1	99.3	99.4	99.6	99.7	99.8	99.9	99.9	99.9	99.9	100.0	100.0
Professional, scientific and technical activities	97.6	97.9	98.3	98.6	98.8	99.1	99.3	99.5	99.6	99.8	99.9	100.0
Activités de services administratifs et de soutien	97,2	97,5	97,9	98,1	98,4	98,7	99,0	99,2	99,5	99,7	99,8	100,0

Sources: INSEE, ACOSS, DARES