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**REPORT ON WAYS OF IMPROVING THE COMPARABILITY OF STATISTICS
TO MONITOR AND EVALUATE PROGRESS UNDER THE EUROPEAN
EMPLOYMENT STRATEGY ESTABLISHED IN VIEW OF THE EUROPEAN
COUNCIL IN VIENNA**

(presented by the Commission)

REPORT ON WAYS OF IMPROVING THE COMPARABILITY OF STATISTICS TO MONITOR AND EVALUATE PROGRESS UNDER THE EUROPEAN EMPLOYMENT STRATEGY ESTABLISHED IN VIEW OF THE EUROPEAN COUNCIL IN VIENNA

Background

In November 1997, the extraordinary European Council in Luxembourg approved the 1998 Guidelines for Member States' employment policy. In particular, the Member States committed themselves to three EU-wide quantified targets, namely the early activation of the young unemployed, adult unemployed, and the provision of easier access to training or skill-enhancing measures for the unemployed. The Member States were also invited to select concrete policy targets for the other Guidelines, according to their national circumstances. The European Council also agreed that the European employment strategy should be underpinned by common indicators based on comparable statistics.

In May 1998, the Commission examined how the Member States were translating their political commitments to concrete action in the National Action Plans. In its Communication, the Commission concluded that "the lack of appropriate indicators for national employment policies is among the least satisfactory aspects of the NAPs" and that "the shortcomings are particularly inconvenient in the case of the three EU-wide operational targets." It issued an urgent invitation to the Member States to renew their efforts, together with the Commission, in developing comparable employment indicators, in terms of both overall performance and policy efforts and outcomes.

The European Council in Cardiff acknowledged this need for improving and refining employment and social statistics used for such indicators at EU level. The European Council concluded that:

"More work is also needed to define comparable indicators of progress, where necessary, and to secure the effective contribution of the social partners. The Commission has undertaken to make a report, for their Summit in Vienna, on ways of improving the comparability of the statistics used in that context."

The present Report responds to this mandate. It assesses the progress to date in developing an appropriate set of indicators for monitoring the employment strategy, identifies priorities for improving the comparability of the employment and social statistics used for such indicators, and sets out fields for priority action.

Progress To Date In Developing Employment Indicators

Since the adoption of the Employment Guidelines in December 1997, there has been progress both at national and EU level in developing common employment indicators.

At EU level, a consensus is emerging between the Commission and the Member States, in the framework of the Employment and Labour Market Committee and of the Economic Policy Committee, on a number of overarching criteria to be observed when developing

such common indicators. The set of indicators should be limited in number, easy to read, policy relevant, and mutually consistent. Moreover, the composition of the set of indicators should become stable over time while leaving room for adapting to changing policy needs as defined in the Employment Strategy. Finally, the indicators should rely mainly upon statistical sources at EU level and be complemented, only where necessary, with information and data from acceptably-comparable national sources.

Such indicators should fall in two categories:

- **Basic performance indicators:** indicators which allow an easy-to-read monitoring of current trends in the labour market and basic country comparisons in terms of overall performance targets. The set of basic performance indicators should act as a sort of 'early warning' mechanism for monitoring Member States' progress in tackling the employment problem, while identifying relatively strong and weak aspects in national situations and assessing whether Member States are converging towards identifiable reference targets (benchmarks).
- **Policy indicators:** indicators which permit the monitoring of the efforts undertaken by each Member State in transposing the Employment Guidelines into national policy, as well as the progress made in attaining their goals as stated in the Guidelines. These indicators will be quantitative to the greatest extent possible.

Performance indicators

The Employment and Labour Market Committee (ELC) has created an expert group responsible for the technical work of developing common employment indicators. In July 1998, the expert group has already agreed on a set of basic performance indicators to monitor the overall performance of the Employment Strategy in the Member States (see Annex). These are nine indicators on employment, unemployment, and employment-related economic variables, each of them broken down by gender. This set of nine basic performance indicators has already been utilised by the Commission in the draft Joint Employment Report 1998 in order to underpin the analysis of the employment situation in the Member States as well as a comparative assessment of their starting position relative to the best performances across the EU.

The solidity of this first set of basic performance indicators rests on the fact that they are underpinned by a system of common methods and definitions agreed at EU level by the Member States. Some shortcomings persist in the way these methods and definitions are implemented which need to be addressed with urgency. Timeliness has improved, particularly in relation to the Labour Force Survey, which makes it possible to have reasonably consistent annual data for all Member States by the end of the first quarter of the following year. This has been reinforced by the adoption of Council Regulation 577/98, establishing a continuous Community labour force survey. Implementation of this instrument in all Member States is fundamental for providing in the future more comparable, reliable and detailed data on employment across all Member States, on a quarterly basis.

Such a set of basic indicators cannot, however, be considered either as exhaustive or as irreversibly fixed. A complete evaluation of the strategy and of the implementation of the

NAPs requires in-depth analysis, based on both qualitative information and quantitative data beyond that provided by these indicators. Many sources, at both national and EU levels, will also be necessary for an adequate evaluation exercise. Over time, it can not be excluded that other indicators will be added or will replace current ones, in response to revisions in EU-wide statistics or new developments in the European employment strategy.

Policy indicators

In its draft Joint Employment Report 1998, the Commission drew attention to the lack of appropriate data for monitoring employment and labour market policies across Member States: This shortcoming makes it difficult, for instance, to accurately assess the extent to which the Member States are complying with the three European operational targets, relating to the prevention of youth and long-term unemployment and the activation target of 20%.

There is, however, a growing awareness among Member States that progress in implementing these guidelines should be assessed in a transparent way and, as far as possible, using quantitative indicators. Several Member States have reported on efforts to improve their national statistical systems for monitoring purposes. Particular attention has been given to collecting data on flows from and into long-term unemployment, participation in active measures and identification of target populations. In some cases, the methods applied by the national unemployment registers are undergoing a profound change.

The ELC expert group has turned now to developing indicators for monitoring policies, especially as regards the attainment of the three EU-wide operational targets. A small task force of Member States has been created to drive the discussion with preparatory technical work so as to produce a proposal for consideration by the ELC in early 1999. This is an ambitious task which may, in some cases, imply improving the quality of surveys and reforming national administrative sources to facilitate the use of register-based information.

Improving the comparability of EU employment and social statistics.

Since the adoption of the 1998 Employment Guidelines in December 1997, there has been clear progress in developing performance indicators in the EU. The first set of nine basic performance indicators rely upon the work of Eurostat and of national statistical institutes in ensuring an acceptable degree of comparability of statistics, between Member states, in the European System of National Accounts, the Community Labour Force Survey, and the harmonised unemployment statistics.

However, this progress, though highly valuable, is clearly insufficient to meet the needs created by the new monitoring and evaluation of national employment policies as mandated for the Luxembourg process. There is still ample room for improving current EU employment and other related statistics in order to attain acceptable standards of policy relevance, timely availability, and full comparability between Member States.

Moreover, the Member States and the Commission have to make progress together in developing common policy indicators, in particular for monitoring the three EU-wide quantified targets on prevention and activation. Where comparable statistics at EU level are not yet available, information and data from national surveys or register-based sources have to be used. This requires considerable transparency and cooperation by the Member States in order to ensure the greatest possible comparability and coverage.

The areas where further work is required as a matter of priority in order to address current problems with comparability or poor quality of data, are the following :

1. Employment

At EU level, both the trend and the level of employment are still measured on the basis of insufficiently comparable statistics across Member States. On the one hand, different concepts are used by the National Statistical Institutes to compile the employment figures provided in the European Economic Accounts (full-time equivalents in Italy and Netherlands, versus number of employed persons in the other EU Member States).

Secondly, the current labour force survey does not provide in each Member State a good measure of changes over time: the survey sample design and rotation pattern do not always assure reliable net change-estimates; in addition, the comparison of employment data relating to successive so-called « representative » reference periods may reflect peculiarities of the survey reference periods and distort the employment growth measurement.

The implementation of a continuous labour force survey in all Member States in accordance with Council Regulation 577/98 will provide a substantial improvement on the present situation. However, Member States need to recognise the urgency of implementing this Regulation.

Most of the Member States either already carry out continuous labour force surveys, or are on the point of doing so. For some of the others, however (such as France, Italy and Luxembourg), the change from the present annual survey will require a considerable adaptation period so that it will be between 2000 and 2002 before continuous surveys will be implemented, while in Germany and Austria no change to a continuous survey is yet envisaged.

2. Unemployment

Two principal systems for collecting unemployment statistics are used, either national registers of the unemployed, or labour force surveys.

Register-based statistics on unemployment (which are widely used in several Member States, for national purposes) depend on national regulations and administrative procedures. As these can change in time and greatly differ from country to country, register-based unemployment statistics are barely comparable either over time or across countries. Therefore, such data can be useful for monitoring policies but they are clearly inappropriate for estimating comparable unemployment rates.

At EU level, a harmonised unemployment rate published monthly by Eurostat, using primarily labour force survey data, is based on a commonly agreed method of

implementing the ILO definition of unemployment. Use of the ILO definition of unemployment and its Community interpretation have largely contributed to a better comparability of the unemployment statistics used in the European context. But the comparability of the ILO-definition based unemployment statistics is still often questioned :

- as they differ from the register-based statistics, they create confusion amongst non-experts ;
- the ILO definition and its European interpretation are still somewhat vague and are not applied with the same rigour in all Member States ;
- the statistics for ILO-unemployment are based on labour force surveys whose questionnaires differ between Member States and so weaken the comparability of the survey results;
- in the absence of a continuous survey monthly figures and annual averages have to be estimated using register-based data which are not always relevant indicators for ILO unemployment.

Rigorous implementation of a commonly agreed definition in all Member States, combined with greater harmonisation of Labour Force Survey questionnaires, should remove much of the contention surrounding unemployment statistics. This would be further reinforced by the early implementation of a continuous Survey in all Member States.

3. Flow data on unemployment

Employment guidelines 1 and 2 set the following definite objectives : unemployed persons should benefit from employability measures before reaching 6 or 12 months (according to age) of unemployment. To monitor the implementation of these two guidelines, detailed and comparable data are needed on flows into unemployment, long-term unemployment, training schemes and work practice. This is the only way to estimate how far national policies are in line with the preventative approach defined for the whole of the EU, and how efficient they are.

Initial investigation by Commission services suggests the availability of flow data varies considerably between Member States. For example, only a few Member States would be able to estimate on the basis of existing unemployment registers the proportion of unemployed persons who, within, 6 or 12 months of registering:

- have benefited from an employability measure and left unemployment ;
- have benefited from an employability measure and not left unemployment
- have not benefited from an employability measure and left unemployment ;
- have not benefited from an employability measure and not left unemployment.

There are currently no means of obtaining these data at Community level.

They could be obtained in the future either by longitudinal analysis of administrative files on registered unemployment or by surveys based on a representative sample of persons entering unemployment.

A thorough longitudinal analysis of administrative files would provide detailed data on age, sex or qualifications. There would however be significant methodological problems to be resolved to ensure that such data were comparable, as the administrative definitions of unemployment and of active measures vary from country to country. Moreover, in most Member States such records are far from systematic.

Sample surveys would ensure better comparability from the outset but could prove expensive if detailed data were required, which would necessitate a large sample size.

These two options should be examined by means of a comparative study of the costs and timescales required for implementation. Member States which are not in a position to estimate, on the basis of existing files, the above breakdown of persons registered as unemployed, should

- either change the way the unemployment registration files are managed, so that it is possible to carry out suitable longitudinal analysis within the planned project to set up a database on active labour market policy (see point 4),
- or organise regular sample surveys of small numbers of persons registered as unemployed.

4. Data on expenditure and participants in active labour market measures

Last year, the Member States agreed to aim at, as a common target, the activation of at least 20% of the unemployed through their participation in training and similar measures. This Guideline has already been taken into account by the majority of Member States. The target has become a reference for the setting of national targets. However, there remain divergences in the interpretation by Member States of the type of measures to which this guideline should apply and in how the target populations are defined. The quality of register-based data is also markedly different between Member States. All this makes the implementation of this important guideline extremely difficult to assess on a comparable basis at the level of the EU.

Common policy indicators need to be developed on the basis of a common interpretation of the guidelines and of a broadly comparable data base. The development of a new Labour Market Policy database (possibly as a specific module of ESSPROS- the European System of Social Protection Statistics) is expected to provide quantitative information for use in constructing input indicators measuring the effort put by governments in implementing the guidelines, particularly those focusing on prevention and activation. But it can also be of use to monitor guidelines in other areas, such as equal opportunities between women and men, the tax-benefit system, policies towards the disabled, etc, and more generally to provide a unique comparable data set for research analysis in the field of labour market policy.

Progress in this domain is vital for a proper monitoring of the Employment Guidelines. While methodological progress is required also at the EU level, a consistent commitment

from all Member States is necessary in order to provide the necessary data with the detail and timeliness that are required.

5. Expanding the scope for comparable data in employment-related areas

Whilst quantitative targets are set only in the three first guidelines, the monitoring of progress across all the four pillars of the Employment Guidelines calls for the development of new indicators in a number of areas, where comparison of policy inputs and achievements are not only necessary but also feasible. Examples of such areas are:

- School failure, as measured by the share of young people leaving the school system prematurely;
- Levels of participation in lifelong learning;
- Childcare facilities;
- Business start-ups;
- Employment in new services and in the social economy.

Statistical systems have a clear role to play in providing the necessary quantitative information to underpin new indicators in these areas. For instance, the Continuing Vocational Training Survey (CVTS) is a source of comparable information on the levels of participation of employees in enterprise-based training, which requires regular updating. Similarly the Labour Force Survey can provide relevant data for assessing the share of employees and self-employed participating in some form of job-related training. The projected ad hoc module on transition from school to work within the LFS is expected to provide data which will measure in a better way the difficulties that young people have to bear in accessing employment.

Despite their important role, statistical systems cannot respond to the entire variety of requests that the monitoring of the guidelines is now making. Other sources of complementary information should be tapped, such as Observatories, networks and comprehensive studies, provided that they give pertinent, comparable and authoritative information.

Fields of Action

The Commission has identified, based upon the assessment and experience gained in the first year of the Luxembourg process, the following fields of action:

- the comparability of the measurement of **employment and unemployment, in both levels and changes** over time must be improved;
- **reliable flow data on employment and unemployment**, allowing monitoring of the preventive approach to curb the inflow into long-term unemployment must be developed;
- comparable data on **spending and participation in active labour market policies**, both in total, and with an acceptable degree of disaggregation by item, must be obtained;

- There is a clear need to generate comparable statistical data pertaining to the **transition from school to work, lifelong learning, and the tax-benefit system. The issues surrounding methodology, data collection, etc should be urgently addressed.**

Decisive and urgent progress in this direction can be attained in the following priority areas by the Member States, in collaboration with the Commission:

- ⇒ the continuous Labour Force Survey (with more harmonized questionnaires) in all Member states must be introduced and implemented as soon as possible (in 2002 at the latest);
- ⇒ the standardisation of methods and definitions at EU level (in particular the definition of unemployment) must be further developed;
- ⇒ adequate statistical procedures to monitor the first two Guidelines through (longitudinal analysis of unemployment registers or sample surveys of registered people) must be agreed and implemented.

The Commission will:

- continue its collaboration with the Member States in developing common definition of concepts, design of surveys and questionnaires;
- examine, as a matter of urgency, the feasibility of generating comparable data in new policy areas insufficiently covered by the current EU statistical system, such as labour market policy, the dynamics of employment and unemployment, lifelong learning, the transition from school to work, and tax and benefit systems;
- assist the Member States, within the bounds of available resources, in the development of indicators and methodologies for improving the comparability of national statistics.

The Member States should:

- ensure that the necessary measures are taken to comply with the common methods and definitions agreed at Community level, and to do so in an appropriate and timely manner, for both surveys and the exploitation of register-based data sources;
- ensure the early implementation of the recent Regulation concerning the Labour Force Survey, and particularly the transition to continuous surveys;
- examine and choose between the different options for monitoring the first two Employment Guidelines (longitudinal analysis of unemployment registers or sample surveys of registered people).

ANNEX: BASIC PERFORMANCE INDICATORS

Employment Indicators [all indicators to be broken down by gender]

Indicator	Definition	Source	Rationale
1. Total Employment Growth	Annual change in total occupied population; %.	Emp. Benchmark Series	Standard target for assessing the performance of the Employment Strategy (ES).
2. Total Employment Rate	Total occupied population (15-64 years) as proportion of total population in the same age bracket; %.	LFS	Standard index to monitor one major performance target of the ES. All groups between 15 to 64 years are included, as is the commonest practice in the literature.
3. Total Employment Rate (Full-time equivalents)	Total occupied individuals (15-64 years), weighted by differences in the average number of hours worked, as a proportion of total population in the same age bracket; %.	LFS / EU-ROSTAT estimates	Indicator to complement the reading of the employment rate, which is a mere head-counting employment measure, by taking into account the differences in the average number of hours worked per occupied individual. Same note on age brackets as in Ind. 2 above.

Unemployment Indicators [all indicators to be broken down by gender]

Indicator	Definition	Source	Rationale
4. Total Unemployment Rate	Total unemployed individuals (ILO def.) as a share of total active population; %.	LFS	Standard index for assessing the strategy against unemployment.
5. Youth Unemployment Ratio	Total of unemployed young people (15-24 years) as a share of total population in the same age bracket; %.	LFS	Standard index to monitor one major target in the strategy, namely the incidence of unemployment among youngsters.
6. Long-Term Unemployment Rate	Total long-term unemployed population (>12 mths.; ILO def.) as proportion of total active population; %.	LFS	Standard index to monitor one major target in the strategy, namely to reduce the stock of long-term unemployment in the economy.

Employment-Related Economic Indicators:

Indicator	Definition	Source	Rationale
7. Real GDP Growth	Annual average; %.	Nat. Acc.	<u>Measure of Total Activity:</u> indicator of the total volume of production in the economy.
8. Apparent Labour Productivity Growth	Growth in GDP per capita of employed population and per hour worked; %.	Nat. Acc.	<u>Measure of the Employment-Intensity of Growth:</u> indicator relating the total volume of output to the volume of labour demanded to produce it.
9. Real Unit Labour Costs	Growth in total compensation per employee adjusted for labour productivity and GDP deflator; %.	Nat. Acc.	<u>Measure of Productivity-Adjusted Labour Costs:</u> composite index which combines changes in the total cost of labour, in real terms, and those in labour productivity.

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