



COVID impact on labour input indicators: alternative calculations of unit labour cost

Ángel Panizo, Eurostat – Unit C2, National accounts production

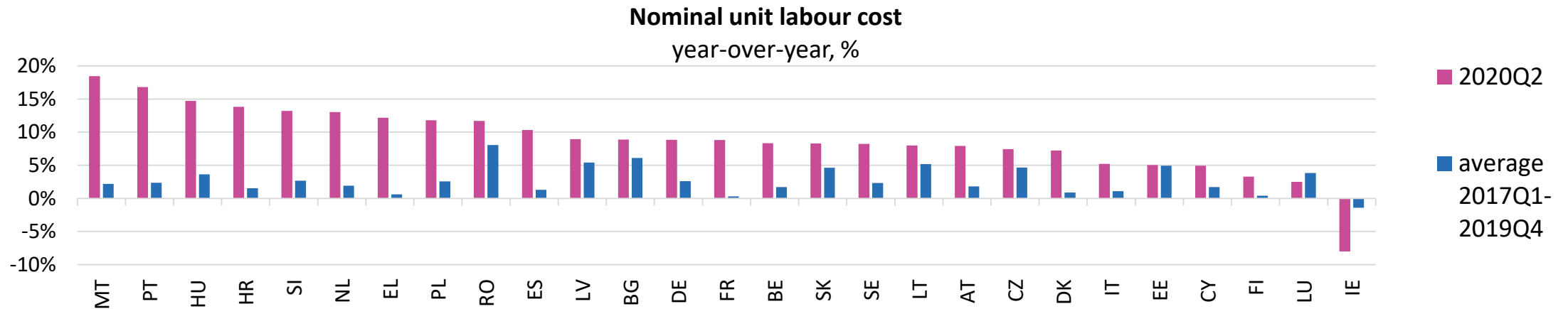
*2021 Joint OGWG - ECFIN - JRC Conference
30 September 2021*

OUTLINE

- Introduction: Record high unit labour costs in 2020. Are they reflecting the economic reality?
- New support schemes due to COVID-19 pandemic and lockdown
- First alternative and simplified alternative
- Country analysis
- Real vs nominal unit labour cost
- Conclusions

1. RECORD HIGH UNIT LABOUR COSTS IN 2020

- Extraordinarily high unit labour cost values in 2020, especially 2020Q2

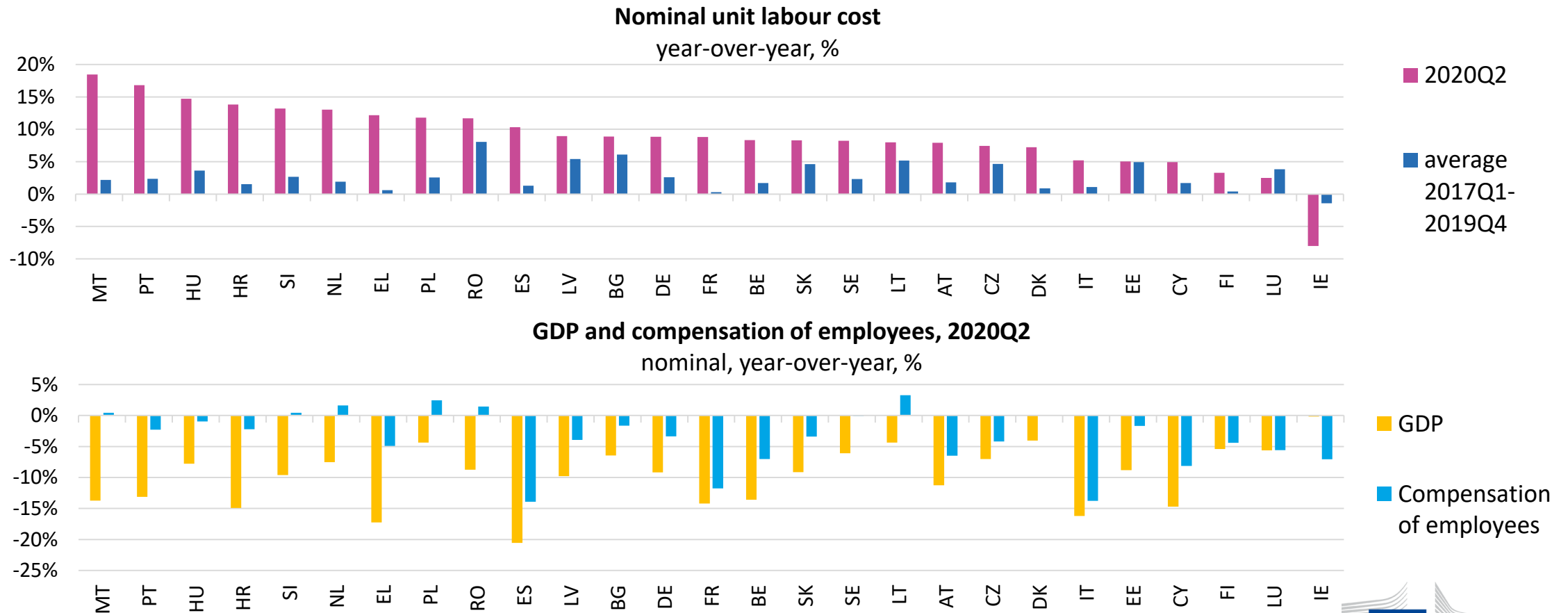


- $$\text{Unit Labour Cost (ULC)} = \frac{\text{labour costs}}{\text{labour productivity}} = \frac{D1/EEM}{B1GQ/ETO} = \frac{D1}{B1GQ} \times \frac{ETO}{EEM}$$

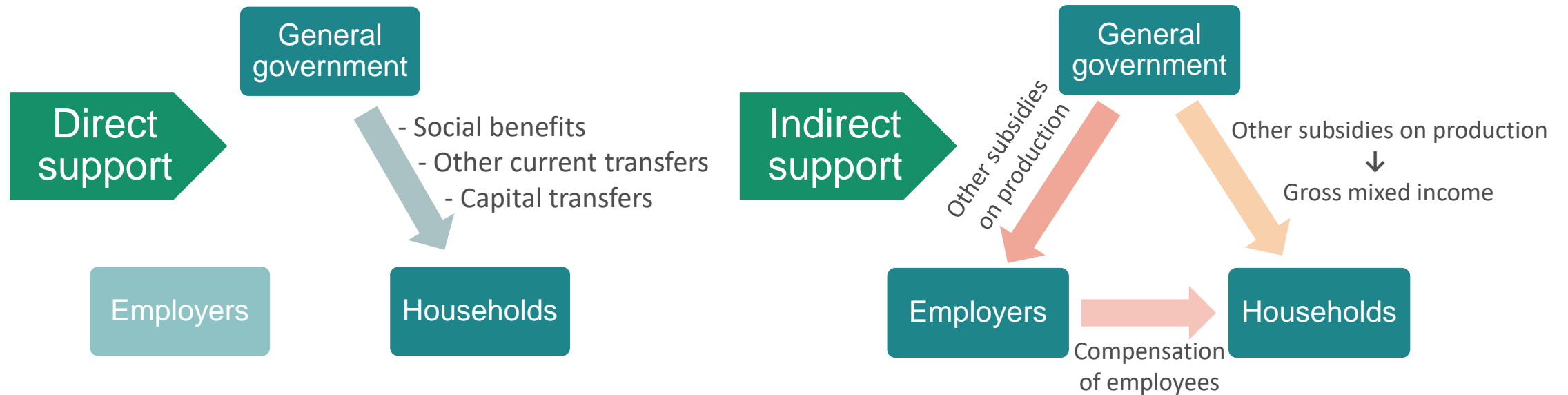
$\frac{EEM}{ETO} \sim \text{constant in 2020} \rightarrow \frac{D1}{B1GQ}$ will be determinant in ULC values in 2020

1. RECORD HIGH UNIT LABOUR COSTS IN 2020

- Extraordinarily high unit labour cost values in 2020, especially 2020Q2



2. NEW SUPPORT SCHEMES DUE TO COVID-19



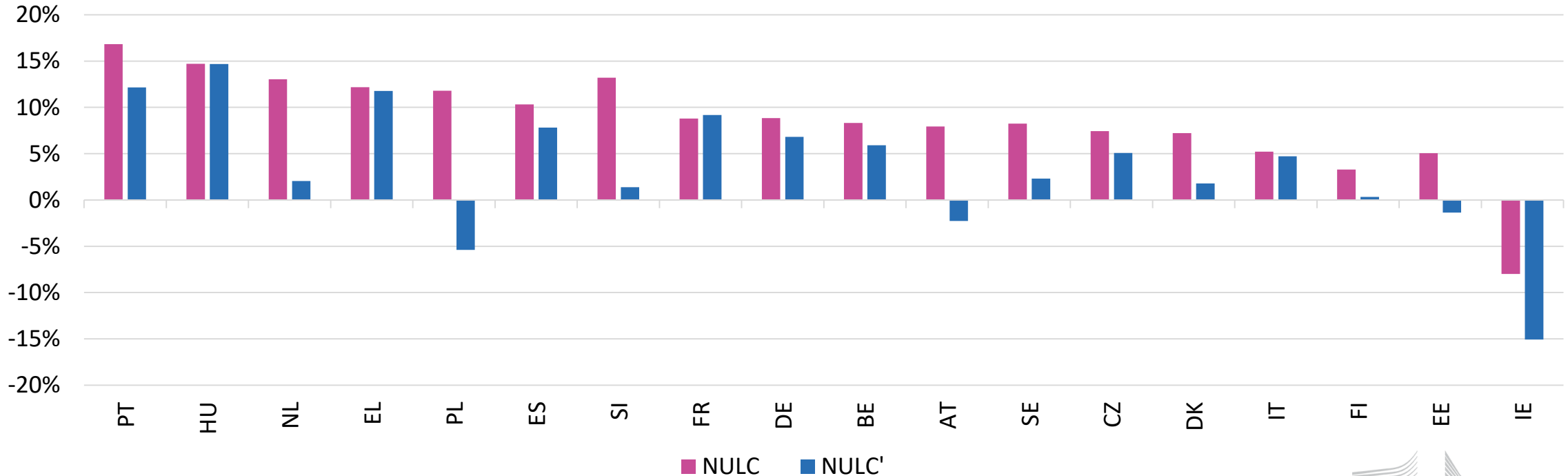
- Alternative NULC? Starting point → simplifications:
 - All additional subsidies to employers → maintain compensation of employees
 - All schemes that maintain compensation of employees → registered as subsidies

3. FIRST ALTERNATIVE (NULC')

- Change in numerator:

compensation of employees (D1) – Δ other subsidies on production to employers

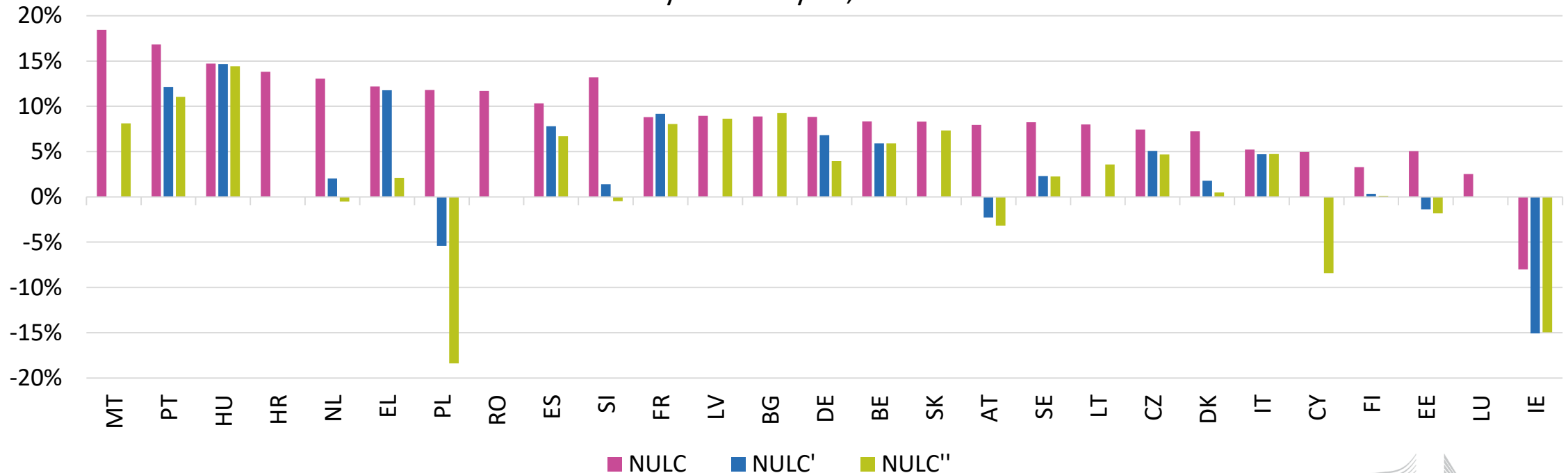
NULC and NULC', 2020Q2
year-over-year, %



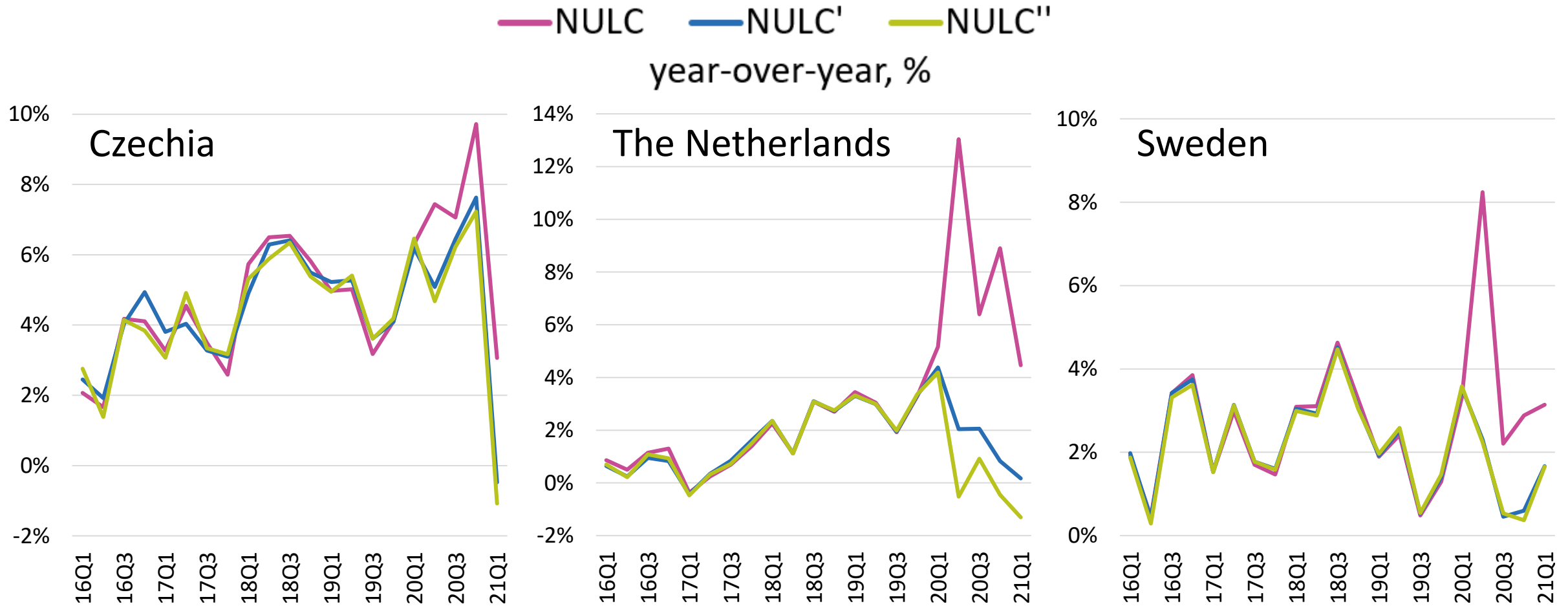
4. SIMPLIFIED ALTERNATIVE (NULC'')

- NULC' requires detailed data: not available for all countries → approximation
compensation of employees – Δ ALL other subsidies on production (to employers and households)

NULC, NULC' and NULC'', 2020Q2
year-over-year, %

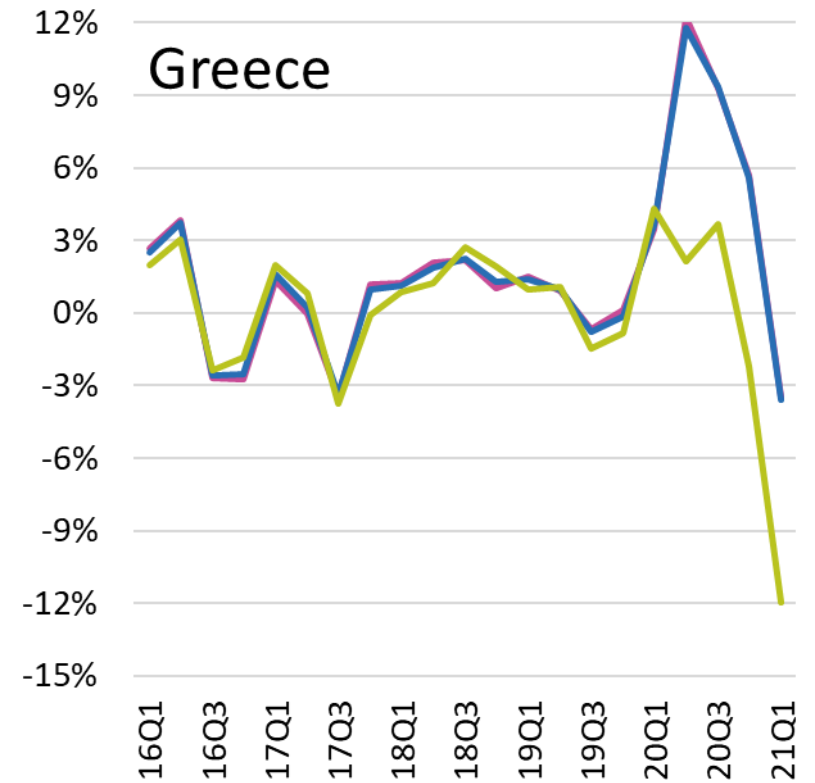
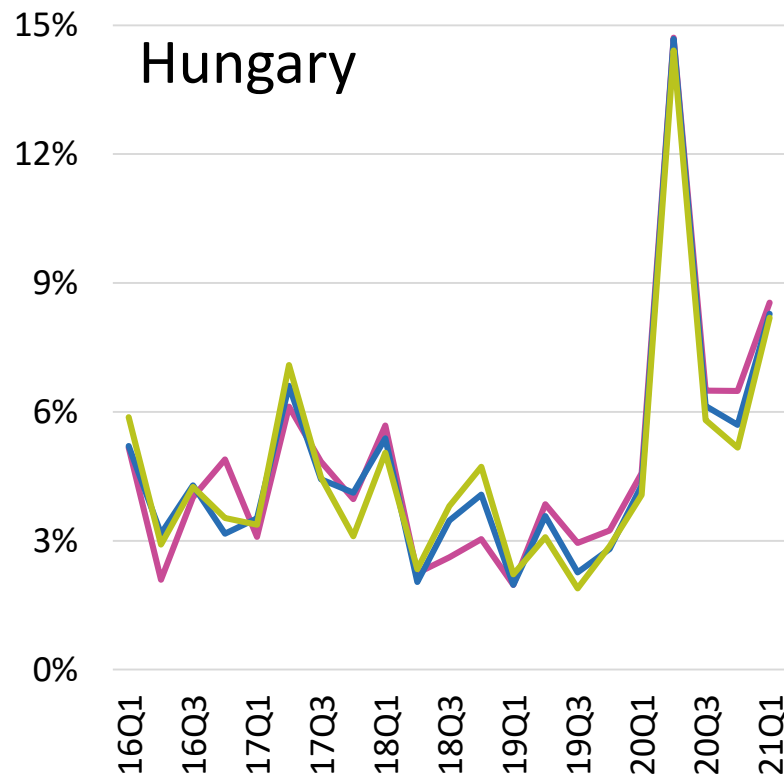
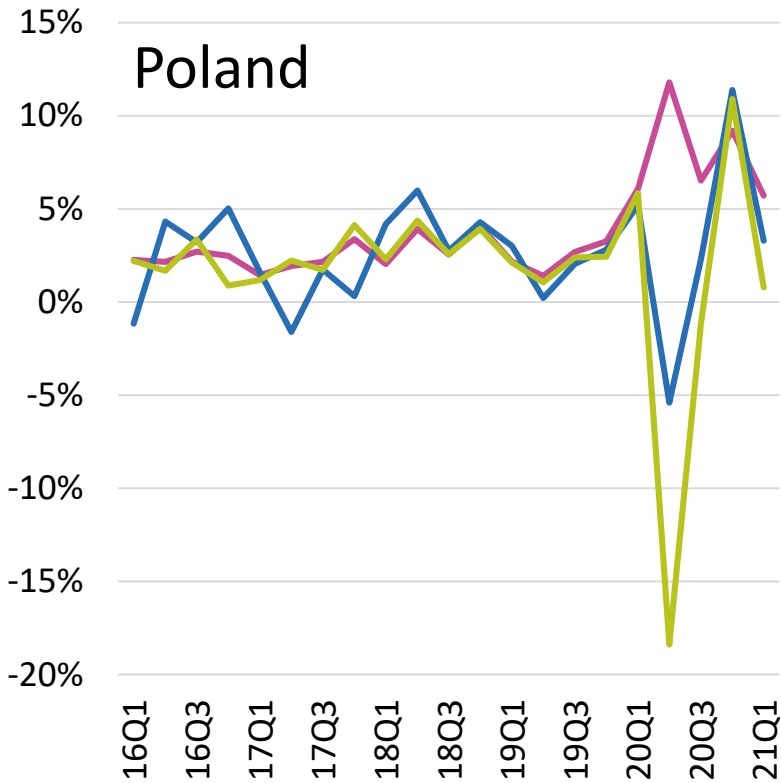


5. ULC ALTERNATIVES: COUNTRY ANALYSIS (I)



5. ULC ALTERNATIVES: COUNTRY ANALYSIS (II)

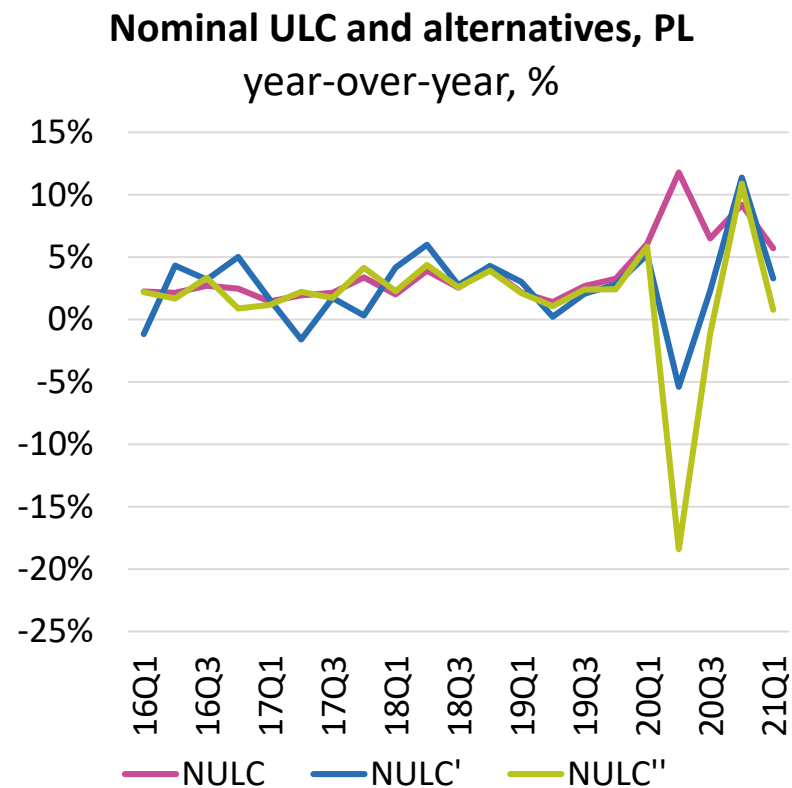
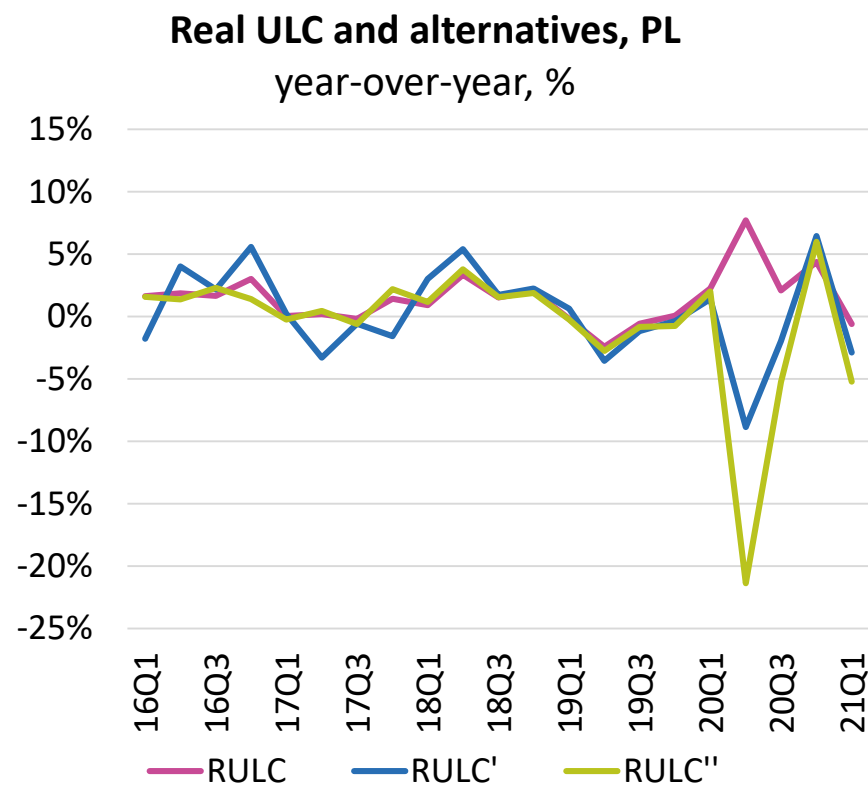
— NULC — NULC' — NULC''
year-over-year, %



6. ULC: REAL VS NOMINAL

Nominal (not adjusted) ↔ Real (adjusted for price changes):

$B1GQ$ in volume ↔ $B1GQ$ in current prices. $ULC = \frac{D1/EEM}{B1GQ/ETO} = \frac{D1}{B1GQ} \times \frac{ETO}{EEM}$



7. CONCLUSIONS

- Concern if ULC is reflecting economic reality
- One alternative to calculate ULC (+ a simplified one)
- Wide variance of impact of the ULC alternatives across countries
- Alternatives are based on simplifications:
 - are they realistic? is the approach recording government schemes fully harmonised?

Thank you



© European Union 2020

Unless otherwise noted the reuse of this presentation is authorised under the [CC BY 4.0](https://creativecommons.org/licenses/by/4.0/) license. For any use or reproduction of elements that are not owned by the EU, permission may need to be sought directly from the respective right holders.

Slide xx: [element concerned](#), source: [e.g. Fotolia.com](#); Slide xx: [element concerned](#), source: [e.g. iStock.com](#)

