

TWINNING CONTRACT

AM/14/ENP/ST/15

Strengthening of the National Statistical System of Armenia – Phase II



MISSION REPORT

on

Labour Market Statistics

Activity 3.2: Structure of wages

Mission carried out by

Mr. Steen Bielefeldt Pedersen, Statistics Denmark

Ms. Maria Boye, Statistics Denmark

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Expert contact information

*Steen Bielefeldt Pedersen
Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Tel: +45 39173101
Email: sbp@dst.dk*

*Maria Boye
Statistics Denmark
Sejrøgade 11
DK-2100 Copenhagen Ø
Denmark
Tel: +45 39173422
Email: mab@dst.dk*

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List of Abbreviations

EU	European Union
NSSRA	National Statistical Service of the Republic of Armenia
DST	Statistics Denmark
SES	Structure of Earnings Survey
LFS	Labour force survey

1. General comments

This mission report was prepared within the Twinning Project “Strengthening of the National Statistical System of Armenia – Phase II”. This was the second activity in component 3 and the actions planned for this activity were carried out as scheduled.

The purposes of the mission were:

- Discussion on data collection, sample, survey design, calculation and publication
- Review of legislation concerning the Structure of Earnings Survey (SES)
- Identification of problems faced and possible solutions in respect to compliance with the European Commission Regulation
- To involve relevant stakeholders in the discussions

The MS experts would like to express their sincere thanks to all officials and individuals met for the kind support and valuable information which they received during the stay in Armenia and which highly facilitated their work. The views and observations stated in this report are those of the MS experts and do not necessarily correspond to the views of EU, NSSRA or Statistics Denmark.

2. Assessment and results

Earnings is, also in Armenia, something which for a long time has been of huge interest for both politicians and economists. This interest is reflected in a very comprehensive statistical system of labour cost.

Currently NSSRA do not collect data on individual employees which are needed for a Structure of Earnings Survey. Since mission 3.1 NSSRA wrote a letter to the RA State Revenue Committee to get access to their database on individual employees, so NSSRA could look into the possibility of using this database instead of requesting data from enterprises and hence increase the response burden. The MS experts agreed that this was the way forward for getting individual employee data.

Unfortunately the RA State Revenue Committee denied NSSRA access to the database. However during the mission Mr. Mnatsakanyan arranged a meeting between NSSRA, the MS experts and the RA State Revenue Committee. NSSRA came prepared to the meeting again explaining why they need access to the data as well as showing what data they already collect. Mr. Paturyan from the RA State Revenue Committee explained the reason for the denied access and gave advice on how the next request on getting access should be formulated.

Due to the positive meeting it is of great importance that NSSRA immediately write a new letter according to Mr. Paturyan's recommendation to get access to the database. The MS experts also believe that a “letter of agreement” signed by both NSSRA and the RA State Revenue Committee will be an important part of getting access to data on individual employees which is needed for a structure of earnings survey. Such a letter of agreement will commit both NSSRA and the State Revenue Committee in relation to the cooperation which will be of high value for both institutions.

The MS experts would like to stress that getting access to the RA State Revenue Committee database is extremely important in respect to data quality, response burden, reducing non-response rate, coverage, timeliness, providing new variables in high demand and using the state budget effectively. Using administrative data instead of surveys is the way forward for all NSI's also NSSRA.

To give NSSRA an in-depth understanding of the current legislation on SES the MS experts presented the current legislation as well as explained in detail about each variable. The talks about each variable led to discussion on how to collect them and possible alternative sources like the LFS.

The Structure of Earnings Survey of the European Union is based on Council Regulation (530/1999), Commission Regulations (1916/2000 and 1738/2005) and Eurostat's arrangements for implementing these regulations. The survey covers all employers with at least ten employees in all activities, except activity A (Agriculture, Forestry, Fishing), T (Households) and U (International organisations). The survey is not obligatory in Activity O (Public administration). The survey shall in the EU be implemented at four years interval (i.e. in 2006, 2010, 2014 etc.).

The fact that access to individual data collected by the RA State Revenue Committee has been denied NSSRA had to look into alternative sources for information on individual employees. However today NSSRA do not collect data on individual level except in the LFS, but as it is the case for many countries the quality of the reported earnings is low.

So a new data collection has to be set up. Before a full survey is constructed NSSRA will make a pilot study with approximately or up to 100 local units requesting individual data on a sample of employees in the local unit. The surveyed local units will be chosen from a sample from the business register excluding agriculture and the public sector. NSSRA stated that only medium and big enterprises would be in the pilot survey. The MS experts agreed with this for the pilot survey. NSSRA expressed that they would only ask for earnings for a specific month instead of the whole year and the MS experts agreed that this is acceptable for the pilot survey.

NSSRA also expressed the wish to add indicators in the software for the questionnaire, which allow the respondents to validate data before delivery. The MS experts agree as long as the time used to develop the indications in the software is not too time consuming.

NSSRA and the MS experts went through each variable requested for the SES and decided if the variable is important to Armenia. It was decided that all optional variables would not be in the questionnaire unless they were important to Armenia. This will also make the response burden lower.

The MS experts also explained that some of the variables in the SES can be found in the business register, so they do not have to ask for these variables in the questionnaire e.g. the type of economic activity in variable 1.3.

One mandatory variable that will not be collected is the type of collective agreement as currently there are not collective agreements in the private sector in Armenia.

Variable 2.7.1 share of a full-timer's normal hours will be calculated using other information requested in the questionnaire.

Variable 2.8 type of employment contract will not be in the questionnaire as NSSRA feels it is not urgent / actual for Armenia today.

As NSSRA only plan to request earnings for a specific month the MS experts and NSSRA agreed that variable in the SES referring to the full year should be excluded for the questionnaire meaning that variables 3.1, 4.1, 4.1.1 and 4.1.2 will not be collected.

NSSRA raised issues with variable 4.2.2 special payments for shift work as to why only this is collected. The MS experts explained that in Europe this is an important earnings component, but if Armenia has other component they find more important they can add the components to the questionnaire.

The MS experts also stressed that collecting data on individual employee level will enforce NSSRA to focus on confidentiality (although the required information should be anonymous) as well as it will require manpower to develop as well as collecting and analyzing the data.

The MS experts presented a thorough review of how Statistics Denmark and Eurostat collect and disseminate information on earnings for the SES.

A stakeholders meeting was held during this mission and again the stakeholders were actively participating in the discussion. The MS experts believe that the activity at the stakeholders meetings is a benefit that NSSRA has to take advantage of and so far that is also what the MS experts have witnessed. The theme for this stakeholders meeting was collecting data on individual employees; both NSSRA and the MS experts made presentations and the main purpose was to make the stakeholders understand why collecting data on the structure of earnings on individual employee level is important. Meantime, during the meeting NSSRA has introduced the plans related to implementation of pilot SES for the inclusion of regular SES in the State statistical work plan. As a contribution of providing highly demanded information, NSSRA has come to an agreement with the stakeholders to send them the draft questionnaire /set of variables of the survey for their suggestions, based on their future needs, before pilot SES. The MS experts have the impression that the stakeholders understood the importance of collection information on employee level. The problems concerning the accessibility to the State Revenue Committees database was also presented to the stakeholders. The stakeholders seemed to understand the depth of the problem which NSSRA is recommended to try and take advantage of by referring to or directly involve the stakeholders in the pressure of the State Revenue Committee.

The stakeholders meeting also confirmed that statistics on more detailed structure of earnings is of huge interest to employers and government organizations, private companies and unions.

3. Conclusions and recommendations

Today NSSRA have no information on employee level to calculate a SES. As getting access to the RA State Revenue Committee's database can take time, NSSRA will make a pilot study for collecting data on individual employees. In this way, NSSRA will also get an idea, of what is actually possible and what is working. In this way NSSRA will also be well prepared for the negotiations with the RA State Revenue Committee.

During this mission NSSRA and the RA State Revenue Committee started a good dialog and it is recommended that NSSRA immediately follow-up by requesting data according to the guidelines explained by Mr. Paturyan as well as getting a signed document “letter of agreement” between the NSSRA and the RA State Revenue Committee stating mutual interests in working together.

NSSRA is also recommended to keep on having regular meetings with the stakeholders. In this way they get involved and dedicated, and the usefulness of the earnings statistics will be anchored also outside of NSSRA. At the same time it constitutes a possibility to strengthen the pressure on the RA State Revenue Committee. Specifically it is recommended to partly involve the stakeholders in the correspondence with the State Revenue Committee.

As no data is currently collected what is need is to plan the collection of data as well as examine the possibilities disseminating other results from the current survey on enterprise level. The possibilities of using the current earnings data as a precursor for a future structure of earnings survey should be studied by NSSRA and if possible, an overall plan is prepared. The overall plan will be discussed at the study visit.

NSSRA should be aware of the challenges that come with administrative data in terms of the infrastructure and confidentiality and software for analyzing data and the training of staff.

Before the study visit NSSRA should make a time schedule for the pilot study that will be discussed at the study visit.

Action	Deadline	Responsible person
Send a new letter to the State Revenue Committee to get access to the database	July 1 st	NSSRA
Send letter of agreement to the state revenue agreement	September 1 st	NSSRA
Wish list for topics for the study visit in	July 1 st	NSSRA
Plan for the study visit should be done	August 31 st	DST
Time schedule for the pilot study	August 31 st	NSSRA
Examine possibility to use current data for new dissemination as a precursor for the SES.	August 31 st	NSSRA

Annex 1. Terms of Reference

Terms of Reference

EU Twinning Project AM/14/ENP/ST/15

23-27 May 2016

Component 3: Labour Market Statistics

Activity 3.2: Structure of wages

0. Mandatory results and benchmarks for the component

Mandatory results:

- Labour cost, labour cost index, structural statistics on wages calculated and published (July 2017)

Benchmarks:

- Labour cost and labour cost index calculated and published (July 2017)
- Structural statistics on wages calculated and published (July 2017)
- Staff of NSSRA trained on issues related to the labour cost, labour cost index, structural statistics on wages (July 2017)

1. Purpose of the activity

- Discussion on data collection, sample, survey design, calculation and publication
- Review of legislation concerning the Structure of Earnings Survey (SES)
- Identification of problems faced and possible solutions in respect to compliance with the European Commission Regulation
- To involve relevant stakeholders in the discussions

2. Expected output of the activity

- Problems identified
- Recommendation on data collection, sample, survey design, calculation
- Plan for publication
- Overview of legislation
- A lining up of work programme for the next activities
 - 3.4: Study visit to Statistics Denmark (19-22 September 2016)
 - 3.3: Labour costs and labour costs index I (November 2016)

3. Participants

NSSRA

Component leaders

- Mr. Gagik Gevorgyan
- Ms. Lusine Kalantaryan

Other staff

- Ms. Susan Hunanyan, Senior Specialist, Labour Statistics Division;
- Ms. Anya Soghomonyan, Senior Specialist, Labour Statistics Division;
- Ms. Jemma Avoyan; Leading Specialist, Labour Statistics Division;
- Ms. Anahit Simonyan; 1st class Specialist, Labour Statistics Division;
- Ms. Karine Sargsyan; 1st class Specialist, Labour Statistics Division;
- Ms. Siranush Zeynalyan; 1st class Specialist, Labour Statistics Division;
- Ms. Lusya Khachatryan, Head, Macroeconomic Indicators and National Accounts Division.

MS experts

Mr. Steen Bielefeldt Pedersen, Expert, Statistics Denmark

Ms. Maria Boye, Expert, Statistics Denmark

Other stakeholders taking part in the activity

Staff from Social Partners will also be invited:

- Ministry of Labour and Social Issues of RA
- Ministry of Economy of RA
- Ministry of Finance of RA
- Central Bank of RA
- Confederation of Trade Unions of Armenia
- Republic Union of Employers of Armenia
- Armenian State University of Economy
- State Revenue Committee of RA

Annex 2: Programme for the mission

Time	Place	Event	Purpose / detail
Monday, noon (23/5)	NSSRA	Meeting with RTA	To discuss the programme of the week
Monday, afternoon (23/5)	NSSRA	Meeting with BC Component Leader and BC Experts	Assessment of situation and presentation by BC of the work conducted since last mission, and presentation by BC of the expected outcome of current mission
Tuesday, morning (24/5)	NSSRA	Meeting with BC Component Leader and BC Experts	Discussion on data collection, sample, survey design, calculation and publication
Tuesday, afternoon (24/5)	NSSRA	Meeting with BC Component Leader and BC Experts	Review of legislation concerning the Structure of Earnings Survey (SES)
Wednesday, morning (25/5)	NSSRA	Meeting with BC Component Leader and BC Experts	Identification of problems faced and possible solutions in respect to compliance with the European Commission Regulation
Wednesday, afternoon (25/5)	State Revenue Committee	Meeting with State Revenue Committee	Meeting with the responsible specialists from State Revenue Committee of RA
Thursday, morning (26/5)	NSSRA / <i>Meeting room</i>	Meeting with stakeholders	Meeting with stakeholders
Thursday, afternoon (26/5)	NSSRA	Meeting with BC Component Leader and BC Experts	Preparation of final conclusions, road map and Mission Report
Friday, morning (27/5)	NSSRA	Meeting with BC Component Leader	Presentation of MS Experts' findings and agreement on the reached conclusions
		Ad-hoc meetings	Final clarifications with BC Experts, preparation of report and presentation for BC Project Leader
Friday, afternoon (27/5)	NSSRA	Debriefing with BC Project Leader	Conclusions and decisions and their consequences for the next activity and the implied work programme for BC Experts

Annex 3. Persons met

NSSRA:

Stepan Mnatsakanyan, President of the NSS RA
Anahit Safyan, Member of the State Council on Statistics of RA
Gagik Gevorgyan, Member of the State Council on Statistics of RA
Lusine Kalantaryan, Head of Labour Statistics Division
Jemma Avoyan, Leading Specialist, Labour Statistics Division
Susan Hunanyan, Senior Specialist, Labour Statistics Division
Anna Soghomonyan, Labour Statistics Division
Anahit Manandyan, Internal Audit Department
Varsik Senekerimyan, International Statistical Co-operation Division
Sevada Safaryan, International Statistical Co-operation Division
Vardan Arevshatyan, Head of Business-register, Sampling and Classifications Division

External stakeholders:

Karine Madoyan, Confederation of Trade Unions of Armenia
Shushanik Barseghyan, Republican Union of Employers of Armenia
Karen Mnatsakanyan, Macroeconomic Policy Department of the RA Ministry of Finance
Samvel Margaryan, Macroeconomic Policy Department of the RA Ministry of Finance
Tigran Sarafyan, Macroeconomic Policy Department of the RA Ministry of Finance
Gor Lazyan, Central Bank of Armenia
Armine Matosyan, Ministry of Labour and Social Issues
Hasmik Tadevosyan, State Employment Agency
Lilit Ghantarchyan, National Institute of Labour and Social Research
Melania Margaryan, National Institute of Labour and Social Research
Sergey Paturyan, Deputy Head of IT Infrastructure Implementation and Development, State Revenue Committee

RTA Team:

Peter Bohnstedt Anan Hansen, Resident Twinning Adviser
Sona Mirzoyan, RTA Assistant
Anush Poghosyan, RTA Language Assistant