TWINNING CONTRACT

AM/14/ENP/ST/15

Strengthening of the National Statistical System of Armenia – Phase II

MISSION REPORT

on

Labour Market Statistics

Activity 3.5: Labour costs and labour costs index II

Mission carried out by

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Final version

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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
LCI	Labour Cost Index
LCS	Labour Cost Survey
ISCO	International Standard Classification of Occupation

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 fifth activity in component 3 and the actions planned for this activity were carried out as scheduled.

The purposes of the mission were:
  o Continuation of the previous mission
  o Discussion on data collection, sample, survey design, calculation
  o Discussion on legislation concerning Labour Cost Survey (LCS) and Labour Cost Index (LCI)
  o Identification of problems faced and possible solutions in respect to compliance with the EU regulations
  o Follow-up on the ongoing collection of structure of earnings data
  o Introduction to Demetra, a statistical software for seasonal adjustment
  o 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

Since the experts last visited NSSRA a lot of progress has been made concerning the pilot study for a Structure of Earnings Survey. NSSRA has developed a questionnaire and guide-lines as well as a selection of enterprises to participate have been made. The questionnaires have been sent with a deadline for reporting being February 25th. The MS experts evaluated the questionnaire and the guidelines and had talks with NSSRA concerning the choices that have been made. Overall the MS experts are looking forward to see the results of the data collection.

Already NSSRA are expressing that the task of transforming the collected job description into the ISCO-classification is difficult. The MS experts acknowledge this and that this was what was expected from the beginning. NSSRA will have to be aware of this burden when the pilot study will be transformed into a larger sample survey with a sample size that can represent Armenia. One solution would be to make the enterprises self decide on the ISCO-code. However, if NSSRA decides that the SES should be collected every 4th year as the EU legislation requires, the MS experts would suggest that the coding should be done in NSSRA as the MS experts believes that the quality of the ISCO code otherwise would be too low as enterprises only will have to use this code once every 4th year, and therefore will not have the incentive or the knowledge to find the right code.

Overall the MS experts were impressed by the amount of work that had been done on the pilot study until now. Until the next mission NSSRA will have to progress, validate and evalutae the collected data and a draft for a news release has to be produced.

Even though the pilot survey is currently being collected, 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. This is something NSSRA already have experienced when contacting enterprises to take part in the pilot study. They are wondring why they have to give information that have already been collected by another state authority.

If NSSRA at one point get access to the database belonging to the RA State Revenue Committee, the MS experts would suggest that NSSRA first should evaluate the information in the database before deciding on using the database as a source for the SES. NSSRA could compare with the data collected in the pilot study or a SES collected in a questionnaires. When the quality in the database has been evaluated, NSSRA should decide if the database should be the only source or if the database should be supplemented with a questionnaire. Another solution could be to just keep a questionnaire solution. The staff of NSSRA expressed that they believed the quality of the earnings variable are of high quality, but they are more concerned about the describing variables like job descriptions and education information, as these are not so important to be correct as the earnings variables. The MS experts agrees with this, as this is precisely the same as in Denmark. In Denmark DST uses a lot of resources to check the quality of eg. the ISCO as the variable is only collected for statistical use, whereas the earnings automaticly has higher quality as it is reported to the tax authorities and therefore will effect the employees if not reported correctly.

The mission also focused on the Labour cost statistics. Armenia has for many years collected, calculated and published comprehensive statistics on labour costs. Labour costs are the expenditures borne by employers of employing staff, and are therefore recognized as an important and relevant statistics e.g. for employer organisations and enterprises with international activity.

Today the NSSRA make an annual survey of labour costs that cover the whole public sector and large and medium sized enterprises, and small and micro sized companies through a sample survey. It thus has a wide coverage, while at the same time it contains information on a wide range of important variables.

For this mission NSSRA prepared how they would transform the collected data into the variables of the EU legislation, so NSSRA can make comparable statistics with the EU countries. This resulted in a fruitful discussion between MS experts and the NSSRA staff on specific variable and how variable not already collected could be compiled. Furthermore when looking into the data already collected, the numbers of apprentices are low and NSSRA expressed concern that the figures might be of low quality. For this reason the MS experts suggested not to focus on the LSC legislation concerning apprentices until the number of apprentices can be validated. If the validation confirms the low number of apprentices NSSRA should consider if the variable for apprentices are relevant for publication due to the low number of apprentices.

In the previous mission it was clear that the current Armenian survey almost fully live up to the EU regulations on the LCS and NSSRA and the MS experts discussed some focus points that NSSRA should look into to see if they will need to add questions to the questionnaire e.g. subsidies paid to the employer.

The MS experts previously discussed with NSSRA the necessity to do the survey on a yearly basis as is done today. According to the EU legislation it is only mandatory to undertake the survey every 4th year, and the years that should be covered are 2016, 2020 and so on.

As the current national survey on annual labour cost almost fully lives up to the EU legislation the MS experts recommend keeping the normal publications concerning Labour Costs. If requested NSSRA now have the tools to calculate the EU variables.

In addition to the labour cost survey, NSSRA are also interested in publishing figures on the evolvement of labour costs over time, which is something that is already done by EU member countries today through the Labour Cost Index (LCI). Also here EU has provided legislation with specific details on variables and estimation methods. Before this mission NSSRA had prepared how they could compile LCI from the data that they already collect. The solution was discussed on the MS experts made some suggestions to improve the calculation. The MS experts believe that the suggested calculation will be comparable to their neighbouring countries and the EU countries.

Another important element in the EU regulation concerning LCI is deliverance of seasonal adjusted data, i.e. data that has been modified to eliminate the effect of seasonal elements. Denmark and many other EU countries use a free software developed by Eurostat called DEMETRA to perform this task. For the LCI to be comparable with other countries, the MS experts recommended that NSSRA consider seasonally adjusting their indices by using the same software. The MS experts gave NSSRA an introduction to DEMETRA, so it can be used in the future to perform seasonal adjustments on their LCI. The future publication for the LCI was discussed and a plan for publication before July has been made.

During the mission, a stakeholders meeting was held to brief the most important users of the labour cost statistics in Armenia, of the state of play. Just as in the previous three stakeholders meetings (held during mission 3.1, 3.2 and 3.3), the stakeholders showed deep interest and participated with questions and remarks on many of the issues raised by the represative of the NSSRA. Among the issues raised were the pilot study of the SES and the possibilities of doing analysis on data.

3. Conclusions and recommendations

NSSRA is now able to calculate the variables for the survey on labour costs according to the EU legislation. There are some small issues that the NSSRA will have to look more into. As the annual survey lives up to the current EU-legislation the MS experts suggest not changing the current publication method. However NSSRA will with the work done be able to compile the same variables as listed in the EU-legislation concerning Labour Cost if it is requested.

In a European context it is not necessary to conduct the labour cost survey on a yearly basis, as is done by the NSSRA today. The NSSRA is recommended to evaluate the frequency of the labour cost survey, taking into account both the costs associated with performing the survey and the need of the users.

NSSRA has now suggested how to calculate an Armenian Labour Cost Index and where introduced to DEMETRA to learn how to seasonal adjust the LCI. Before the next mission

NSSRA will calculate LCI back to 2010 if possible, so a LCI can be published. Also NSSRA should try to seasonally adjust the LCI.

Regarding the LCI, the MS experts will make sure to make a presentation at the next mission where some of the basic tools in estimating the Danish LCI are presented. This because it was found that there was an interest among the NSSRA to compare their method on a more detailed level.

Regarding the pilot study on structure of earnings, NSSRA will continue working according to the plan. Before the next mission it is expected that the data has been collected and NSSRA have started processing the collected data. It is also expected that NSSRA has given some thought to what figures can be published in a news release or similar.

Even though the pilot study is being carried out, NSSRA should still make sure to stay in touch with the State Revenue Committee to hopefully start a dialog about getting access to the database.

Action	Deadline	Responsible person
Compile LCI for 2010-2017 and try to seasonally adjust	June 1st 2017	NSSRA
Process and produce a draft of a news release about the pilot study	June 10th 2017	NSSRA
Prepare presentation to stakeholders where results from pilot is compared with EU results	June 10th 2017	MS experts
Prepare a presentation that describes the steps in the calculation of the Danish LCI in a detailed but understandable way.	June 10th 2017	MS experts

Annex 1. Terms of Reference

Terms of Reference

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

20-24 February 2017

Component 3: Labour Market Statistics

Activity 3.5: Labour costs and labour costs index II

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

- Continuation of the previous mission
- Discussion on data collection, sample, survey design, calculation
- Discussion on legislation concerning Labour Cost Survey (LCS) and Labour Cost Index (LCI)
- Identification of problems faced and possible solutions in respect to compliance with the EU regulations
- Follow-up on the ongoing collection of structure of earnings data
- Introduction to Demetra, a statistical software for seasonal adjustment
- To involve relevant stakeholders in the discussions

2. Expected output of the activity

- Final recommendations on labour costs and labour costs index
- Final recommendations on structure of earnings survey
- Plan for publication
- Methodology finally reviewed
- A lining up of work programme for the next and last activity
    - 3.6: Follow-up on achievements (May 2017)

3. Participants

<u>**NSSRA**</u>
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 Sargsya, 1st class Specialist, Labour Statistics Division
- Ms. Siranush Zeynalyan, 1st class Specialist, Labour Statistics Division
- Mr. Vardan Arevshatyan, Head, Business register, Sampling and Classifications Division
- Ms. Anahit Manandyan, Head, Internal Audit Department
- Ms. Lusya Khachatryan, Head, Macroeconomic Indicators and National Accounts Division
- Mr. Avag Avanesyan, Deputy head, Ministry of International Economic Integration, Department of Macroeconomic analysis and comparison

<u>**MS experts**</u>
Ms. Maria Boye, Expert, Statistics Denmark
Ms. Hege Susanne Hauglund, Expert, Statistics Denmark

<u>**Other stakeholders taking part in the activity**</u>
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
- Ministry of International Economic Integration and Reforms of RA

Annex 2: Programme for the mission

Time	Place	Event	Purpose / detail
Monday, noon *(20/2)*	NSSRA	Meeting with RTA	To discuss the programme of the week
Monday, afternoon *(20/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Assessment of situation and presentation by **BC** of the expected outcome of current mission Follow-up on the ongoing collection of structure of earnings data
Tuesday, morning *(21/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Discussion on data collection, sample, survey design, calculation related to Labour Cost Survey (LCS)
Tuesday, afternoon *(21/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Discussion on data collection, sample, survey design, calculation related to Labour Cost Index (LCI)
Wednesday, morning *(22/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Discussions of methodology and plan for publication of labour costs data Discussions of methodology and plan for publication of structure of earnings data
Wednesday, afternoon *(22/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Introduction to Demetra, a statistical software for seasonal adjustment
Thursday, morning *(23/2)*	NSSRA / *Meeting room*	Meeting with stakeholders	Meeting with stakeholders
Thursday, afternoon *(23/2)*	NSSRA	Meeting with BC Component Leader and BC Experts	Preparation of final conclusions, road map and Mission Report
Friday, morning *(24/2)*	NSSRA	Meeting with BC Component Leader Ad-hoc meetings	Presentation of **MS Experts'** findings and agreement on the reached conclusions Final clarifications with BC Experts, preparation of report and presentation for BC Project Leader
Friday, afternoon *(24/2)*	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
Karine Sargsyan, First Class Specialist, Labour Statistics Division
Siranush Zeynalyan, Labour Statistics Division

Sevada Safaryan, International Statistical Co-operation Division

External stakeholders:

Gayane Avetisyan, RA State Revenue Committee, Statistics, Analysis and Risk Management Department
Karine Madoyan, Confederation of Trade Unions of Armenia
Laura Demirchyan, Confederation of Trade Unions of Armenia
Hasmik Tadevosyan, State Employment Agency
Armine Matosyan, Ministry of Labour and Social Issues of RA
Mary Markosyan, Ministry of Labour and Social Issues of RA
Aida Mkhitaryan, Ministry of Labour and Social Issues of RA
Narine Yengibaryan, Armenian State University of Economy

RTA Team:

Peter Bohnstedt Anan Hansen, Resident Twinning Adviser
Liana Atoyan, RTA Assistant
Anush Poghosyan, RTA Language Assistant