**Coherence with Labour Cost Index**

Differences in average annual growth rates of labour costs (D), from the Labour Cost Survey (LCS) and based on non-seasonally adjusted Labour Cost Index data, in 2020 in relation to 2016, can be explained by differences in methodology, i.e. definition of basic variables, sample methodology and coverage of the survey.

**Method, period and sources for data collection.**

o **LCS. –** The survey is based on reporting method by means of the questionnaire ITR, which is to be filled in by every enterprise (legal entities and entrepreneurs) in the sample. Reporting units are selected by random sampling. The survey is carried out every four years, and the accounting period is the previous financial year.

o **Labour Cost Index.** – Data is collected from the survey on earnings which based on data from the Tax Administration records, from the Individual tax return on accrued taxes and contributions (PPP-PD form). The calculation of average salaries and wages includes employees with indefinite or fixed-term employment contract, as well as employees in temporary or occasional employment.

The estimation of the data on paid retiring allowances builds on the data on the number of retired persons derived from the records of the Pension and Disability Insurance Fund of the Republic of Serbia, as well as on average wages and salaries on the basis of which the allowance is paid in the related month.

The data on allocated subsidies are obtained from the National Employment Service.

Data are collected in monthly and quarterly dynamics, and they are published quarterly.

**Definitions of the variables being compared.**

**Labour Cost Index.** – This survey does not cover all labour costs borne by employers for employing labour force which are included in four-yearly LCS.

* Labour costs which are not included:
* Vocational training costs;
* Employers’ costs related to the recruitment of new workers (for job advertisements, employment agencies, costs of interviews with candidates, etc.) and costs of occupational health services regarding the purchase of protective and work clothes;
* Other taxes which mean employers’ costs related to performance of obligation of employing persons with disabilities, i.e. penalty payments due to unemployment of legally prescribed number of persons with disabilities;
* Allowances for housing and cost of living, for field work, jubilee awards, severance pay to employees who have been made redundant, employee and family assistance, insurance costs (contractual and voluntary pension insurance, etc.), lump-sum payment to employees in accordance with the social program, membership fees – contributions to the chambers of commerce on earnings, membership fees to trade unions and other professional associations, cost-of-living allowance, stock options and share purchase schemes, employee benefits in kind, other payments to employees which are not regarded as earnings such as: gifts for children of employees (up to 15 years old age for Christmas and New Year) not exceeding non-taxable amount, which are excluded from earnings (gifts on March 8th and other holidays, gifts for children over 15 years old age, etc.) and all other cost allowances which are excluded from earnings.
* Subsidies received by the employer. – In LCS collected are all kinds of subsidies from the state or other enterprises, companies or organisations in the country or abroad for the purpose of subsidizing a part of total labour costs or total labour costs. For calculating Labour Cost Index total labour costs are reduced only for the amount of received subsidies which are obtained from the National Employment Service. (Exception is 2020 year, where we estimated amount of subsidies related to COVID, which were given by Government. The mentioned subsidies are also collected in the Labor Cost Survey).

**Coverage of the survey and sample methodology.**

* LCS is a survey based on the random sample which includes enterprises (legal entities and entrepreneurs) with 10 or more employees.
* LCI -The statistical unit is any accrued type of income that has the character of earnings and which is reported by a legal entity or physical person through the PPP-PD form, regardless whether that income relates to employees with indefinite or fixed-term employment contract or employees in temporary or occasional employment.

**Table:** Average annual growth rate of total labour costs (D), 2020/2016

|  |  |  |
| --- | --- | --- |
|  | Average annual growth rate of total labour costs, 2020/2016 | |
| LCS | Labour Cost Index |
|  |  |  |
| **TOTAL** | **7,2** | **4,8** |
| **TOTAL – excluding section**  **Аgriculture, forestry and fishing** | **6,4** | **4,8** |
| **TOTAL – excluding section**  **Аgriculture, forestry and fishing, and Public administration and defence, compulsory social security** | **7,2** | **4,8** |
| Agriculture, forestry and fishing | 5,4 | 4,2 |
| Mining and quarrying | 10,6 | 10,2 |
| Manufacturing | 6,6 | 3,2 |
| Electricity, gas, steam and air conditioning supply | 8,5 | 2,0 |
| Water supply, sewerage, waste management and remediation activities | 6,0 | 5,5 |
| Construction | 8,4 | 3,3 |
| Wholesale and retail trade and repair of motor vehicles and motorcycles | 4,9 | 5,0 |
| Transportation and storage | 10,1 | 3,1 |
| Accommodation and food service activities | 8,3 | 4,2 |
| Information and communication | 12,0 | 9,0 |
| Financial and insurance activities | 3,0 | 1,4 |
| Real estate activities | 10,9 | 3,8 |
| Professional, scientific and technical activities | 2,3 | 3,7 |
| Administrative and support service activities | 8,0 | 7,7 |
| Public administration and defence; compulsory social security | 7,8 | 4,6 |
| Education | 9,3 | 4,4 |
| Human health and social work activities | 9,2 | 7,9 |
| Arts, entertainment and recreation | 5,6 | 5,5 |
| Other service activities | 6,3 | 1,9 |

On the total level, the difference between the average annual growth rates of total labour costs per hour actually worked, from these two surveys, is very small and amounts to 2.4 percentage points (p p.), 2.4 pp. as well, when excluding section Аgriculture, forestry and fishing, and section Public administration and defence, compulsory social security, and 1.6 pp. when excluding only section Аgriculture, forestry and fishing. Comparing both surveys, we recognize biggest difference in section Real estate activities 7.1 pp. Such a difference is understandable if we mention that Labour Cost Index cover all the enterprises regardless of their size. In this sector, according to the Survey on earnings, more than 40% of employees work in the so-called to micro enterprises with less than ten employees. The LCS sample does not include micro enterprises.