

Methodological note:

1. Data source: The calculation of the quarterly labour cost index is done based on the information from two ***sources of statistical data***:

- The monthly statistical survey on earnings (according to the European Parliament and Council Regulation no. 1165/1998 and no. 1158/2005 on short-term statistics)
- The annual statistical survey on labour costs (according to the European Parliament and Council Regulation no. 530/1999 on structural statistics regarding earnings and labour costs).

Data for the period 2000 – 2008 have been estimated in accordance with the new Classification of the Activities in the National Economy (CANE Rev. 2), harmonized with the European classification in the field (NACE Rev. 2). The applied estimation method is based on the conversion matrix of the economic activities defined according to CANE Rev. 1, in the economic activities defined according to CANE Rev. 2. The base of the construction of the conversion matrix was the data collected according to both versions of CANE, by monthly statistical survey on earnings during 2008 and by annual statistical survey on labour costs for 2007, respectively.

2. Information regarding „**budgetary sector**” should be used carefully, because data refer to statistics from economic activities (aggregated by homogenous activity) **according to CANE Rev.2.** of public administration, education and health and social assistance (including private sector for education – about 3%, respectively health and social assistance - about 9%), excluding armed forces and similar (The Ministry of National Defence, The Ministry of Internal Affairs, The Romanian Intelligence Service etc.).

These statistics do not take into account the financing type, their purpose being to provide information by economic activity according to CANE Rev.2.

Informations corresponding to the financing type are administered by the Ministry of Public Finance, according to the stipulations of Urgency Government Ordinance no. 48/2005, with later completions and modifications.

3. Concepts and definitions

The quarterly labour cost index is a short-term indicator that allows the evaluation of the tendencies of the **hourly costs** incurred by employers with labour force. The methodology used and the data series are constructed in accordance with the provisions of the European Parliament and Council Regulation no. 450/2003 concerning the labour cost index.

The quarterly labour cost index is calculated as Laspeyres type index for the total labour cost and **its two components: direct costs (wages and salaries) and other costs (non-wages costs), with 2012 as reference year.** In the first quarter of 2015 the whole series of data (2000-2014) were recalculated by changing the base year from 2008 to 2012.

The quarterly labour cost index is calculated as **provisional index for the year 2014 and year 2015**, following to be recalculated (as final for 2014 and provisional for 2015) at the end of 2015, when data from the annual statistical labour cost survey for 2014 become available.

Total labour cost – represents all the expenditure – direct and indirect (other) – incurred by employers with labour force. According to the European methodology, the expenditures of the employer with the vocational training of employees, with staff recruitment and with the protection equipment are excluded.

Direct costs (wages and salaries) – include gross payments as direct remuneration for hours worked (including bonuses), payment for days not worked, payment in kind (according to collective agreements), gross payment from net profit of the unit, gross payments from other funds (including in kind) according to national legislation in force.

Other costs (non-wages costs) – include the employers' social contributions (for unemployment, health etc.), gross payment for employees leaving the unit (retirement, transfer, detachment etc.), gross payments for work breaks not-imputed to the employees, other labour costs.

Number of hours actually worked includes the total number of hours worked during the usual working time and the overtime (additional to the normal working hours, during the weekends, holidays etc.)

Besides the series of the non-adjusted quarterly labour cost index, the following series are also calculated:

- a) the working days adjusted and
- b) the working days and seasonally adjusted,

thus eliminating the effect of the variation of the number of working days from one quarter to another, as well as the effect of the seasonal variation. The adjustment was done by the regression method, in accordance with the provisions of the European Parliament and Council Regulation no. 450/2003 concerning the labour cost index. For the adjustment, the DEMETRA software package (the TRAMO/SEATS method) was used, which estimates the effect of the working days differently from one quarter to another and the calendar effect (Orthodox Easter, leap year and other national holidays) and identifies and corrects the outliers (occasional, transitory or permanent changes in level).

The working days adjusted series were obtained by removing such effects from the non-adjusted series by using certain coefficients of correction, set-up according to the regression model used (additive or multiplicative). The adjustment was done by the indirect method, that is by applying the adjustment method at lower levels (over the components of index), the adjusted index being calculated from adjusted components. The estimation of the non-observed components: the trend-cycle, the seasonality and the irregular component is done by the SEATS programme on the basis of ARIMA models. The seasonally adjusted series were obtained by removing the seasonal component from the working days adjusted series.

Coverage: The quarterly labour cost index is calculated for the following economic activities defined according to the *Classification of Activities in the National Economy* (CANE Rev. 2), harmonized with the European classification in the field (NACE Rev. 2) :

CANE Rev. 2 Code	Name of activities
Section level	
B	Mining and quarrying
C	Manufacturing
D	Electricity, gas, steam and air conditioning supply
E	Water supply; sewerage, waste management and remediation activities
F	Construction
G	Wholesale and retail trade; repair of motor vehicles and Motorcycles
H	Transportation and storage
I	Accommodation and food service activities
J	Information and communication

CANE Rev. 2 Code**Section level****Name of activities**

K	Financial and insurance activities
L	Real estate activities
M	Professional, scientific and technical activities
N	Administrative and support service activities
O	Public administration and defence; compulsory social ^{*)}
P	Education
Q	Human health and social work activities
R	Arts, entertainment and recreation
S	Other service activities

^{*)} armed forces and assimilated excluded