Labour cost index

Release schedule: flash estimate at Q+45 days, detailed results at Q+75 days

An initial estimate ("flash estimate") of the Labour Cost Index (LCI) is published approximately 45 days after the end of the quarter in question (since the end of 2023). The flash estimate is produced using provisional data from the Nominative Social Declaration (DSN), for hourly wages, and provisional data from URSSAF Caisse nationale (see the section below 'LCI: sources used'). The flash estimate anticipates the estimate of the detailed results, published approximately 75 days after the end of the quarter in question, which use a consolidated version of these data.

The LCI data relate to the non-agricultural market sector excluding services to households (sections B to N of the NAF Rev. 2 activity nomenclature). The flash estimate covers only the main sectors of activity (Industry, Construction, Services), while the detailed results are published at the A21 level of the NAF Rev. 2. When the flash estimate of LCI for a given quarter is published, the data on previous quarters are not revised.

Labour Cost Index (LCI): an hourly wage indicator and an hourly cost indicator

The **Labour Cost Index** (LCI) is made up of two indicators:

- the first measures changes in average gross hourly earnings. Previously known as LCI – Wages and salaries, it has been renamed LCI – Hourly wages since November 2023;

- the second provides a complementary focus from the employers' point of view, measuring more broadly changes in average hourly labour costs. Previously known as total labour cost index (LCI), it has been renamed LCI – Hourly costs since November 2023.

LCI – Hourly costs: definition

The **LCI -Hourly costs** measures the changes in the hourly labour cost (wages and contributions net of exemptions and subsidies) on average in France, for all the non-agricultural market sector excluding services to households (sections B to N of the NAF Rev. 2). Harmonised at European level (via the regulations no. 450/2003 and no. 1216/2003), the LCI is sent to Eurostat, the statistical office of the European Union; INSEE publishes the results on its website about 45 days after the end of the quarter in question for the flash estimate, and 75 days after the end of the quarter for the detailed results. It is a chain-linked Laspeyres index, base 100 in 2020[1], seasonally and trading day adjusted.

The **LCI** measures changes in:
- wages and salaries,
- social contributions (from workers and employers) net of exemptions
- taxes[2] net of subsidies.[3]

The **LCI** is calculated by dividing the sum of the wage bill, social contributions and other labour costs after allowance has been made for charge exemptions and subsidies, by the number of working hours.

The gross wage bill includes the remuneration paid to employees, on the basis of which social security and tax contributions (social security contributions, unemployment insurance contributions, CSG, income tax, etc.) are calculated, as well as certain items not subject to contributions, such as the Value Sharing premium (PPV).

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[1] From the Q1 2023 publication onwards and in accordance with European regulations, the year of reference for these indices is 2020 and not 2016 (the average of the 4 quarterly indices for 2020, weighted by the volume of work – total number of paid hours – is equal to 100). However, it should be noted that, as a result of the health-related restrictions, the volume of work varied significantly in 2020; in some sectors, the simple (unweighted) average of the quarterly indices for 2020 may differ significantly from the weighted average (by construction equal to 100).

[2] This is any duty or tax based on the wage bill or on workforce.

[3] Subsidies associated with the wage bill or the workforce of certain categories of people.

Social contributions include employers' social security contributions, the self-reliance solidarity contribution, unemployment insurance, contributions to supplementary pension schemes (AGIRC-ARRCO), death insurance, contribution to the wage guarantee scheme and employers' contribution to the social dialogue. The rates for these charges are tracked quarterly. Reductions in charges are deducted.

The index also includes other costs such as the payroll tax, the contribution for not employing people with disabilities, and other contributions and taxes (net of subsidies) paid by employers. Some of these other costs are updated every year from information provided by URSSAF Caisse nationale, and others every four years when the results from the Labour Cost Survey (LCS) become available.

The subsidies taken into account are those related to the wage bill or workforce of certain specific categories of people. For instance, from 2013 to 2018, the tax credit for encouraging competitiveness and jobs (CICE) reduced the labour cost, as a subsidy to the employer, up to a percentage of the salaries lower than 2.5 times the minimum wage. The CICE has been included in the calculation of the index since the 1st January 2013, when the CICE came into force as an established entitlement (date of the operative event for the tax credit). Its initial rate of 4% on 1st January 2013 was gradually increased to 7% on 1st January 2014, then was reduced to 6% on 1st January 2018. Finally, on 1st January 2019, the CICE was replaced by a uniform reduction in the rate of the health insurance employer contributions (6 points) on low wages, in metropolitan France as well in DOM, except Mayotte where it remained at 9%). Unlike the CICE, this reduction in contributions therefore applies without distinction in metropolitan France as well in DOM (excluding Mayotte), but the DOM-specific exonerations (Lodeom) have been strengthened to compensate for this transformation. Overall, the CICE transformation had a neutral effect on the **LCI**. Another more recent example is the inclusion in the index of specific support measures introduced as part of the health crisis in 2020 (the "1 young person 1 solution" plan to assist in the hiring of young employees, and the plan to support the tourism sector via exemptions or aid for the payment of contributions).

LCI – Hourly wages

As stipulated in the European regulations referred to above, in addition to the **LCI – Hourly costs**, INSEE also calculates an hourly wage index, **LCI – Hourly wages**, based on the same sources. This wage index differs markedly from the Basic monthly wage (*see table below*), published by DARES (statistical service of the Ministry of Labour).

	LCI – Hourly wages	**Basic monthly wage**
Wage	Hourly	monthly
Scope	includes bonuses and additional salaries	excludes bonuses
Working hours and qualifications	Working hours and qualifications depends on actual working hours and qualification structure	calculated using a constant qualification structure

As a result, the **LCI – Hourly wages** is an index of the *labour cost* (excluding employers' contributions) whereas the Basic monthly wage is an index of *price of work* at a constant qualification structure. The changes in Basic monthly wage therefore primarily reflect underlying wage trends. The Basic monthly wage does not consider the impact on wages of structural changes in the labour market, such as the trend of increase in employees' qualifications, the rise of apprenticeship and the sectoral reallocation of the economy.

Conversely, the **LCI – Hourly wages** is conceptually similar to the average wage per capita in the market sector in National Quarterly Accounts: both indicators cover the entire wage bill, with the **LCI – Hourly wages** relating this wage bill to a number of working hours, whereas the average wage per capita relates it to a number of employees. However, the average wage per capita covers employee savings, which is not the case for the **LCI – Hourly wages**. These two indicators are generally close, as long as fluctuations in the average hourly volume of work per employee are limited. However, during the health crisis period of 2020-2021, marked by massive extent to short-time working scheme, working hours dropped sharply: the variations in the **LCI – Hourly wages** were very different during this period from those of the average wage per capita.

All European Union member states produce the same type of index, published on the Eurostat website: http://epp.eurostat.ec.europa.eu.

LCI: sources used

Three main sources are used to calculate the **LCI**:

- The gross wage bill and the hourly volume of work come from the Nominative Social Declarations (DSN) reprocessed by INSEE;
- Short-term data from URSSAF Caisse nationale provide the information on labour costs and contributions exemptions. These data are used, for example, to monitor changes in exemptions linked to general reductions in employers' social security contributions;
- Some costs are taken from INSEE's quadriennal Labour Cost Survey (LCS) or ad hoc estimates.

These data, which are provisional at the time they are included in the index, are subject to revision by the producing organisations. The index itself may therefore be revised, mainly in the recent past. In particular, the LCI for the latest available quarter is subject to revisions between the flash estimate (about 45 days after the end of the quarter in question), which uses provisional data from the DSN, and the detailed results (75 days), which are based on consolidated data, taking account in particular of employers' late declarations.

As a reminder, when the flash ICT estimate for a given quarter is published, the data for previous quarters are, by construction, never revised.

Main revisions

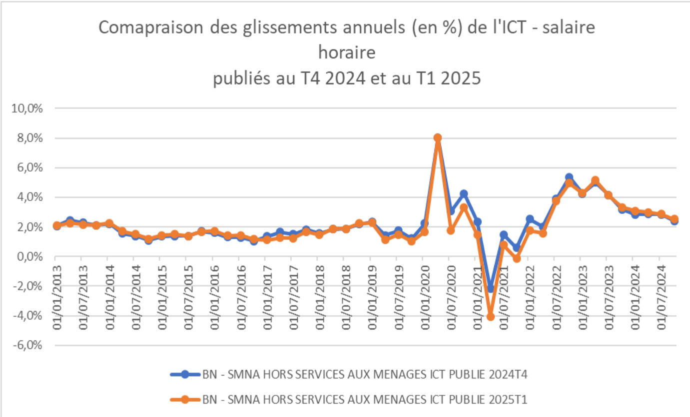
On the occasion of the publication of the detailed results of the first quarter of 2025, the processing chain for the information available on wages and the methods for estimating the indicators has been revised, to improve the statistical quality of the LCI. The main changes are as follows:

- Gross wage bill data now come entirely from INSEE's use of data from the Nominative Social Declarations (DSN). This use of DSN data has been gradually consolidated. The results are now considered sufficiently reliable and secure to be used directly since 2019. This development guarantees perfect consistency between its numerator (wage bill) and denominator (paid hours), now derived by INSEE from the same source at the level of each reporting establishment. Previously, the estimation of detailed results was based on the relationship between aggregated information from two different and sometimes divergent information systems, particularly in terms of sectoral composition: the gross wage bill from URSSAF Caisse Nationale, calculated from the DSN, as the numerator of the index; paid hours, calculated from INSEE's use of the DSN, as the denominator. Short-term data from URSSAF Caisse nationale provide the information on labour costs and contributions exemptions. These data are used, for example, to monitor changes in exemptions linked to general reductions in employers' social security contributions;
- Since the introduction of the DSN in the private sector, there has been a gradual improvement in the processing of the resulting data, particularly as regards paid hours: on the reporting side, reporting has become virtually exhaustive in the private sector, the reporting standard instructions have been clarified and companies have reported more and more in line with the standard; on the knowledge side of reporting practices and data processing, improvements have also been gradual; as these various improvements are a factor in breaks in series, they have been neutralised initially and are not taken into account in the calculation of the LCI until the detailed results of the first quarter of 2025 are available:
    - That’s why the revisions mainly concern the period 2019-2022, during which paid hours fluctuated sharply, due to the massive use of short-time working;
    - The integration of a series calculated consistently over a six-year period also makes it possible to implement methods for adjusting for seasonal variations (CVS) and trading day adjustments (CJO), which overall reduces the volatility of the quarterly series.
- In total, paid hours from the DSN are used in the LCI denominator from the first quarter of 2019 (compared with the first quarter of 2020 in the previous method). Prior to 2019, historical hours are back-polled using the indicators used in the indicator until 2019: the hours in the quarterly surveys on labour activity and employment conditions (Acemo) conducted by DARES (the Ministry of Labour's statistical department). These surveys measure only collective working hours, and exclude individual variations such as overtime or recourse to partial activity (which are considered in the hours from the DSN).

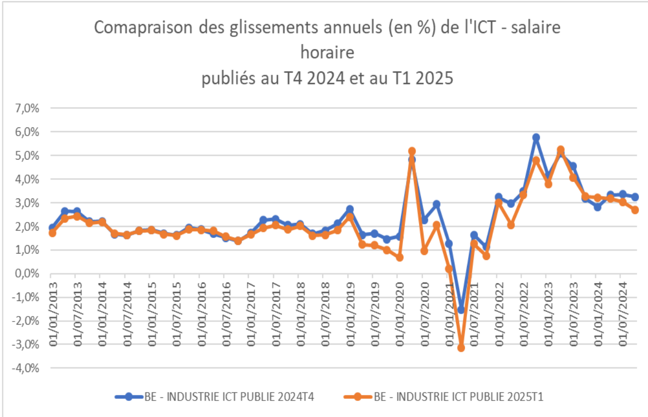
This in-depth work has led to revisions to past series that are slightly larger than usual at this time of year, and over longer periods (graphs 1 to 4). They have made it possible to improve the estimates, particularly over the year period: the changes in the LCI between 2019 and 2024 is thus more in line with that which emerges from the structural data in the All employees databases, which INSEE uses to assess the annual change in private sector wages at the individual employee level, and also with that of the average wage per capita in the national accounts. This is also the case for the period of the health crisis in 2020 and 2021, during which the sharp fluctuations in hourly wages, due in particular to significant compositional effects linked to the historically high use of short-time working, were difficult to measure in real time. The LCI now offers a diagnosis that is better aligned with that of the All Employees databases over this period.

Figures 1 to 4 : revisions in the year-on-year changes of the LCI – Hourly wages

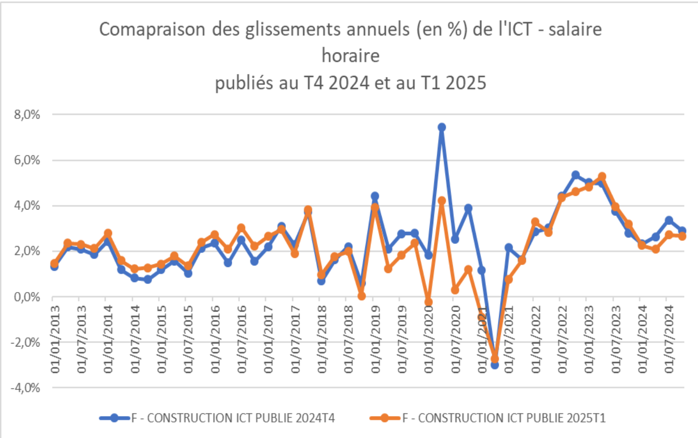
Non-agricultural market sector excluding services to households.



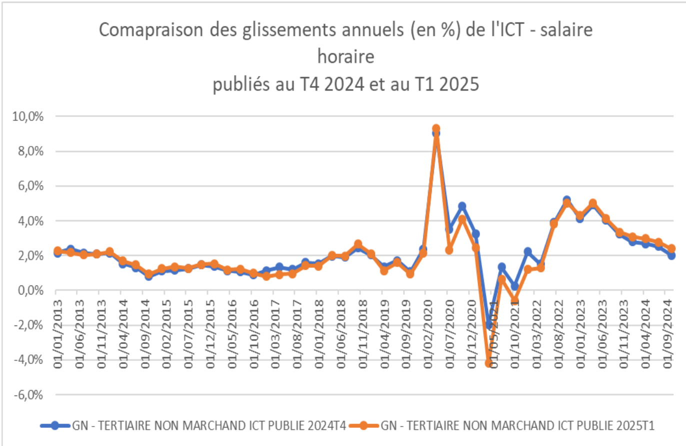
Industry



Construction



Services



Scope: non-agricultural market sector excluding services to households.
Sources : LCI – Hourly wages for the 2024Q4 and 2025Q1 vintages.