

# **24<sup>rd</sup> Voorburg Group Meeting**

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**Revisited Sector Paper on:**

**ISIC Rev.4 78**  
**Employment activities**



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**Trade and Services Division**

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## INTRODUCTION

The main purpose of that paper is to summarize the state of art on the methodological recommendation as well as the national practices in the compilation of data on output and producer prices for the employment activities. Moreover, it also identifies the challenges faced by countries while collecting, processing and disseminating data reflecting the output of employment activities.

The issues connected with the employment services were the subject matter of the following papers presented within the previous Voorburg Group's meetings:

- Mini-presentation on Producer Price Indices Development of a Price Index for Employment Services in the UK, Nick Palmer & Steve Lewis, UK Office for National Statistics – 2002, Nantes,
- U.S Producer Price Index for Help Supply Services, Ryan Broderick, U.S. Bureau of Labor Statistics – 2002, Nantes,
- Mini-presentations on Producer Price Indices Development of a UK Price Index for Recruitment Services, Anthony Luke and Pam Davies UK Office for National Statistics – 2004, Ottawa,
- The French PPI for Provision of Temporary Workers and Labor Recruitment, Benoît Buisson (INSEE, France), 2004 – Ottawa,
- Producer Price Indexes for Recruitment and the Provision of Temporary Workers within Australia, Jo-Marie Moore & Daryl Williams, Australian Bureau of Statistic, 2004 – Ottawa,
- Labor Recruitment in Japan's Corporate Service Price Index (CSPI), Kiyohito Utsunomiya and Nao Sudo, Research and Statistics Department Bank of Japan – 2005 - Helsinki
- Recruitment in UK's Corporate Services Price Index (CSPI), Tim Clode – 2005, Helsinki,
- Principal paper: The French SPPI on recruitment and provision of temporary workers, Benoît Buisson (INSEE, France), 2005 – Helsinki,

The above mentioned papers mainly concern the producer price index. Due to the lack of sufficient information on other variables necessary for measuring the output of employment activities I have conducted the written consultations among the experts responsible for statistics on SPPIs and turnover (15 countries took part in survey). I have asked for

information on countries' practices in the field of turnover/output and SPPI statistics for the employment activities

## **BACKGROUND INFORMATION**

The sector of employment activities can be split into the following subsectors: activities of employment placement agencies, activities of temporary employment agencies and other human resources provision.

According to the NACE Rev.2<sup>1</sup> the activities of employment placement agencies includes:

- listing employment vacancies and referring or placing applicants for employment, where the individuals referred or placed are not employees of the employment agencies,
- personnel search, selection referral and placement activities, including executive placement and search activities,
- activities of casting agencies and bureaus, such as theatrical casting agencies,
- activities of on-line employment placement agencies;

The temporary employment activities comprises the services of supplying workers to client's businesses for limited periods of time to temporarily replace or supplement the working force of the client, where the individuals provided are employees of the temporary help service unit. Therefore, the further breakdown by the type of supplied personnel: support office personnel, domestic staff, commercial or industrial workers, nursing personnel, other personnel is needed.

Other human resources provision covers the activities of providing human resources for client businesses. The units classified here represent the employer of record for the employees on matters relating to payroll, taxes, and other fiscal and human resource issues, but they are not responsible for direction and supervision of employees. However, in many countries that activity is thought to be marginal part of sector.

The above mentioned activities can be divided into two groups regarding the way in which the recruited employees are paid. In case of the employment placement activities the employee is

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<sup>1</sup>Statistical Classification of Economic Activities in the European Community

usually paid by the employer (client of agency) while in the activities of temporary employment agencies and other human resources provision the employee is usually paid by agency.

As regards the situation on the market in the recent years the employment services recorded the significant growth. It was caused by the changes in the market towards more flexible working systems and the significant development of outsourcing phenomenon.

In the majority of countries who have been interviewed the sector of employment services is regulated in more or less restrictive way. However, in other countries in order to start the employment activities it is also necessary to meet the requirements which are common for establishing any other business activity. Not so far, in some countries the employment activities were monopolized by government. Although in the 1990s some countries abolished that monopoly the process of transition to fully liberalized market of employment services is still in progress. Generally, the temporary employment agencies, of which products are usually classified into the 74.50.2 of the CPA2002 or 78.2 and 78.3 of the CPA2008, are most often regulated activity and the licence to run that activity usually is required.

In the structure of enterprises running the employment activities the smallest enterprises with the number of persons employed 9 and less constitute the biggest part as regards the number of units. But turnover are mainly generated by the large units with the number of persons employed 50 and more. It does not concern the situation of employment activities in Poland where the number of the small units (with the number of persons employed 9 and less) is accounted for almost 99% of total number of enterprises running these activities and nearly 56% of total turnover. Generally, among the employment services the temporary employment services produce the biggest part of total turnover.

When data on the output of employment services are compiled it is necessary to have in mind that many of these services are offered by enterprises from other service sectors. For example, management consultancy companies (by NACE Rev.2 70.2) offer placement services which are classified into 78.2. On the other hand, temporary employment agencies provide services of engineers which originally belong to 71.12 by NACE Rev.2. Temporary employment agencies also render outsourcing services which does not belong to the division 78 by NACE Rev.2.

## CLASSIFICATION ISSUES

As regards the European Union's countries as well as Norway they use their own national classifications which tightly correspond to the NACE (The Statistical Classification of Economic Activities in the European Community) and the CPA (The Statistical Classification of Products by Activity in the European Economic Community).

Until 2007 the enterprises running the employment activities were classified according to the NACE Rev.1.1 to the class 74.5 "Labour recruitment and provision of personnel". It comprises:

- personnel search, selection referral and placement in connection with employment supplied to the potential employer or to the prospective employee (formulation of job descriptions, screening and testing of applicants, investigation of references, etc.),
- executive search and placement activities (headhunters) and
- -contracting activities (supply to others, chiefly on a temporary basis, of personnel hired by, and whose emoluments are paid by, the agency).

The class 7450 of NACE Rev.1.1 is not further subdivided, however, the national classifications introduces additional breakdowns. A good example is Germany, of which the national activity classification WZ2003 disaggregates class 74.50 into 74.50.1 Labour recruitment and 74.50.2 Provision of personnel. In Poland, for instance, in PKD2007 (The Polish Classification of Activity 2004) the class 74.50 is disaggregated into 74.50A Recruitment and provision of personnel and 74.50B The activity of entities of one person running the business only for one entity. The class 7450B concerns the new form of employment – so called "self-employment".

The product classification CPA2002 is structured in more detailed way. The group 74.5 is broken down into: 74.50.1 Placement services of personnel and 74.50.2 Supply services of personnel. The detailed structure presented below:

Code	Description
<b>74.5</b>	<b>Labour recruitment and provision of personnel services</b>
<b>74.50</b>	Labour recruitment and provision of personnel services
<b>74.50.1</b>	Placement services of personnel
<b>74.50.11</b>	Executive search services

<b>74.50.12</b>	Placement services of office support personnel and other workers
<b>74.50.2</b>	Supply services of personnel
<b>74.50.21</b>	Supply services of office support personnel
<b>74.50.22</b>	Supply services of domestic staff
<b>74.50.23</b>	Supply services of commercial or industrial workers
<b>74.50.24</b>	Supply services of nursing personnel
<b>74.50.25</b>	Supply services of other personnel

At the beginning of 2008 the new versions of NACE and CPA were introduced. Nowadays the employment activities are classified into the division 78 Employment activities. Comparing to the previous version of classification the scope was enlarged and additionally includes class 92.72 Other recreational activities n.e.c, mainly the motion-picture, television and other theatrical casting activities. The detailed structure of division 78 by the NACE Rev.2 together with the included items are presented below:

<b>Code</b>	<b>Description</b>	<b>This item includes:</b>
<b>78</b>	<b>Employment activities</b>	
<b>78.1</b>	<b>Activities of employment placement agencies</b>	
<b>78.10</b>	<b>Activities of employment placement agencies</b>	<ul style="list-style-type: none"> <li>- listing employment vacancies and referring or placing applicants for employment, where the individuals referred or placed are not employees of the employment agencies,</li> <li>- personnel search, selection referral and placement activities, including executive placement and search activities,</li> <li>- activities of casting agencies and bureaus, such as theatrical casting agencies,</li> <li>- activities of on-line employment placement agencies;</li> </ul>
<b>78.2</b>	<b>Temporary employment agency activities</b>	
<b>78.20</b>	<b>Temporary employment agency activities</b>	- the activities of supplying workers to client's businesses for limited periods of time to temporarily replace or supplement the working force of the client, where the individuals provided are employees of the temporary help service unit. However, units classified here do not provide direct supervision of their employees at the clients' work sites.
<b>78.3</b>	<b>Other human resources provision</b>	
<b>78.30</b>	<b>Other human resources provision</b>	<ul style="list-style-type: none"> <li>- the activities of providing human resources for client businesses. The units classified here represent the employer of record for the employees on matters relating to payroll, taxes, and other fiscal and human resource issues, but they are not responsible for direction and supervision of employees.</li> </ul> <p>The provision of human resources is typically done on a long-term or permanent basis and the units classified here perform a wide range of human resource and personnel management duties associated with this provision.</p>

Within the CPA2008 the employment services were divided into temporary employment agency services and other human resources provision services with further breakdowns into identical industrial fields (see below).

<b>Code</b>	<b>Description</b>
<b>78</b>	<b>Employment services</b>
<b>78.1</b>	<b>Services provided by employment placement agencies</b>
<b>78.10</b>	Services provided by employment placement agencies
<b>78.10.1</b>	Services provided by employment placement agencies
<b>78.10.11</b>	Executive search services
<b>78.10.12</b>	Permanent placement services, other than executive search services
<b>78.2</b>	<b>Temporary employment agency services</b>
<b>78.20</b>	Temporary employment agency services
<b>78.20.1</b>	Temporary employment agency services
<b>78.20.11</b>	Temporary employment agency services for the supply of computer and telecommunications personnel
<b>78.20.12</b>	Temporary employment agency services for the supply of other office support personnel
<b>78.20.13</b>	Temporary employment agency services for the supply of commercial and trade personnel
<b>78.20.14</b>	Temporary employment agency services for the supply of transport, warehousing, logistics or industrial workers
<b>78.20.15</b>	Temporary employment agency services for the supply of hotels and restaurants personnel
<b>78.20.16</b>	Temporary employment agency services for the supply of medical personnel
<b>78.20.19</b>	Temporary employment agency services for the supply of other personnel
<b>78.3</b>	<b>Other human resources provision services</b>
<b>78.30</b>	Other human resources provision services
<b>78.30.1</b>	Other human resources provision services
<b>78.30.11</b>	Other human resources provision services for computer and telecommunications personnel
<b>78.30.12</b>	Other human resources provision services for other office support personnel
<b>78.30.13</b>	Other human resources provision services for commercial and trade personnel
<b>78.30.14</b>	Other human resources provision services for transport, warehousing, logistics or industrial personnel
<b>78.30.15</b>	Other human resources provision services for hotels and restaurants personnel
<b>78.30.16</b>	Other human resources provision services for medical personnel
<b>78.30.19</b>	Other human resources provision services for personnel n.e.c.

The correspondence table between the NACE Rev.1.1/CPA2002 and the NACE Rev.2/CPA2008 is enclosed in Annex 1.

There are also countries, for example Israel, which use the ISIC Rev.4 (The International Standard Industrial Classification of All Economic Activities) as an industrial classification and CPC Rev.2 as a product classification. The ISIC Rev.4 is fully comparable with the NACE Rev.2 with the employment activities in division 78 while the products are classified into the group 851 Employment services of the CPC2002 (The Central Product Classification) which differ from the EU product classification (see below).

Code	Description
<b>851</b>	<b>Employment services</b>
<b>8511</b>	Personnel search and referral services
<b>85111</b>	Executive/retained search services
<b>85112</b>	Permanent placement services, other than executive search services
<b>8512</b>	Labour supply services
<b>85121</b>	Contract staffing services
<b>85122</b>	Temporary staffing services
<b>85123</b>	Long term staffing (payrolling) services
<b>85124</b>	Temporary staffing to permanent placement services
<b>85125</b>	Co-employment staffing services

In the USA, Canada and Mexico the NAICS (The North American Industry Classification System) and the NAPCS (The North American Product Classification System) are used. According to the above mentioned classifications establishments running the employment related activities are included in the class 5613 named Employment services (the detailed structure presented below).

Code	Description	This item comprises:
<b>5613</b>	<b>Employment Services</b>	
<b>56131</b>	<b>Employment Placement Agencies and Executive Search Services</b>	
<b>561311</b>	Employment Placement Agencies	<ul style="list-style-type: none"> <li>– establishments primarily engaged in listing employment vacancies and in referring or placing applicants for employment.</li> </ul> <p>The individuals referred or placed are not employees of the employment agencies</p>
<b>561312</b>	Executive Search Services	<ul style="list-style-type: none"> <li>– establishments primarily engaged in providing executive search, recruitment, and placement services for clients with specific executive and senior management position requirements.</li> </ul> <p>The range of services provided by these establishments may include developing a search strategy and position specification based on the culture and needs of the client; researching, identifying, screening, and interviewing candidates; verifying candidate qualifications; and assisting in final offer negotiations and assimilation of the selected candidate. The individuals identified, recruited, or placed are not</p>



		employees of the executive search services establishments
<b>56132</b>	<b>Temporary Help Services</b>	
<b>561320</b>	Temporary Help Services	<ul style="list-style-type: none"> <li>– establishments primarily engaged in supplying workers to clients businesses for limited periods of time to supplement the working force of the client.</li> </ul> <p>The individuals provided are employees of the temporary help service establishment. However, these establishments do not provide direct supervision of their employees at the clients' work sites.</p>
<b>56133</b>	<b>Professional Employer Organizations</b>	
<b>561330</b>	Professional Employer Organizations	<ul style="list-style-type: none"> <li>– establishments primarily engaged in providing human resources and human resource management services to client businesses.</li> </ul> <p>Establishments in this industry operate in a coemployment relationship with client businesses or organizations and are specialized in performing a wide range of human resource and personnel management duties, such as payroll, payroll tax, benefits administration, workers' compensation, unemployment, and human resource administration.</p> <p>Professional employer organizations (PEOs) are responsible for payroll, including withholding and remitting employment-related taxes, for some or all of the employees of their clients, and also serve as the employer of those employees for benefits and related purposes.</p>

NAPCS Product List for NAICS 5613: Employment Services is shown below.

Code	Description
34070	Bookkeeping, compilation, payroll and taxation services
<b>34073</b>	<b>Payroll services</b>
36030	Management consulting services
<b>36032</b>	<b>Human resources consulting services</b>
37510	Co-employment staffing services
<b>37511</b>	<b>Co-employment staffing services with payroll services only</b>
<b>37512</b>	<b>Co-employment staffing services with both payroll and benefit services</b>
<b>37513</b>	<b>Co-employment staffing services with both payroll and human resources</b>
<b>37514</b>	<b>Co-employment staffing services with payroll, benefit and human resources</b>
37520	Permanent placement services
37530	Contract staffing services
37540	Temporary staffing services
37550	Long-term staffing services
37560	Temporary-to-permanent staffing placement services
37570	Onsite management services of temporary help
37580	On-line employment services
<b>37581</b>	<b>On-line job listing services</b>
<b>37582</b>	<b>On-line resume listing services</b>
<b>37583</b>	<b>On-line job site membership fees</b>
37600	Employee evaluations services
37610	Outplacement/career counseling services

37620	Executive search services, including retained search
37630	Employee training services, not specified by type
37640	Medical examination of employment
38140	Investigative and detective services
<b>38141</b>	<b>Personal background checks</b>
39000	Merchandise sales
<b>39055</b>	<b>Sales of merchandise, excluding computer software</b>
39500	All other receipts
<b>39551</b>	<b>All other operating receipts</b>

Australia and New Zealand use the ANZSIC (The Australian and New Zealand Standard Industrial Classification). The employment activities are classified into two classes: Employment Placement (7861) and Contract Staff Services (7862).

## INTERNATIONAL METHODOLOGICAL RECOMMENDATIONS

According to the Compilation Manual for an Index of Service Production **the best variable** for measuring the output of employment activities is the **gross turnover deflated by appropriate quality adjusted price index**. Turnover data should be gained “from survey of enterprises supplying these types of services [employment services] or from administrative data taken from tax returns which could be split by type of other business service supplied”<sup>2</sup>. In case of employment activities the **producer price index (PPI) for employment agencies** is specified as **the best deflator**. Turnover data are defined as receipts from sales excluding VAT and other taxes on products plus any subsidies on products. Where long-term projects are involved, turnover should be adjusted for number of hours worked but not billed for.

The **gross turnover deflated by partially representative price index** or **volume indicators**, for example number of persons employed, are presented as **the alternative variables**. The partially representative deflator means partially **representative for employment services producer price index (PPI)** or **consumer price index (CPI)** or **general price index**.

<sup>2</sup> Compilation Manual for an Index of Service Production, OECD 2007, page 116;

The Handbook on price and volume measures in national accounts provide us with information on **the best method for compiling the price indices** for employment activities (see in the table below)<sup>3</sup>.

#### **A, B and C methods**

Where the employee is paid by the recruitment agency, **methods based on wage rate indices** relating to the personnel hired out seem to readily lend themselves as B methods. An A method would include productivity and quality adjustments and also reflect the administrative costs imposed by the recruitment agency. To that extent **contract prices**, which include quotes for specific types of workers, would be A methods, provided quality changes are properly accounted for. **Model prices** could also constitute an A method, if properly done. Where a percentage of the salary applies the above methods and classifications apply except in this case they should be combined with information on percentage fees. If information relating to percentages is not available then the use of wage rate indices could be considered a B method. It is then assumed that the percentage does not change.

## **OUTPUT ISSUES**

The most often used variable reflecting the output of employment activities is the **turnover**, although some countries specified also other variables, for instance, revenue, payroll or employment related variables such as the number of employees or the number of sold hours.

However, as regards the temporary agencies' activities there are some difficulties in proper measuring the output as well as the producer prices because the employee is usually paid directly by employment agency. As a result the price, which the client of the agency, is charged with, comprises also the labor costs related to the hired-out employee and following that the output is increased by the amount of the employee's remuneration. Should the output be treated in gross or net way? Therefore, when data on the temporary agencies are presented it is necessary to take into account the fact that turnover does not reflect the real result of activity. Most of countries apply the gross treatment which is in compliance with the

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<sup>3</sup> Handbook on price and volume measures in national accounts, Eurostat, page 110;

recommendations of the European System of National Accounts (ESA). However, there is no one harmonized method used by countries.

Generally, in the EU countries annual information on turnover are compiled in compliance with the Regulation (EC, EURATOM) No 58/97 of the Council of 20 December 1996 concerning structural business statistics and Regulation (EC) No 295/2008 of the European Parliament and of the Council of 11 March 2008 concerning structural business statistics. As a result, since the reference year 2008 annual data on turnover for the employment activities should be produced at the class level. Moreover, data on turnover by product for the division 78 Employment activities will be compiled annually with the first reference year 2008. However, many countries were granted some derogations. As regards the short term statistics since 2009 the EU member states are obliged to collect and compile the quarterly data on turnover for division 78 Employment activities in compliance with the requirements of the Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 7 July 2005 amending the Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics.

The vast majority of countries which responded compile data on turnover (12 of 14) at the industrial level with the annual, quarterly, monthly or other frequency (see in table 1 below). Data are collected within the census, representative surveys or they are obtained from administrative sources. The large enterprises are surveyed within the census while smaller units - on the basis of sample (most often random stratified samples).

Table 1: Frequency and number of countries which compile or plan to compile data on turnover at the industry level for employment services

Frequency	Number of countries	Data source
annually	11	census, representative survey, administrative data
quarterly	3	representative survey, administrative data
monthly	5	
with other frequency- every five years	1	census
with other frequency- every two months	1	administrative data

Most of the interviewed countries (12 of 14) declare also that compile or plan to compile data on turnover by product (mainly annually, however, there are some countries which also collect short-term data – see in table 2 below). Data are collected within the representative surveys. The sample size is usually much smaller than in the case of data collection of turnover at the industrial level and it usually does not comprise all size classes by employment.

Table 2: Frequency and number of countries which compile or plan to compile data on turnover at the product level for employment services

Frequency	Number of countries	Data source
annually	10	representative survey, administrative data
quarterly	1	representative survey
monthly	2	
with other frequency – every five years	1	census

Data on turnover are published at the national level in various forms - not only as an absolute figures but also as an indices or structures in %. Moreover, in case of the EU countries data on turnover are published at the Eurostat's website.

Among the challenges concerning the turnover/output statistics countries mentioned:

- decreasing and effective managing the respondent burden which is among others the result of difficulties in delivering appropriate data at the product level by responding units,
- exhaustive coverage of employment services with the statistical observations – covering all enterprises offering the employment services (not only these which are classified into the division 78 by NACE Rev.2),
- acquiring more comprehensive knowledge about the sector,
- explaining the discrepancies between results elaborated on the basis of data from different sources, for example, annual and short-term surveys.

## SPPIs ISSUES

The key factor determining the pricing method is the **price mechanism** which is used by companies in order to set the prices of employment services.

In case of employment placement agencies the price of services is usually established as a percentage of annual salary for a given post but produced also in money value or as a multiply of the gross monthly salary for a given post. The price is also calculated by multiplying the hourly rate of employee who provide the employment services and the number of hours needed for the recruitment process. As the placement related activity consists of several stages the fee for a service is very often paid by installments subject to the progress in the recruitment process. It very rarely depends on the final success or bases on a minimum fee established in a contract.

In the temporary employment agencies the prices of their services are established on the basis of gross hourly rate which differentiate between different types of employees. As the hired out employee is paid by agency the final fee for the provided service covers the hourly wage rate of employee together with the social insurance, other overheads of the agency and the margin of agency. The rate has to be in compliance with the minimum hourly rate in a given company or bases on the collective agreements. The margin is usually set as a percentage of gross hourly rate.

In both cases the price of employment services depends mainly on the type of hired out employee and the salary paid to them. However, the prices of employment services can be negotiated between agency and client and can depend on:

- geographical location – a typical case of Germany – the West of Germany with the higher rates than in the East of Germany, metropolitan areas with the higher rates,
- kind of advertised post depending on the amount of salary (if fixed) – the higher salary the higher price,
- performed hours (in case of temporary employment) – the more performed hours the lower price,
- relationships between the agency and client (employer) – one-off contacts with the higher prices or long-term cooperation with the lower prices,
- length of contract – the longer contract the lower price,
- level of required qualifications – the more qualified worker the higher price;

The vast majority of countries who responded (14 of 15) compile or plan to start collecting data on the SPPIs for the employment services. Similarly to turnover, in the EU data on the

producer prices for the activity in question are required by the Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 7 July 2005 amending the Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics.

In some countries the index is calculated on the basis of information concerning all types of employment activities while in others it covers the most representative activities which are thought to be the activities of employment placement agencies and activities of temporary employment agencies. Data are collected at the product level but the indices are mainly calculated at the industry level. As the employment services are offered also by the enterprises which does not belong to the class 7450 by NACE Rev.1.1/ division 78 by NACE Rev.2 some countries declare that information from these companies are also included in the indices.

Information on prices are collected quarterly (12 of 14) or monthly (2 of 12) within the representative surveys. Although the recommended method of sample selection is the probability proportionate to size sample (PPS sample) some countries use also randomly selected stratified sample. The sample is selected on the basis of information included in business registers, however, in some countries it is necessary to consult sample frame with the professional associations.

As regards the employment activities countries specified the following pricing methods (see in table 3 below).

Table 3: Pricing methods specified by countries, description and type of collected data for the employment activities

Pricing methods	Description of method <sup>4</sup> adjusted for the sake of employment activities	Type of collected data <sup>5</sup>
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<sup>4</sup> Glossary of Voorburg Group Terminology fro Mini-Presentations, Sector Papers, and Revisited Sector Papers, Tom Langer, Statistics Norway, John Murphy, U.S. Census Bureau

<sup>5</sup> Source of information: information from countries obtained within the written consultation and "Methodology of measuring the output of service sector", Agnieszka Matulsa-Bachura and Renata Rechnio, Internal trade, Institute for Market, Consumption and Business Cycles Research, May 2009, page 192-195;

<p><b>charge-out rates</b></p>	<ul style="list-style-type: none"> <li>- the price charged per unit in pricing based on working time methods.</li> <li>- in case of placement employment activities it is an hourly rate of the agency's employee multiplied by the number of hours needed for providing the given service.</li> <li>- in case of temporary employment activities this is an hourly rate charged to a client for supplying the temporary worker which usually includes the remuneration of employee.</li> </ul>	<ul style="list-style-type: none"> <li>- as regards the employment placement activities - information on monthly salaries or hourly rates of employees of various types in the employment agency</li> <li>- as regards temporary employment activities - hourly rates for supplying the worker</li> </ul>
<p><b>percentage fee<sup>6</sup></b></p>	<ul style="list-style-type: none"> <li>- refers to a pricing method that estimates a price by multiplying a percentage and the value of the service –the percentage of the annual salary set for a given post</li> <li>- in the percentage fee method, the price change is split in to parts, change of the percentage fee and change of the product price.</li> </ul>	<ul style="list-style-type: none"> <li>- in case of employment placement: the percentage fee in % and the annual salary data by profession of recruited employee obtained from respondent or from statistical survey</li> <li>- in case of temporary employment: the percentage of the hourly rate of worker (used especially in case of net treatment of SPPI).</li> </ul>
<p><b>actual transaction prices or direct use of repeated services</b></p>	<ul style="list-style-type: none"> <li>- refers to an ideal pricing method using actually paid prices of individual transactions that are repeated in each survey period</li> </ul>	<ul style="list-style-type: none"> <li>- description of the most representative services or package of services provided within the actual transactions and information on their price</li> <li>- prices of the a/m services provided in each survey period</li> <li>- information on the amount of commission fee</li> </ul>
<p><b>model pricing</b></p>	<ul style="list-style-type: none"> <li>- refers to estimation of price for a standardised product ("model") which is not transacted in the survey period,</li> <li>- used especially for executive search services</li> </ul>	<ul style="list-style-type: none"> <li>- in the first reference period respondent selects and describes in detail the representative service (model service – real or unreal) and then estimate the price,</li> <li>- in the consecutive reference periods respondent provide information on a price of the model services;</li> </ul>
<p><b>contract pricing<sup>7</sup></b></p>	<ul style="list-style-type: none"> <li>- a pricing method that uses real transaction prices when the same provider for the same client repeats the services across survey periods.</li> <li>- prices of contracts are agreed for more than one period when the contract is signed or renewed</li> </ul>	<ul style="list-style-type: none"> <li>- information on prices of service provided within the contract</li> </ul>

On the basis of information gained within the written consultations it can be stated that as regards the placement employment activities the charge-out rates, percentage fee and actual transaction prices/direct use of repeated services are the most often applied methods while in

<sup>6</sup> Also named commission pricing

<sup>7</sup> Also named actual contracted bill rate



the temporary employment activities there are charge-out rates, percentage fee and contract pricing.

In order to calculate the producer price index for the employment activities information on the weights for each kind of activity included in the coverage of survey is needed. The surveys are the main source of weighting data on turnover, revenues or employment. However, there were also mentioned: information from respondents and chamber of commerce as well as business register.

When the prices are measured it is necessary to ensure that the volume of production and the quality of services are stable. In The Handbook on price and volume measures in national accounts it is recommended to make the quality adjustments while measuring prices. Nevertheless, “valuing the quality changes is one of the most difficult problems in price and volume measurements.”<sup>8</sup>

In case of the employment activities only few countries declare that make such quality adjustments. Although others consider implementing some procedures, especially in the temporary employment activities. The crucial issue is to define the product in question. Is the product of temporary employment activity the number of worked hours or also the amount of goods manufactures by the temporary worker? Following that train – if the answer is “yes” - the changes in productivity of workers should be treated as a changes in the quality of temporary employment service and there is need for quality adjustments..

The main purpose for compilation of the SPPI for the employment activities is to get the deflator for the gross domestic products, value added and other financial variables. However, despite the fact that many countries have already developed or is developing that index it is not always used by the national accounts. Moreover, even if it is compiled it has not been published at the national level yet.

Among the challenges concerning the SPPIs issues countries mentioned:

- decreasing and effective managing the respondent burden,

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<sup>8</sup> The Handbook on price and volume measures in national accounts, Eurostat 2001, page18;

- setting the clear distinction between the employment services offered by enterprises from sector of employment activities and other sectors' companies,
- harmonizing the method of gross or net treating the SPPIs in temporary employment activities,
- development of the SPPIs methodology including the quality adjustments,
- ensuring the security of data flows between statistics and trade associations or professional organizations,
- considering the common way of treating other sectors' companies which lease their staff internally, cooperation with professional organizations, better knowledge of sector.

## **SUMMARY**

1. Generally, the employment services sector can be divided into two sub-sectors regarding the way in which the placed employee is paid: by the client of employment agency (usually in case of employment placement agencies) or by employment agency (usually in temporary employment agencies).
2. Not only are the employment services offered by enterprises classified into the division 78 Employment activities by NACE Rev.2 but also by other activities' enterprises.
3. There is the lack of methodological recommendations concerning the quality adjustments for the SPPIs in the employment activities.
4. In order to assess the quality changes in offered services it is necessary to establish the harmonized definition of product: Is it only the employment service or also the output produced by placed employee?
5. There is need for harmonized(gross or net) treating the output and SPPI variable for employment services in which the placed employee is paid by employment agency.
6. Generally, data on turnover and SPPIs for employment activities are usually available or are bound to be available soon, especially in the European Union's countries where there are the legal requirements for that data.

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Annex no 1 The correspondence table between the NACE Rev.1.1/CPA2002 and NACE Rev.2/CPA2008 for the employment activities

NACE		CPA	
Rev.1.1	Rev.2	2002	2008
<b>74.5 Labour recruitment and provision of personnel</b>	<b>78 Employment activities</b>	<b>74.5 Labour recruitment and provision of personnel services</b>	<b>78 Employment services</b>
74.50		74.50.11 Executive search services	78.10.11 Executive search services
92.72 Other recreational activities n.e.c.	78.1 Activities of employment placement agencies	74.50.12 Placement services of office support personnel and other workers	78.10.12 Permanent placement services, other than executive search services
		92.72.12 Miscellaneous recreational services n.e.c.	
74.50 Labour recruitment and provision of personnel	78.2 Activities of temporary employment agency	74.50.21 Supply services of office support personnel	78.20.11 Temporary employment agency services for the supply of computer and telecommunications personnel
			78.20.12 Temporary employment agency services for the supply of other office support personnel
			78.30.11 Other human resources provision services for computer and telecommunications personnel
		74.50.22 Supply services of domestic staff	78.30.12 Other human resources provision services for other office support personnel
			78.20.19 Temporary employment agency services for the supply of other personnel
			78.30.19 Other human resources provision services for personnel n.e.c.
	78.3 Other human resources provision	74.50.23 Supply services of commercial or industrial workers	78.20.13 Temporary employment agency services for the supply of commercial and trade personnel
			78.20.14 Temporary employment agency services for the supply of transport, warehousing, logistics or industrial workers
			78.30.13 Other human resources provision services for commercial and trade personnel
		74.50.24 Supply services of nursing personnel	78.30.14 Other human resources provision services for transport, warehousing, logistics or industrial personnel
			78.20.16 Temporary employment agency services for the supply of medical personnel
			78.30.16 Other human resources provision services for medical personnel
	74.50.25 Supply services of other personnel		78.20.15 Temporary employment agency services for the supply of hotels and restaurants personnel
			78.20.16 Temporary employment agency services for the supply of medical personnel
			78.20.19 Temporary employment agency services for the supply of other personnel
78.30.15 Other human resources provision services for hotels and restaurants personnel			
			78.30.16 Other human resources provision services for medical personnel
			78.30.19 Other human resources provision services for personnel n.e.c.