

Revisited Sector Paper on ISIC Rev.4/NACE REV.2 78 Employment activities

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Overview

- History of employment activities in the works of the Voorburg Group
- Background information
- Classification issues
- International methodological recommendations
- Output issues
- SPPIs issues
- Summary



History of employment activities in the works of the Voorburg Group

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,



Background information – definition of sector

EMPLOYMENT ACTIVITIES ACCORDING TO THE NACE REV.2

EMPLOYMENT PLACEMENT AGENCIES

- 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;

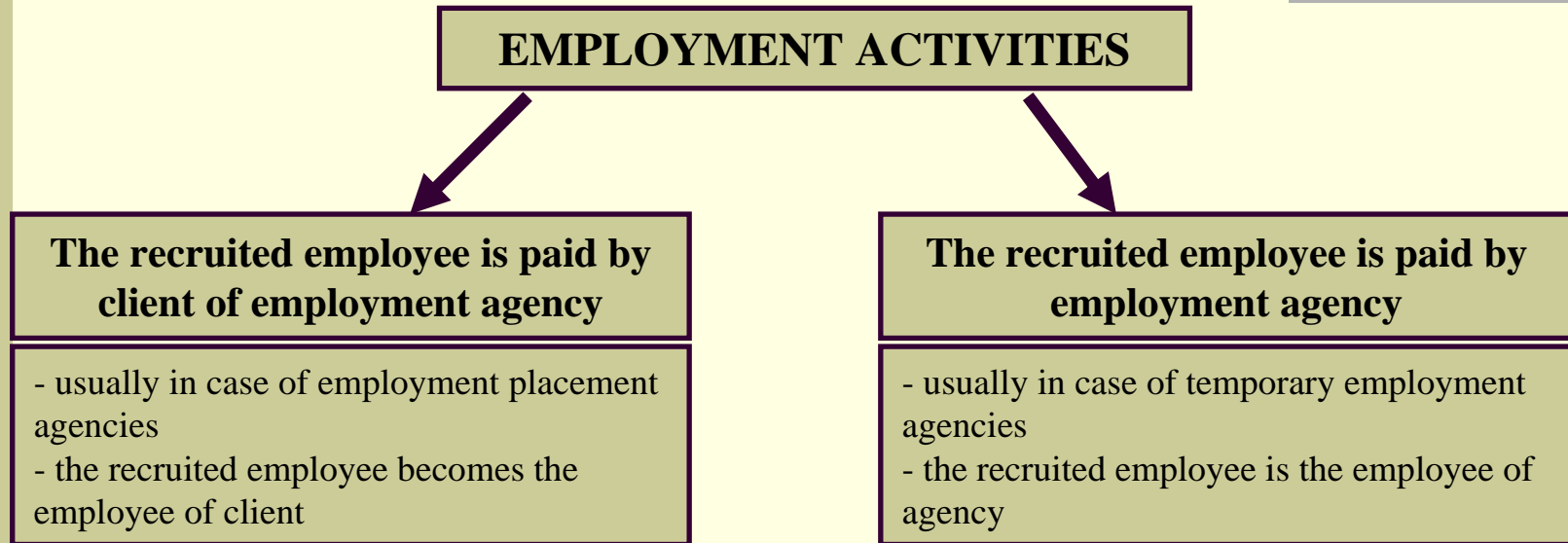
TEMPORARY EMPLOYMENT AGENCIES

- 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.

OTHER HUMAN RESOURCES PROVISION

- 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.

Background information –breakdown



Background information – characteristics of market

1. Due to more and more flexible working systems and the significant development of outsourcing phenomenon the market of employment services has recorded the significant growth.
2. In more or less restrictive way regulated sector, especially as regards the temporary employment activities.
3. The biggest part of small enterprises with the number of persons employed 9 and less in population structure. However, turnover generated mainly by large enterprises with the number of persons employed 50 and more (with some exceptions).
4. The employment services offered also by enterprises from other service sections, for example management consultancy companies (by NACE Rev.2 70.2) offer placement services.
5. The employment agencies provide also other than employment services, for example engineering services (71.12 by NACE Rev.2) or outsourcing services offered by temporary employment agencies.

Classification issues

Employment activities/services are classified into:

Industry classification	Product classification	Countries
Division 78 of NACE Rev.1.1/ NACE Rev.2	Division 78 of CPA/ CPA2008	EU countries, Norway
Division 78 of ISIC Rev.4	Group 851 of Employment services CPC	Israel
Class 5613 of the NAPCS	NAPCS Product List	USA, Canada and Mexico
Classes 7861 and 7862 of the ANZSIC	-	Australia and New Zealand

Classification issues – NACE Rev.1.1/CPA2002

NACE Rev.1.1	CPA2002
74.5 Labour recruitment and provision of personnel	74.5 Labour recruitment and provision of personnel services
74.50 Labour recruitment and provision of personnel	74.50.11 Executive search services
	74.50.12 Placement services of office support personnel and other workers
	74.50.21 Supply services of office support personnel
	74.50.22 Supply services of domestic staff
	74.50.23 Supply services of commercial or industrial workers
	74.50.24 Supply services of nursing personnel
	74.50.25 Supply services of other personnel

Classification issues – NACE Rev.2/CPA2008

NACE Rev.2	CPA 2008
78 Employment activities	78 Employment services
78.1 Activities of employment placement agencies	78.10.11 Executive search services
	78.10.12 Permanent placement services, other than executive search services
78.2 Activities of temporary employment agency	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
	78.20.13 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
	78.20.15 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
78.3 Other human resources provision	78.30.11 Other human resources provision services for computer and telecommunications personnel
	78.30.12 Other human resources provision services for other office support personnel
	78.30.13 Other human resources provision services for commercial and trade personnel
	78.30.14 Other human resources provision services for transport, warehousing, logistics or industrial 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.

Classification issues – correspondance tables between NACE Rev.1.1/Rev.2

NACE Rev.1.1	NACE Rev.2
74.5 Labour recruitment and provision of personnel	78 Employment activities
74.50 Labour recruitment and provision of personnel	78.1 Activities of employment placement agencies
92.72 Other recreational activities n.e.c.	
74.50 Labour recruitment and provision of personnel	78.2 Activities of temporary employment agency
	78.3 Other human resources provision

Classification issues – ISIC Rev.4=NACE Rev.2 and CPC2002

Code	CPC2002
851	Employment services
8511	Personnel search and referral services
85111	Executive/retained search services
85112	Permanent placement services, other than executive search services
8512	Labour supply services
85121	Contract staffing services
85122	Temporary staffing services
85123	Long term staffing (payrolling) services
85124	Temporary staffing to permanent placement services
85125	Co-employment staffing services

Classification issues – NAICS

Code	NAICS
5613	Employment Services
56131	Employment Placement Agencies and Executive Search Services
561311	Employment Placement Agencies
561312	Executive Search Services
56132	Temporary Help Services
561320	Temporary Help Services
56133	Professional Employer Organizations
561330	Professional Employer Organizations

International methodological recommendations - *Compilation Manual for an Index of Service Production*

Specification	The best variable for measuring the output of employment activities	The alternative variable for measuring the output of employment activities
Variables	Gross turnover deflated by appropriate quality adjusted price index	Gross turnover deflated by partially representative price index or volume indicators
Turnover	- 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”	
Price index	- producer price index (PPI) for employment agencies	- partially representative for employment services producer price index (PPI)
		- consumer price index (CPI)
		- general price index
Volume indicators		- number of persons employed - number of sold hours

International methodological recommendations - *Handbook on price and volume measures in national accounts*

Key aspects

Recruitment agencies largely charge businesses in one of two ways.

In the first the employee is paid directly by the recruitment agency and to that extent output includes the wages of the employee.

In the second the employee is paid by the business rather than the recruitment agency and so the output of the agency records only the recruitment costs: usually a percentage of the achieved salary.

In both cases a breakdown between the types of labour supplied is necessary. For example, distinctions between supply services of office personnel and industrial workers should be made.

International methodological recommendations - *Handbook on price and volume measures in national accounts*

Where the employee is paid by the recruitment agency	
METHOD A	METHOD B
<p>Methods based on wage rate indices relating the personnel hired regarding the productivity and and quality adjustments and also reflecting the administrative costs imposed by the recruitment agency</p>	<p>Methods based on wage rate indices relating the personnel hired</p>
<p>Contract prices including quotes for specific types of workers regarding proper quality changes</p>	
<p>Model prices</p>	

Where a percentage of the salary applies	
METHOD A	METHOD B
<p>Contract prices including quotes for specific types of workers regarding proper quality changes</p>	<p>Methods based on wage rate indices relating the personnel hired quality adjusted or not</p>
<p>Model prices</p>	

Output issues - variables

TURNOVER

REVENUES

PAYROLL

NUMBER OF PERSONS EMPLOYED

NUMBER OF SOLD HOURS

Output issues - gross or net treatment of output for temporary employment activities

- some difficulties in proper measuring the output as well as the producer prices because the employee is usually paid directly by employment agency
- the price of services offered by the temporary employment agencies comprises the price of services and the labor costs related to the hired-out employee
- the output includes also the amount of the employee's remuneration
- most of countries apply the gross treatment which is in compliance with the recommendations of the European System of National Accounts (ESA)
- however, there is no one harmonized method used by countries.



Output issues

Turnover - legal requirements concerning statistics on turnover variable in the European Union's 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.

➤ data on turnover by product for the division 78 Employment activities will be compiled annually with the first reference year 2008.

Quarterly information on turnover

are compiled in compliance with 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

as a result

➤ since the reference year 2009 the quarterly data on turnover for division 78 Employment activities are obliged to be compiled

Output issues

Turnover at the industry level - interview

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

Output issues

Turnover at the product level - interview

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

Turnover/output statistics - main challenges (*interview*) :

- 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 – price mechanism in 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

SPPIs issues – price mechanism in 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.

SPPIs issues – factors determining the SPPIs

- 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;

SPPIs issues - legal requirements concerning statistics on output prices variable in the European Union's countries

Quarterly information on output prices

➤ are compiled in compliance with 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

as a result

➤ since the reference year 2008 the quarterly data on output prices for division 78 Employment activities are obliged to be compiled

SPPIs issues (*interview*)

1. 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.
2. Data are collected at the product level but the indices are mainly calculated at the industry level.
3. 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.
4. Information on prices are collected quarterly (12 of 14) or monthly (2 of 12) within the representative surveys.
5. Although the recommended method of sample selection is the probability proportionate to size sample (PPS sample) some countries use also randomly selected stratified sample.
6. 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.



SPPIs issues - pricing methods specified by countries (*interview*)

CHARGE-OUT RATES

➤ the price charged per unit in pricing based on working time methods

➤ 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

collected data

information on monthly salaries or hourly rates of employees of various types in the employment agency

➤ 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

collected data

hourly rates for supplying the worker

SPPIs issues - pricing methods specified by countries (*interview*)

PERCENTAGE FEE

- 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
- the price change is split in to parts, change of the percentage fee and change of the product price.

*collected
data*

- 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,
- in case of temporary employment: the percentage of the hourly rate of worker (used especially in case of net treatment of SPPI)

SPPIs issues - pricing methods specified by countries (*interview*)

ACTUAL TRANSACTION PRICES / DIRECT USE OF REPEATED SERVICES

➤ refers to an ideal pricing method using actually paid prices of individual transactions that are repeated in each survey period

*collected
data*

- description of the most representative services or package of services provided within the actual transactions and information on their price
- prices of the a/m services provided in each survey period
- information on the amount of commission fee

SPPIs issues - pricing methods specified by countries (*interview*)

MODEL PRICING

- refers to estimation of price for a standardised product ("model") which is not transacted in the survey period
- used especially for executive search services

*collected
data*

- in the first reference period respondent selects and describes in detail the representative service (model service – real or unreal) and then estimate the price
- in the consecutive reference periods respondent provide information on a price of the model services

SPPIs issues - pricing methods specified by countries (*interview*)

CONTRACT PRICING

- a pricing method that uses real transaction prices when the same provider for the same client repeats the services across survey periods
- prices of contracts are agreed for more than one period when the contract is signed or renewed

*collected
data*

- information on prices of service provided within the contract

SPPIs issues – the most often used pricing methods (*interview*)

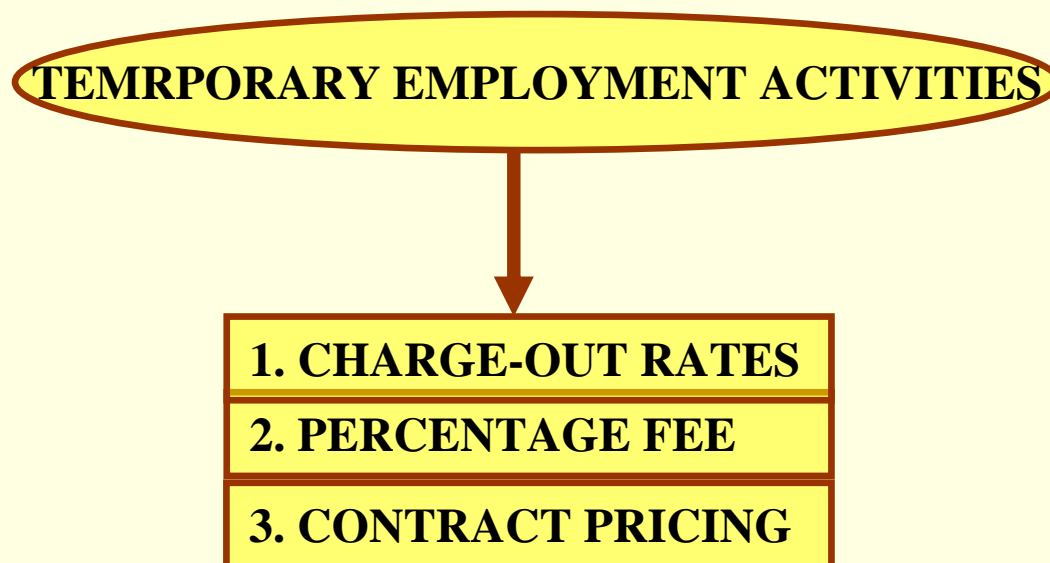
PLACEMENT EMPLOYMENT ACTIVITIES

1. CHARGE-OUT RATES

2. PERCENTAGE FEE

3. ACTUAL TRANSACTION PRICES / DIRECT USE OF REPEATED SERVICES

SPPIs issues – the most often used pricing methods (*interview*)



SPPIs issues – main challenges (*interview*)

- decreasing and effective managing the respondent burden,
- 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.



Summary:

Any other conclusions?

