



Economic and Social Council

Distr.: General
16 April 2010

Original: English

Economic Commission for Europe

Conference of European Statisticians

Group of Experts on National Accounts

Tenth session

Geneva, 26–29 April 2010

Item 7 of the provisional agenda

Labour mobility

International labour mobility (discussant comments)

Note by Wolfgang Eichmann, Federal Statistical Office Germany

I. Introduction

1. Let me first thank the authors of this very interesting paper. First and foremost we have to thank Soli Peleg from Israel. Soli was supported by Joscelyn Magdeleine and Andreas Maurer from the WTO, Jan Heller from the Czech Republic and Ghenadie Cretu from Moldova who contributed to the paper. Unfortunately, Ghemadie and Jan are not in a position to participate in this meeting.
2. The paper presented today can be seen as complementary to a paper presented last year by the WTO which dealt the issue of “International Labour Mobility”, too.
3. Why are national accountants interested in this issue? I would like to distinguish two aspects: a statistical and a conceptual aspect.
4. Statistical problems arise if labour input as defined by the SNA is not registered. If GDP calculation is based on hours worked, GDP will be too low, is GDP is calculated based on other statistical source productivity will be too low. Furthermore, if calculation of Private consumption expenditures depends on households surveys, unregistered workers will often not be included and so Private Consumption expenditure will generally be too low.
5. Conceptual problems arise if either the cross border income/service distinction (disguised employment) is blurred or for analytical purposes a reclassification from services to income is useful (mode 4 type of exports of services). In this context an additional problem is the recording of cross border intra group labour mobility. In this respect I’ve to confess that this is to my knowledge a blank spot on our statistical map.

6. The paper of Soli and colleagues I've understood as a home work and so I've taken it as a guideline to check our own statistical possibilities in respect of recording "International Labour Mobility".

7. I start with what I've called "Statistical Problems" and turn then to the "Conceptual Problem" especially the "Mode 4-Problem".

II. Cross border Compensation of employees

8. The compensation of outward commuters during the year 2000 totalled EUR 4 080 m and that of inward commuters to Germany totalled EUR 5 680 m.

9. The gross wages and salaries and employers' social contributions are calculated separately and then totalled to determine the compensation paid to inward and outward commuters. Gross wages and salaries are calculated in principle by multiplying average earnings by the number of inward and outward commuters. The average rates of social contributions in relation to gross wages and salaries are used to estimate employers' social contributions.

A. The numbers of inward and outward commuters

1. Number of outward commuters

10. In the year 2000, around 95 000 people commuted to work outside Germany. This number can be divided into employees of the allied forces, diplomatic, consular and cultural missions of foreign states and international organisations within Germany and those commuting outward to the rest of the world, in this case to neighbouring states, i.e. cross-border commuters.

11. Information regarding the number of German employees who work for the allied forces in Germany is available from the employment statistics and from the Federal Ministry of Finance. A total 20 000 commuters have been ascertained to be working for the allied forces in 2000. This was 21% of all outward commuters.

12. Information on German employees working for international organisations is provided by the Deutsche Bundesbank. Official records show that around 5000 people were employed in this way during the year 2000.

13. Figures are also available from the employment statistics on German employees working for other countries' diplomatic, consular and cultural missions in Germany. In 2000, there were about 3000 outward commuters to other countries' missions.

14. In the case of the countries with the highest numbers of commuters, the Deutsche Bundesbank compiles data on the number of outward commuters to those countries (cross-border commuters) which it obtains from the respective statistical offices or social insurance agencies. The figures for Switzerland, Luxembourg, the Netherlands and France total 57 000 outward commuters which represents around 60% of all cross-border commuters. Calculations are made for the remaining countries on the basis of the population census and microcensus.

15. During the last population census in Germany it was not possible to attribute some of the commuters to any of these states. An allowance was added for this group of 'long-distance' commuters.

2. Number of inward commuters

16. In 2000, a total of 201 000 residents of other countries commuted to Germany for employment. These persons can be divided into cross-border commuters, seasonal workers and employees of German diplomatic, consular and cultural missions abroad.

17. Information concerning cross-border commuters from abroad who are liable for statutory pension scheme contributions in Germany is obtained from the German Federal Pension Fund (*Deutsche Rentenversicherung Bund, DRV-Bund*). The data on pension scheme contributions relates to the inward commuters' place of residence. Neither the place of work nor the industry is recorded. An allowance is added to the data from the German Federal Pension Fund for persons who do not have to pay statutory pension scheme contributions.

18. Data on the number of seasonal workers is derived from the number of work permits issued by the Federal Employment Agency (*Bundesagentur für Arbeit*). The number of gainfully employed seasonal workers is calculated using a model based on the figures obtained from the Agency. The straight number of work permits granted is added to the figures because the calculation intentionally ignores the number of work permits granted but not actually taken up. In 2000 around 68 000 seasonal workers were employed in Germany.

19. The number of those employed at German embassies abroad is taken from the federal budget.

Table 1

Numbers of inward and outward commuters during 2000

<i>Outward commuters</i>	<i>Number</i>	<i>Inward commuters</i>	<i>Number</i>
Cross-border commuters	71 399	Cross-border commuters.....	130 148
Employees of foreign embassies, consulates and cultural missions in Germany ...	2 698	Employees of German embassies, consulates and cultural missions abroad	1 830
Employees of the allied forces	19 875	Seasonal workers	68 383
Total.....	93 979	Total.....	200 361

B. Average earnings of inward and outward commuters

1. Average earnings of outward commuters

20. The average earnings of German employees of the Allied forces stationed in Germany are assessed on the basis of annual information provided by the Federal Ministry of Finance.

21. The Deutsche Bundesbank compiles information on the earnings of employees of international organisations.

22. The data on gross annual earnings and numbers of employees contained in employment statistics are used to calculate the average earnings of Germans employed by the diplomatic, consular and cultural missions of foreign countries in Germany.

23. Figures on the average earnings of outward commuters to Luxembourg, France and Switzerland are supplied to the Deutsche Bundesbank by the respective statistical offices. Further average earnings of daily commuters are based on figures recorded by Eurostat on average earnings in industry of the relevant countries.

2. Average earnings of inward commuters

24. Since 1985, annual figures have been compiled by the German Federal Pension Fund classified by country of origin on the average earnings of inward commuters (cross-border commuters) who are liable to pay statutory pension contributions. These figures are reduced by 2.3%. This percentage is calculated in order to incorporate the combined net effects of the numbers of marginal part-time workers not registered with the German Federal Pension Fund since they do not make statutory insurance contributions as well as income that is higher than the threshold for payment of statutory contributions.

25. Figures on the salaries paid to the foreign employees of German diplomatic, consular and cultural missions abroad are recorded in the annual federal budgets and are converted to average earnings since the number of employees is known.

26. The average pay of seasonal workers is estimated on the basis of earnings in Germany. A 10% deduction is made from the earnings recorded in the national accounts to account for the simpler employment structure of seasonal workers.

Table 2

Average earnings of inward and outward commuters during 2000

<i>Outward commuters</i>	<i>EUR</i>	<i>Inward commuters</i>	<i>EUR</i>
Cross-border commuters	35 678	Cross-border commuters	23 778
Employees of foreign diplomatic, consular and cultural missions in Germany		Employees of German diplomatic, consular and cultural missions abroad.....	
	22 086		14 052
Employees of allied forces	35 056	Seasonal workers.....	22 695

C. Employers' social contributions for inward and outward commuters

1. Employers' social contributions for outward commuters

27. Employers' social contributions for German employees of the Allied forces stationed in Germany are assessed on the basis of the German contribution rates. The contributions paid to the insurance funds are allowed for at a rate of 2.5% which is based on information from the Federal Ministry of Finance.

28. The German contribution rates are also applied in calculating the social-contributions of employers of German staff at foreign diplomatic, consular and cultural missions in Germany.

29. Details of the rates used to calculate the employers' social contributions of day commuters are provided by the Deutsche Bundesbank in the case of Switzerland, Luxembourg and France. In the absence of information on employers' social contributions for commuters who work in Denmark and Austria, the German contribution rates are applied.

2. Employers' social contributions for inward commuters

30. The employers' social contributions for cross-border commuters are assessed on the basis of the average rate of contribution for German employees which is applied to the gross wages and salaries of cross-border commuters.

31. In the case of seasonal workers the average rate of employers' contributions in Germany is also applied.

32. The employers' social contributions for foreign employees of German diplomatic, consular and cultural missions abroad, although insignificant in terms of scale, are estimated from figures in the federal budget in line with the contributions payable within Germany.

3. Quality, exhaustiveness and allowances in respect of the calculation of the compensation of inward and outward commuters

33. To gain an assessment of the quality and exhaustiveness of allowances, as well as the degree to which they are essential, it is necessary to consider the components which make up the compensation of inward and outward commuters in detail.

34. The figures on the number of employees of the armed forces, at international organisations and at embassies are considered very reliable and complete. The model for determining the number of seasonal workers is built up on good data and, with the aid of the allowance and the fact that cancelled work permits are disregarded, these figures provide a very full picture of employment in this segment of the labour market.

35. The figure for cross-border commuters is based, for inward as well as outward commuters, on less reliable statistics, because the social-security fund only records employees and remuneration which are liable for payment of earnings-related social contributions. In compensation, an allowance is added to the number of employees and a deduction is made from average earnings. On balance, with the help of these allowances and deductions, the employee structure is now represented fully. However, some of these figures are oriented to the structures on the German labour market, for example with regard to the earnings of seasonal workers.

36. Let me make a final remark on so called illegal workers. We do have them but we don't treat them as cross border workers but as residents. In order to record them; special estimates are made for restaurants, domestic services and building activities.

III. Mode 4 Problem

37. The mode 4 transactions involve a reclassification from services categories to income categories. The following overview gives a first impression of selected item of the services recorded in our balance of payments which in principal are "candidates" for such a reclassification.

38. The data are taken from the German inquiry on cross border transactions. The code numbers are internal German code numbers.

39. The figures do not present the remuneration of labour but services including all material costs etc. However it is a first step in identifying mode 4 transactions.

Table 3
Selected services items of the German Balance of Payments in 2000 Mio €

<i>Title</i>	<i>German Code</i>	<i>Credit</i>	<i>Debit</i>
Engineer and other technical services as well as honoraries of architects	512	2.974	4.190
IT services	513	4.115	4.963
Activities of self employed.	514	994	3.701
Business services	516	3.277	5.785
Employee leasing	517	566	393
Waste removal services	534	44	112
Repairs of means of transport	560	637	1.117
Repairs of buildings and other immobile assets	561	0	47

IV. Final Remark

40. The paper of Soli and colleagues gives a good guideline to have a fresh look on data yet published in Germany and the possibilities of a mode 4 calculation.

41. As far as “statistical” problems are concerned we have learned that Israel classifies foreigners staying longer than one year treats them still as foreigners. However Germany chooses just the other way around. All illegal workers are treated as inhabitants of Germany.

42. There are conformities in respect of the statistical sources used like administrative data, but there are also statistical source which do not play a role in our calculations until now like tourism statistics etc.

43. Work on Mode 4 transactions are still at the beginning. But the first look on the data shows for example that “Employee leasing” accounts for 14% (560 of 4080) compensation of outward commuters and 7% (393 of 5680) of compensation of inward commuters. These figures alone show, that international labour mobility is significantly higher than presented by the conventional measures alone and therefore an important issue on the agenda of globalisation.

44. Note: The chapter on “Cross border compensation of employees” is to a large extend adopted from: Federal Statistical Office Germany, Methods and sources for the compilation of gross domestic product and national income in the Federal Republic of Germany – version following the major revision 2005, Wiesbaden, December 2006
