



Remittances Statistics: First Meeting of the Luxembourg Group

June 2006

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Compiling Compensation of Employees data in the Norwegian BOP

- Use of administrative data

Note to Luxembourg Group on Remittances

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1 Introduction

The Norwegian Balance of Payments (BoP) is a fully integrated part of the Norwegian National Accounts (NA), achieved by a joint classification structure and IT-system operated by the National Accounts Division in Statistics Norway.

This note will in short describe the compilation of compensation of employees to and from abroad, workers remittances and other transfers related to remittances in the Norwegian BoP.

In the Norwegian Balance of Payments, cross border flows of remittances are estimated on an aggregated level. Compensation of employees is the only item published separate. The size of the estimates on these items is very insignificant in relation to the total Current account surplus.

Table 1: Compensation of employees to and from abroad, % of Current Account Balance

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|--------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| To abroad | 8,6 % | 2,8 % | 2,1 % | 2,7 % | 2,6 % | 2,5 % |
| From abroad | 3,1 % | 0,9 % | 1,0 % | 1,2 % | 1,2 % | 1,1 % |

Table 2: Other remittances inward and outward flows, % of Current Account Balance

| | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Outward | 7,9 % | 2,7 % | 2,8 % | 3,9 % | 3,8 % | 3,7 % |
| Inward | 5,3 % | 1,8 % | 2,0 % | 2,5 % | 2,5 % | 2,8 % |

2 Background

A EUROSTAT funded project aiming at high quality estimates for compensation of employees as recorded in the Rest of the World account (RoW) of the Norwegian National Accounts (NNA) and the Norwegian Balance of Payments statistics (NBoP), was initiated the summer of 2005 and was finished by 30st June 2006.

An important part of the background of the project was the recent change in data collection system for the Norwegian BoP. Until 2004 the most important data source was the International Transactions Statistics (ITRS) compiled by Norges Bank (the central bank). In the newly established data collection system, direct reporting from the relevant economic units is the dominant method.

For the items concerning Compensation of Employees and remittances data, however, indirect information in administrative registers and other sources will be used.

Different administrative registers and register based statistics have been investigated by the project with the purpose of discussing and finding new sources to estimate compensation of employees. Among these sources were:

- Norwegian shipowners' association
- Maritime Transport Statistics
- Interim reports, Scandinavian Airline System (SAS)
- Population- and employment statistics (Statistics Norway)
- Tax Return Statistics
- Foreign Taxation Affairs
- Register of wages and salaries
- Wage Statistics (Statistics Norway)
- Register of employers and employees
- Labour Force Survey
- Labour Force register-based statistics (Statistics Norway)
- Register of Legal Entities

In connection with this project this note will mainly focus on the compilation of Compensation of Employees.

3 Compensation of employees

3.1 To abroad

Compensation of employees to abroad is defined according to ESA95 and BPM5 (BOP expenditure item: compensation of employees). In Norway, this item has until now mainly consisted of compensation to non-resident seamen and compensation to non-resident pilots (and other air transport personnel). The sources traditionally used have been Maritime Transport Statistics and accounting data from Scandinavian Airline System (SAS). Previously, no estimation was made for compensation of employees to other groups of non-residents. In the last main revision of the NA, a new source, tax authorities data, was introduced, leading to a shift upwards in the level of the flow to abroad. In recent time some additional estimates have been made out of consideration for the increased work immigration, especially connected to the construction business.

Findings from the examination of different registers ended in re-estimating Compensation of employees to abroad from two separate sources:

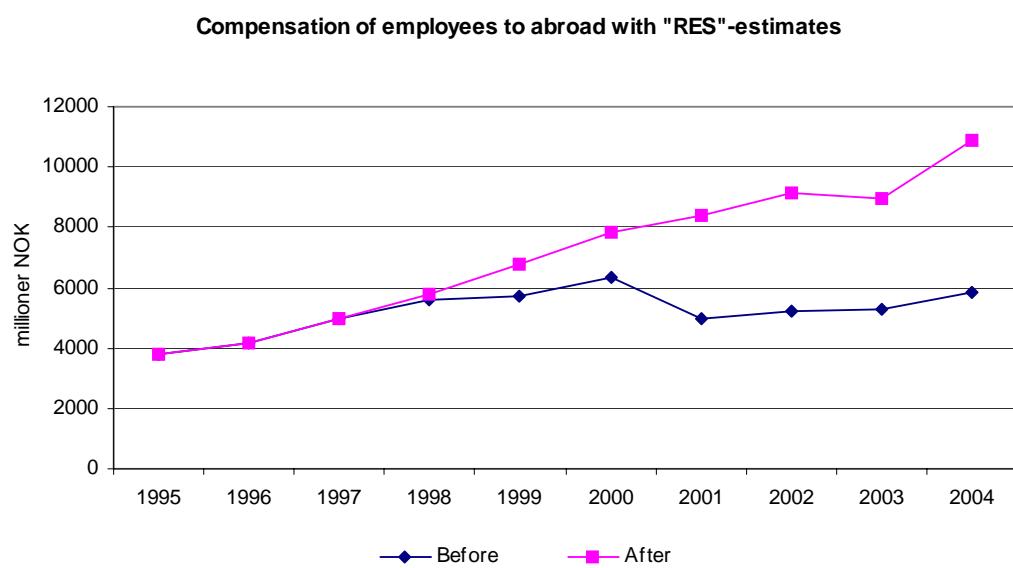
1. Based on Tax return statistics (TRS)
 - a. Combined with the Central Population Register (CPR) to extract non-residents.
 - b. Combined with information from the End of the Year Certificate Register (EYCR) collected by the Directorate of Taxes, to extract resident employers.
2. Based on Register based Employment Statistics (RES)
 - a. Combined with wage statistics

Compensation to non-resident seamen, pilots and embassy personnel come in addition to both sources.

Table 1: New estimates Compensation of employees to abroad, 2004

| Year 2004 | TRS | RES | Today |
|--|------------------------|------------------------|---------------------|
| Compensation of employees to abroad | NOK 11 964 (€1 496) | NOK 10 764 (€1 346) | NOK 5 822 (€728) |

Figure 1: Compensation of employees to abroad, before and after re-estimation(RES)



The re-estimated figures show a higher value of compensation of employees to abroad for both new sources. We have not yet taken a decision which new sources estimation of Compensation of employees to abroad should be based on. Both sources may have weaknesses depending on the quality

of the register in use. There have also been made several assumptions regarding the use of the registers. Combination of different registers, defining variables and the division between residents and non-residents has also been challenging.

Regarding geographical breakdown, register based employment statistics give some information that can be utilized. Other sources are to be investigated as well.

3.2 From abroad

Compensation of employees from abroad relates to Norwegians working abroad. This item is estimated as a whole, and also for this item the use of tax authorities data and data from the register of wages and salaries (RWS), resulted in a shift upwards in the last main revision.

In the Norwegian tax assessment one can receive allowance on tax paid to abroad. We have used the share of this allowance in relation to total income taxation and used it to estimate the share of compensation of employees from abroad in relation to total income. In addition we have estimated Compensation of employees from non-resident employers in connection with labour performed in Norway.

The re-estimated value on Compensation of employees from abroad turned out to be almost the same value as we have previously estimated.

The results of the new compilation methods lead to a broader distance between compensation of employees to and from abroad in the Norwegian BoP. This is in line with earlier suspicions concerning the distance being too narrow. The view is supported by a Nordic survey called “A Boundless Labour market” (2003) which have investigated this issue.

4 Workers remittances

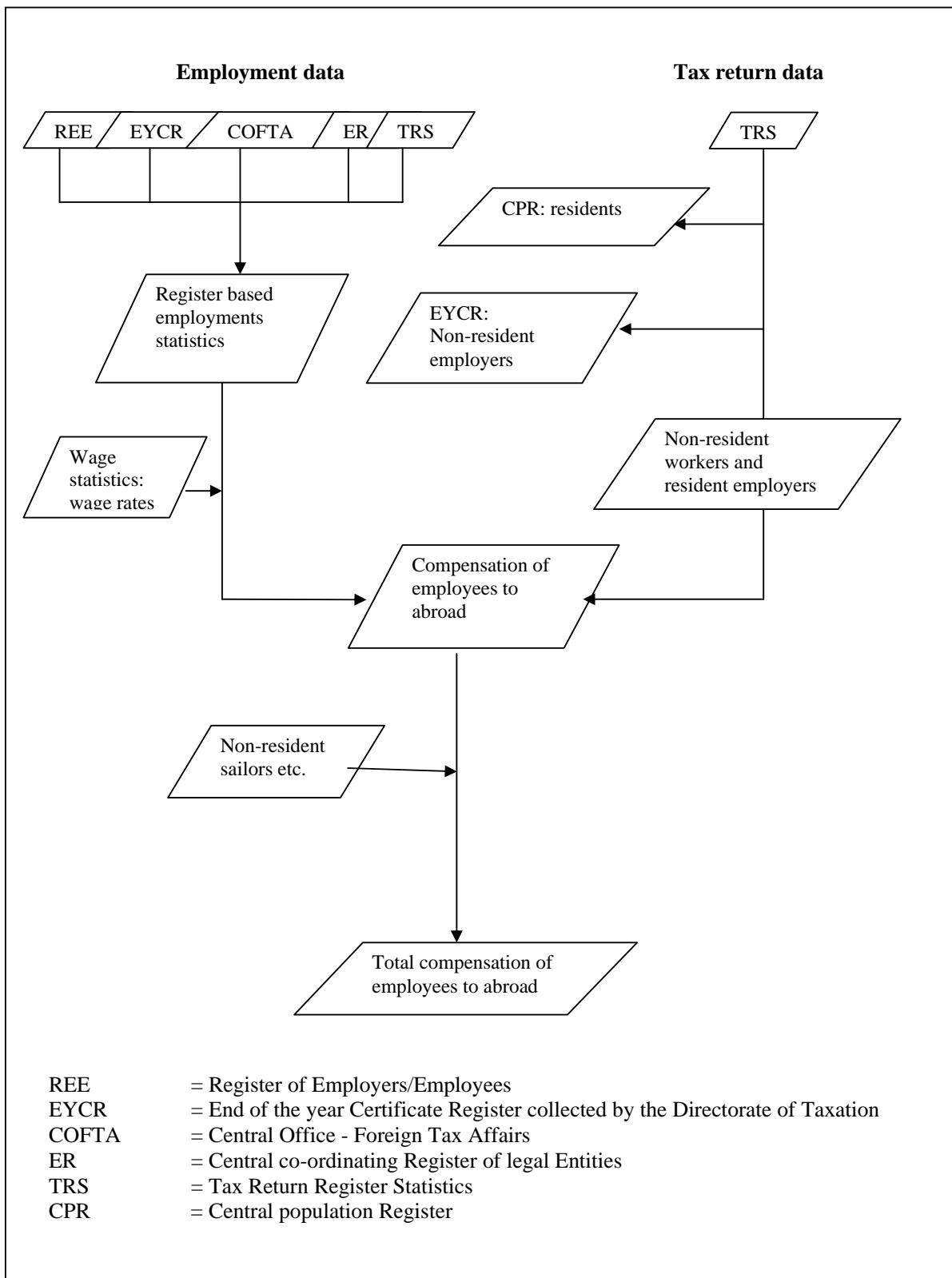
When using the International Transactions Statistics (ITRS) as the main source for the Norwegian BoP, we assumed that workers remittances were included. In the new data collection system, direct reporting from the relevant economic units is the dominant method. We have not yet been able to establish a survey on this item. In a Norwegian report published by Carling (2004) workers remittances are investigated more deeply. The total value on these transfers is estimated to be between 88 and 675 € for the year 2004. Carling assumes that unregistered transfers are frequent. The share value of unregistered transfers explains the broad range in the transfer estimates. In the Norwegian BoP we have estimated that unregistered transfers for the year 2004 account for 1/3 of the total value.

5 Other transfers

As for the workers remittances the ITRS also gave data on other transfers related to remittances. In the new data collection system this is also an item for investigating new sources and other options for finding relevant data. The Norwegian public Service Pension Fund may be a source for transfers related to pensions to abroad.

Annex 1

Figur 1. Flow chart. Different estimation of compensation to non-resident employees



REE = Register of Employers/Employees
EYCR = End of the year Certificate Register collected by the Directorate of Taxation
COFTA = Central Office - Foreign Tax Affairs
ER = Central co-ordinating Register of legal Entities
TRS = Tax Return Register Statistics
CPR = Central population Register