

13 August 2021

Labour Cost Index
2nd quarter of 2021

Strong increase in the number of hours worked led to the Labour Cost Index decrease

The Labour Cost Index (LCI) working days adjusted decreased by 2.4% in the 2nd quarter of 2021. In the previous quarter it had increased by 7.1%.

The wage costs (per hour actually worked) decreased by 4.7% and the other labour costs (also per hour actually worked) increased by 7.2%, compared with the same period of the previous year. For the increase of the other costs in the 2nd quarter of 2021 contributed the growth in the employers' contributions due to the significant reduction of the enterprises that joined the simplified layoff regime.

This development was also a result of the combined effect of the increase of 7.3% in the average cost per employee and the growth of 10.8% in the number of hours actually worked per employee. The increase of the latter component took place in all the economic activities, except for construction, where it decreased, having been particularly high in the activities from the public sector (13.3%). The increase of the average cost per employee was also observed in all the economic activities, having the lower rate of change been observed in the public sector (2.5%).

1. Labour Cost Index and components

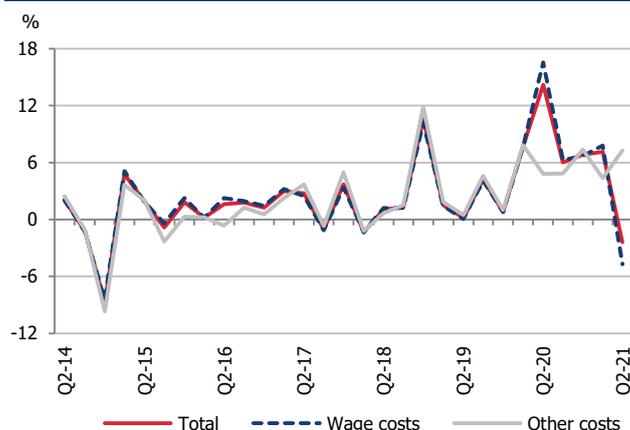
In the 2nd quarter of 2021, the LCI, that measures the labour costs per hour actually worked, decreased by 2.4% compared with the same quarter of the previous year (it had increased 7.1% in the preceding quarter)¹.

The decrease of the LCI was mainly explained by the growth in the number of hours actually worked per employee.

The wage costs decreased by 4.7% (they had increased 7.8% in the previous quarter), and the other costs

increased by 7.2% (they had increased 4.4% in the previous quarter) (Figure 1).²

Figure 1: LCI year-on-year rate of change
(working days adjusted data)



¹ It should be noted that the wage costs considered in the LCI computation include those that were partially supported by Social Security in the scope of the employment protection measures, with the implementation, in particular, of the simplified layoff regime in the pandemic context. These amounts cannot be identified on the primary data used to calculate de LCI. Therefore, although from the economy perspective the LCI displays the behaviour of the hourly labour costs, in the companies' perspective these costs tend to be overestimated during this regime period.

² The data analysed in this Press Release are working days adjusted. The raw data are available in the annex tables and at the Official Statistics Portal.

The substantial increase in the other costs is a result of the growth in the employers' contributions due to the significant reduction of the number of enterprises that joined the simplified layoff regime.

The wage costs (per hour actually worked) recorded decreases in all the activities, except for the construction sector (section F), where they increased. The non-wage costs (also per hour actually worked) recorded higher increases than those observed in the previous quarter, now with the exception of the activities that belong to the public sector (sections O to S), that registered a decrease.

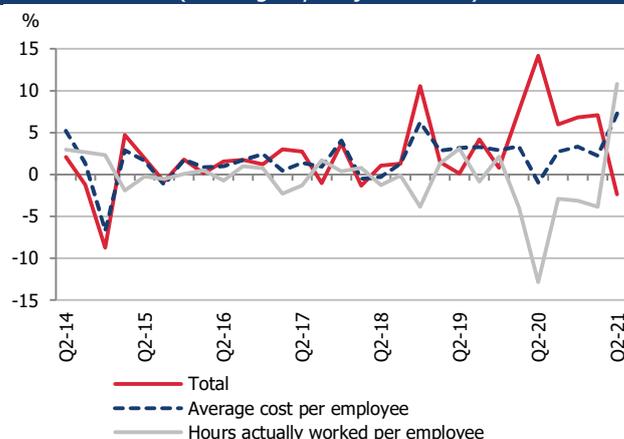
From another perspective, the average cost per employee increased by 7.3% (it had increased by 2.3% in the preceding quarter), and the hours actually worked per employee increased by 10.8% (it had decreased by 3.9% in the previous quarter) (Figure 2).

The pronounced increase, this quarter, in the number of hours actually worked, was mainly explained by the total or partial reopening of the companies that have been closed, set by legislative procedures or due to the reduction of the normal working period as a result of the drop in turnover.

The average cost per employee recorded an increase in all the economic activities, although more pronounced in the 2nd quarter of 2021.

The significant growth of the number of hours actually worked per employee was also observed in most of the economic activities, with the exception of construction, where it decreased, reversing the path of decrease observed since the 1st quarter of 2020.

Figure 2: LCI year-on-year rate of change
(working days adjusted data)



2. Sectors of economic activity

In the 2nd quarter of 2021, for the subgroup of economic activities from sections B to N (which include, in general, the business economy or the private sector of the economy), the LCI increased by 1.6%.

In the remaining economic activities (sections O to S), which include mostly (but not exclusively) the non-business economy of the public sector of the economy, the LCI recorded a year-on-year decrease, of 9.3%.

Sections B to N

In the 2nd quarter of 2021, in the activities from sections B to N:

- the wage costs decreased by 1.8% and the other labour costs increased by 15.0% (Figure 3);
- the average labour cost per employee increased by 10.0% (Figure 4);
- the number of hours actually worked per employee increased by 9.4% (Figure 4).

Among the activities from sections B to N, the LCI decreased by 1.6% in industry (sections B to E), increased by 9.6% in construction (section F), and by 2.2% in services (G to N).

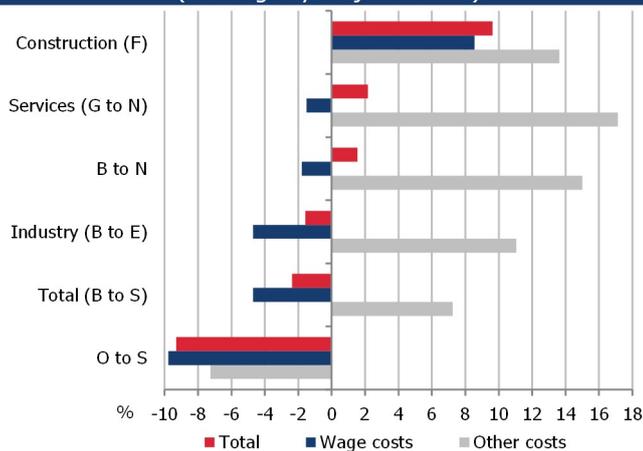
In Industry (-1.6%):

- the wage costs decreased by 4.7% and the other labour costs increased by 11.1%;
- the average cost per employee increased by 10.9%;
- the number of hours actually worked per employee increased by 13.1%.

In Construction (9.6%):

- the wage costs increased by 8.6% and the other labour costs increased by 13.6%;
- the average cost per employee increased by 6.7%;
- the number of hours actually worked per employee decreased by 2.6%.

Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 2nd quarter of 2021
(working days adjusted data)

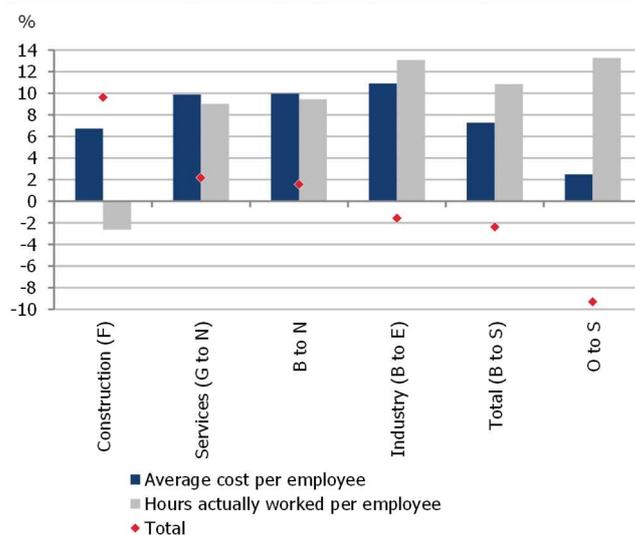


In Services (2.2%):

- the wage costs decreased by 1.5% and the other labour costs increased by 17.1%;
- the average cost per employee increased by 9.9%;

- the number of hours actually worked per employee increased by 9.0%.

Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 2nd quarter of 2021
(working days adjusted data)



Sections O to S

In the 2nd quarter of 2021, in the activities from sections O to S, the LCI recorded a decrease of 9.3%.

In these activities:

- the wage costs decreased by 9.8% and the other labour costs decreased by 7.3%;
- the average cost per employee increased by 2.5%;
- the number of hours actually worked per employee increased by 13.3%.

3. Comparison with the European Union

The latest available information by country on the LCI year-on-year rate of change reports to the 1st quarter of 2021 and was published by Eurostat on the 16th of June of 2021 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 1.7%, in the 1st quarter of 2021.

In seventeen countries, the LCI rates of change were larger than the European Union average, with Lithuania recording the largest increase (12.0%).

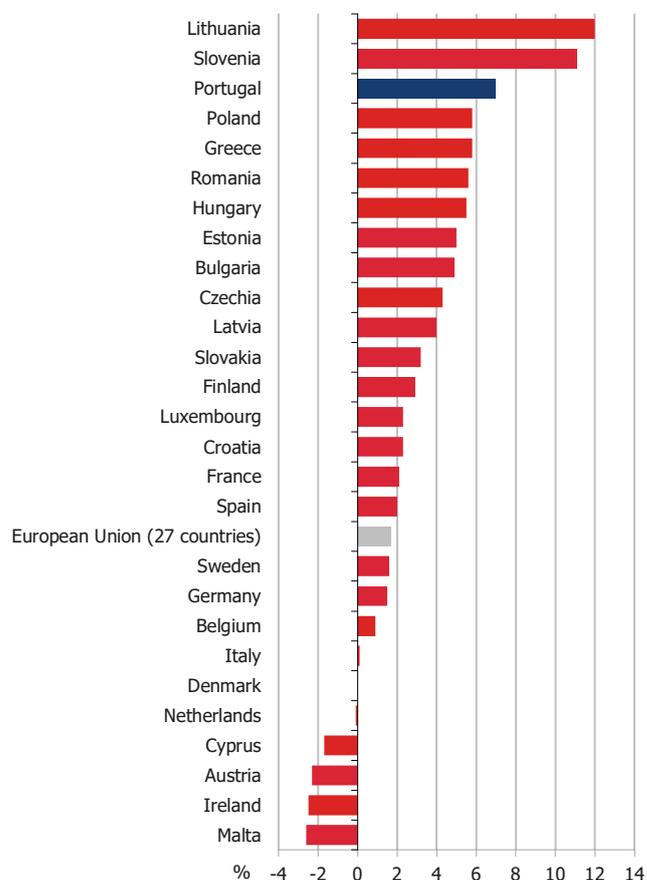
In four countries, the LCI recorded lower increases than the European Union average, from 0.1%, in Italy, to 1.6% in Sweden.

In Denmark, the LCI year-on-year rate of change was nil.

Portugal recorded a year-on-year increase larger than the European Union average, of 7.0%.

Five countries, Malta, Ireland, Austria, Cyprus, and the Netherlands, recorded year-on-year decreases of the LCI, between 2.6% in Malta and 0.1% in the Netherlands.

Figure 5: LCI year-on-year rate of change by European Union Country (27) in the 1st quarter of 2020 (working days adjusted data)



**Table 1: Labour Cost Index (LCI) year-on-year rate of change by component and economic activity (NACE-Rev. 2)
(working days adjusted data)**

| Economic activity (sections from Nace-Rev. 2) | Q2-2020 | | | Q3-2020 | | | Q4-2020 | | | Q1-2021 | | | Q2-2021 | | |
|--|-------------|-------------|-------------|------------|------------|-------------|------------|------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
| | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs |
| Total (B to S) | 14.2 | 16.5 | 4.8 | 6.0 | 6.3 | 4.8 | 6.8 | 6.7 | 7.3 | 7.1 | 7.8 | 4.4 | -2.4 | -4.7 | 7.2 |
| B to N | 11.5 | 14.9 | -1.5 | 5.5 | 5.9 | 3.7 | 8.1 | 8.0 | 8.7 | 9.1 | 10.0 | 5.5 | 1.6 | -1.8 | 15.0 |
| Industry (B to E) | 14.5 | 17.9 | 1.1 | 3.9 | 4.4 | 2.3 | 6.1 | 6.0 | 6.7 | 9.1 | 9.2 | 8.7 | -1.6 | -4.7 | 11.1 |
| Construction (F) | 3.7 | 4.7 | 0.2 | 4.0 | 4.1 | 3.9 | 0.7 | 0.7 | 1.0 | 6.8 | 6.8 | 6.8 | 9.6 | 8.6 | 13.6 |
| Services (G to N) | 10.8 | 14.4 | -3.1 | 6.5 | 7.0 | 4.5 | 10.0 | 9.8 | 10.7 | 9.3 | 10.7 | 3.8 | 2.2 | -1.5 | 17.1 |
| O to S | 18.7 | 19.3 | 16.2 | 6.8 | 6.8 | 6.8 | 4.6 | 4.6 | 4.8 | 3.6 | 4.0 | 2.1 | -9.3 | -9.8 | -7.3 |

**Table 2: Labour Cost Index (LCI) year-on-year rate of change by component and economic activity (NACE-Rev. 2)
(non working days adjusted data)**

| Economic activity (sections from Nace-Rev. 2) | Q2-2020 | | | Q3-2020 | | | Q4-2020 | | | Q1-2021 | | | Q2-2021 | | |
|--|-------------|-------------|-------------|------------|------------|-------------|-------------|-------------|-------------|------------|------------|-------------|-------------|-------------|-------------|
| | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs | Total | Wage costs | Other costs |
| Total (B to S) | 12.3 | 14.6 | 3.1 | 4.4 | 4.7 | 3.2 | 10.3 | 10.1 | 10.8 | 7.0 | 7.8 | 4.4 | -4.3 | -6.2 | 5.5 |
| B to N | 9.7 | 13.0 | -3.1 | 3.9 | 4.3 | 2.2 | 11.6 | 11.4 | 12.2 | 9.0 | 10.0 | 5.5 | -0.7 | -3.4 | 13.2 |
| Industry (B to E) | 12.6 | 16.0 | -0.5 | 2.4 | 2.8 | 0.7 | 9.6 | 9.4 | 10.2 | 9.1 | 9.2 | 8.7 | -3.5 | -6.2 | 9.3 |
| Construction (F) | 2.0 | 3.0 | -1.4 | 2.5 | 2.5 | 2.4 | 4.0 | 3.9 | 4.3 | 6.8 | 6.8 | 6.8 | 7.8 | 6.8 | 11.8 |
| Services (G to N) | 9.0 | 12.5 | -4.7 | 4.9 | 5.4 | 2.9 | 13.5 | 13.4 | 14.3 | 9.2 | 10.7 | 3.8 | -0.2 | -3.1 | 15.2 |
| O to S | 16.7 | 17.3 | 14.3 | 5.2 | 5.2 | 5.2 | 8.0 | 8.0 | 8.2 | 3.6 | 4.0 | 2.1 | -10.8 | -11.2 | -8.8 |

Source: INE, Labour Cost Index - 2nd quarter of 2021.

Sections from Nace-Rev. 2

- | | |
|---|--|
| B - Mining and quarrying | K - Financial and insurance activities |
| C - Manufacturing | L - Real estate activities |
| D - Electricity, gas, steam and air conditions supply | M - Professional, scientific and technical activities |
| E - Water supply, sewerage, waste management and remediation activities | N - Administrative and support service activities |
| F - Construction | O - Public administration, defence, and compulsory social security |
| G - Wholesale and retail trade; repair of motor vehicles and motor cycles | P - Education |
| H - Transport and storage | Q - Human health and social work activities |
| I - Accommodation and food service activities | R - Arts, entertainment and recreation |
| J - Information and communication | S - Other service activities |

**Table 3: Labour Cost Index (LCI) year-on-year rate of change by source of variation and economic activity (NACE-Rev. 2)
(working days adjusted data)**

| Economic activity (sections from Nace-Rev. 2) | Q2-2020 | | | Q3-2020 | | | Q4-2020 | | | Q1-2021 | | | Q2-2021 | | |
|--|-------------|---------------------------|------------------------------------|------------|---------------------------|------------------------------------|------------|---------------------------|------------------------------------|------------|---------------------------|------------------------------------|-------------|---------------------------|------------------------------------|
| | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee |
| Total (B to S) | 14.2 | -1.0 | -12.9 | 6.0 | 2.7 | -2.9 | 6.8 | 3.3 | -3.1 | 7.1 | 2.3 | -3.9 | -2.4 | 7.3 | 10.8 |
| B to N | 11.5 | -3.1 | -12.5 | 5.5 | 2.4 | -2.9 | 8.1 | 3.7 | -3.9 | 9.1 | 2.4 | -5.4 | 1.6 | 10.0 | 9.4 |
| Industry (B to E) | 14.5 | -3.9 | -15.8 | 3.9 | 2.2 | -1.7 | 6.1 | 3.5 | -2.5 | 9.1 | 3.6 | -5.0 | -1.6 | 10.9 | 13.1 |
| Construction (F) | 3.7 | -0.2 | -3.8 | 4.0 | 3.0 | -1.0 | 0.7 | 2.1 | 1.4 | 6.8 | 2.4 | -4.1 | 9.6 | 6.7 | -2.6 |
| Services (G to N) | 10.8 | -3.0 | -11.7 | 6.5 | 2.4 | -3.8 | 10.0 | 4.0 | -5.2 | 9.3 | 1.9 | -5.8 | 2.2 | 9.9 | 9.0 |
| O to S | 18.7 | 2.6 | -13.4 | 6.8 | 3.3 | -2.9 | 4.6 | 2.7 | -1.8 | 3.6 | 1.9 | -1.1 | -9.3 | 2.5 | 13.3 |

**Table 4: Labour Cost Index (LCI) year-on-year rate of change by source of variation and economic activity (NACE-Rev. 2)
(non working days adjusted data)**

| Economic activity (sections from Nace-Rev. 2) | Q2-2020 | | | Q3-2020 | | | Q4-2020 | | | Q1-2021 | | | Q2-2021 | | |
|--|-------------|---------------------------|------------------------------------|------------|---------------------------|------------------------------------|-------------|---------------------------|------------------------------------|------------|---------------------------|------------------------------------|-------------|---------------------------|------------------------------------|
| | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee | Total | Average cost per employee | Hours actually worked per employee |
| Total (B to S) | 12.3 | -1.0 | -11.4 | 4.4 | 2.7 | -1.4 | 10.3 | 3.3 | -6.1 | 7.0 | 2.3 | -3.9 | -4.3 | 7.3 | 12.6 |
| B to N | 9.7 | -3.1 | -11.1 | 3.9 | 2.4 | -1.4 | 11.6 | 3.7 | -6.9 | 9.0 | 2.4 | -5.4 | -0.7 | 10.0 | 11.2 |
| Industry (B to E) | 12.6 | -3.9 | -14.4 | 2.4 | 2.2 | -0.1 | 9.6 | 3.5 | -5.5 | 9.1 | 3.6 | -5.0 | -3.5 | 10.9 | 14.9 |
| Construction (F) | 2.0 | -0.2 | -2.2 | 2.5 | 3.0 | 0.5 | 4.0 | 2.1 | -1.8 | 6.8 | 2.4 | -4.1 | 7.8 | 6.7 | -1.0 |
| Services (G to N) | 9.0 | -3.0 | -10.3 | 4.9 | 2.4 | -2.3 | 13.5 | 4.0 | -8.2 | 9.2 | 1.9 | -5.8 | -0.2 | 9.9 | 10.8 |
| O to S | 16.7 | 2.6 | -12.0 | 5.2 | 3.3 | -1.4 | 8.0 | 2.7 | -4.9 | 3.6 | 1.9 | -1.1 | -10.8 | 2.5 | 15.1 |

Source: INE, Labour Cost Index - 2nd quarter of 2021.

Sections from Nace-Rev. 2

- | | |
|---|--|
| B - Mining and quarrying | K - Financial and insurance activities |
| C - Manufacturing | L - Real estate activities |
| D - Electricity, gas, steam and air conditions supply | M - Professional, scientific and technical activities |
| E - Water supply, sewerage, waste management and remediation activities | N - Administrative and support service activities |
| F - Construction | O - Public administration, defence, and compulsory social security |
| G - Wholesale and retail trade; repair of motor vehicles and motor cycles | P - Education |
| H - Transport and storage | Q - Human health and social work activities |
| I - Accommodation and food service activities | R - Arts, entertainment and recreation |
| J - Information and communication | S - Other service activities |

TECHNICAL NOTE

With the publication of the results for the 1st quarter of 2019, Statistics Portugal started the dissemination of a new series of the Labour Cost Index (LCI), with the base year in 2016, in line with Eurostat's procedure for the Labour Cost Index, whenever new data of the (quadrennial) Labour Cost Survey become available.

With the publication of the results for the 1st quarter of 2020, Statistics Portugal started to include, in the LCI calculation, regarding the information related to the labour costs obtained from administrative sources, data corresponding to the universe of about 386 thousand entities (instead of the actual sample of around 4 100 entities), which declared earnings for a total of 4.2 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the LCI sample, and no changes were introduced at this level. For the O, P and Q sections of NACE-Rev. 2 estimates of the number of hours actually worked per employee from the Labour Force Survey are used.

The back series for all indices, from the 1st quarter of 2008, are available at the Official Statistics website.

The Labour Cost Index (LCI) is a short-term indicator that measures quarterly developments in labour costs per hour actually worked (hourly average cost) incurred by the employer. The index is calculated by dividing the average cost per employee by the number of hours actually worked per employee. For this reason, the evolution of these two variables (labour costs and hours worked) contributes to explaining the development of the LCI.

Labour costs incurred by the employer correspond to that reported by the entities to the Social Security (*Declaração Mensal de Remunerações*) and to the *Caixa Geral de Aposentações (Relação Contributiva)* and include the following:

Wage costs:

- Base wage
- Regular bonuses and allowances
- Irregular bonuses and allowances (holiday bonus, Christmas bonus, end-of-year bonuses/distribution of profits, other irregular bonuses and allowances)
- Payment of overtime

Other costs:

- Severance payment
- Employers' legal costs (social security contributions, insurance against accidents and occupational disease)
- Collectively agreed, contractual and voluntary costs (supplementary pension/invalidity benefit, health insurance, life/personal accident insurance, and social benefits paid directly to employees in case of absence on account of sickness)

Quarterly data collection on the hours worked in the enterprises is carried out through an electronic questionnaire (Computer Assisted Web Interviewing - CAWI).

By economic activity, the LCI covers Sections B to S of NACE-Rev. 2.

The LCI is a Laspeyres index.

In order to obtain more information about the LCI calculation, we recommend the consultation of the [methodological note](#) (only in Portuguese) for this statistical operation.

Information selected for publication

This Press Release analyses changes in the total LCI and respective items: 1) wage costs versus other costs; and 2) average costs per employee versus number of hours actually worked per employee.

Given that the LCI is seasonal, data are presented as year-on-year rates of change, which compare index levels in the current quarter with those for the same quarter a year earlier. The series of index figures are available on the Official Statistics website.

(to be continued)

(continuation)

With the purpose of eliminating the effects of a different number of working days in similar quarters of different years (Easter and other movable feasts), the series analysed are adjusted for working days. Raw series, not adjusted for working day effects, are available in the annex tables and at the Official Statistics website.

Revisions

The data published in this release concerning the last quarters are subject to revisions. These revisions result from the inclusion of information for the last quarter sent lately by some enterprises of the sample survey on hours worked and from the update of information obtained through administrative sources, namely by data from the *Declaração Mensal de Remunerações* reported by the enterprises to the Social Security.

The impact of those revisions, measured by the difference between the year-on-year rates of change published today and those published for the 1st quarter of 2021 in the Press Release "Labour Cost Index – 1st quarter of 2021", is available in the following table:

| Revision of the LCI year-on-year rates of change published in the 1 th quarter of 2021 | | | | | | | | | | |
|---|----------------------------|------------------------|--------------|----------------------------------|--------------------------|--------------------------------|------------------------|-------------|----------------------------------|-----------------------|
| Economic activity (sections from Nace Rev. 2) | Total | Component of the index | | Source of variation of the index | | Total | Component of the index | | Source of variation of the index | |
| | | Wage costs | Other costs | Average cost | Hours actually worked | | Wage costs | Other costs | Average cost | Hours actually worked |
| | Per hour actually worked | | Per employee | | Per hour actually worked | | Per employee | | | |
| | Working days adjusted data | | | | | Non working days adjusted data | | | | |
| | | | | | | | | | | |
| Total (B to S) | 0.1 | 0.2 | 0.1 | 0.4 | 0.1 | 0.1 | 0.2 | 0.1 | 0.4 | 0.1 |
| B to N | -0.1 | 0.0 | -0.3 | 0.2 | 0.3 | -0.1 | 0.0 | -0.3 | 0.2 | 0.3 |
| Industry (B to E) | -0.3 | -0.2 | -0.5 | 0.2 | 0.4 | -0.3 | -0.2 | -0.5 | 0.2 | 0.4 |
| Construction (F) | -0.2 | -0.2 | -0.2 | -0.2 | 0.1 | -0.2 | -0.2 | -0.2 | -0.2 | 0.1 |
| Services (G to N) | 0.0 | 0.1 | -0.2 | 0.4 | 0.3 | 0.0 | 0.1 | -0.2 | 0.4 | 0.3 |
| O to S | 0.6 | 0.6 | 0.5 | 0.5 | 0.0 | 0.6 | 0.6 | 0.5 | 0.5 | 0.0 |

Unit: p.p.

Due to rounding, the sum of the components may not equal to the corresponding totals.

This Press Release was prepared with the data received up to the 30th of July of 2021. The response rate of the LCI survey on hours worked was 90.3%.

Next Press Release: 12th of November of 2021.