



14 November 2023
LABOUR COST INDEX
3rd quarter of 2023

THE LABOUR COST INDEX INCREASED BY 4.9%

In the 3rd quarter of 2023, the Labour Cost Index (LCI) recorded a year-on-year increase of 4.9%. In the previous quarter, it had increased 3.7%.

The wage costs (per hour actually worked) increased by 4.6%, and the other labour costs (also per hour actually worked) increased by 6.2%, compared with the same period of the previous year.

The year-on-year change of the LCI resulted also from the increase of 6.3% in the average cost per employee and the 1.6% rise in the number of hours actually worked per employee. The increase of the first component was common to all economic activities, with smaller variations than those observed in the preceding quarter. The highest increase was registered in Construction (7.8%) and the lowest in the Public Administration (6.1%). The hours actually worked per employee also recorded increases in all economic activities with the largest increase being observed in Public Administration (1.8%) and the smallest in Services (1.4%). As a result of these variations, the LCI increased in all economic activities, with the largest increase being recorded in Construction (6.2%).

1. Labour Cost Index and components

In the 3rd quarter of 2023, the LCI, which measures the labour costs per hour actually worked, increased by 4.9% compared with the same quarter of 2022 (it had increased by 3.7% in the preceding quarter).

The wage costs (per hour actually worked) increased by 4.6% (3.5% in the previous quarter) and the other labour costs (also per hour actually worked) increased by 6.2% (4.8% in the previous quarter) (Figure 1)¹.

In the 3rd quarter of 2023, the wage costs recorded increases between 4.3 %, in Public Administration, and 4.9%, in Industry. In the previous quarter, with exception of Public Administration, all economic activities had registered lower increases than those observed in this quarter.

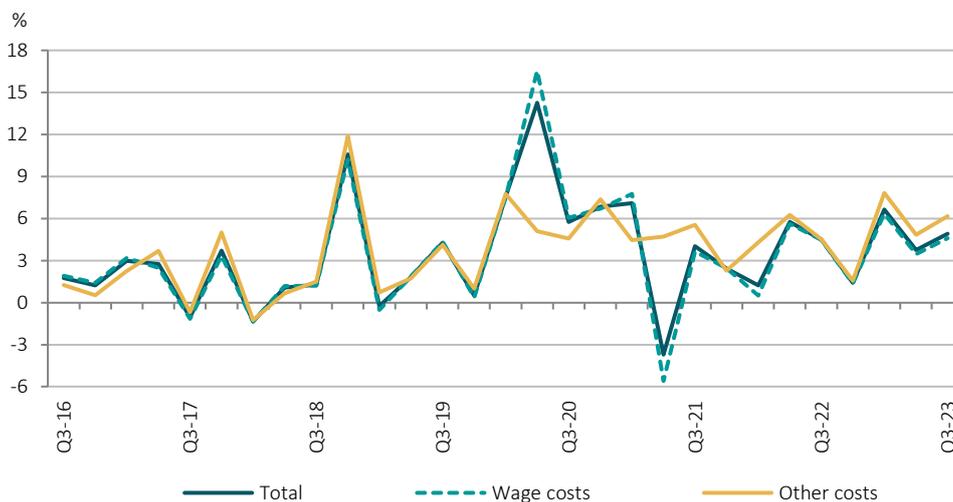
Non-wage costs, similarly to wage costs, also registered larger increases than the previous quarter increases, between 5,6%, in Industry, and 12,7%, in Construction, except for Public Administration, which observed a lower increase, of 6.6%.

¹ The data analysed in this Press Release are adjusted for working days. The raw data are available in the annex tables and at the Official Statistics Portal.



Figure 1. LCI year-on-year rate of change by components

(working days adjusted data)



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

The more pronounced increase in wage and non-wage costs was mainly due to the strong decrease in the number of hours actually worked per employee in all economic activities, compared to the previous quarter. The average cost per employee also slowed down in all activities, but less than the hours actually worked.

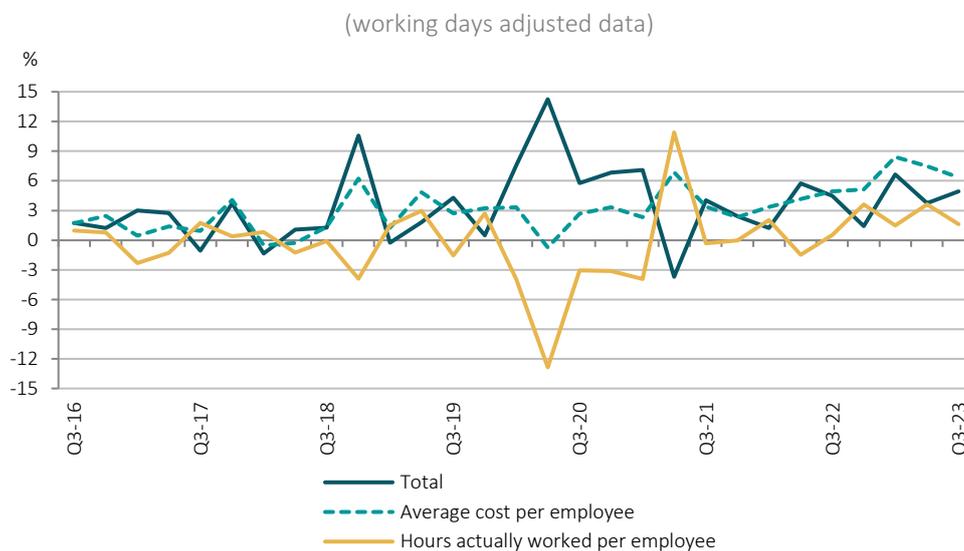
Non-wage costs recorded higher variations than the wage costs in all economic activities, which may be explained by the increases in the non-wage costs components, in particular, insurance against accidents at work, and social contributions, and by the normalisation of the payment of the latter component to Social Security by the enterprises that have joined extraordinary regimes.

The LCI increase was also explained by the growth of 6.3% in the average cost per employee (it had increased by 7.5% in the preceding quarter) and the increase of 1.6% in the number of hours actually worked per employee (it had increased by 3.6% in the previous quarter) (Figure 2).

The average cost per employee registered a smaller increase than the one observed in the preceding quarter in all economic activities, with the highest increase being observed in Construction (7.8%) and the lowest in the Public Administration (6.1%). The increases in the Public Administration have been lower than those observed in the remaining activities since the 1st quarter of 2021.



Figure 2. LCI year-on-year rate of change by source of variation



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

The number of hours actually worked per employee increased in all economic activities, with the highest increase being observed in the Public Administration (1.8%) and the lowest in Services (1.4%).

2. Sectors of economic activity

In the 3rd quarter of 2023, in the subgroup of economic activities belonging to sections B to N (which broadly cover the private sector of the economy), the LCI registered a year-on-year increase of 5.0%.

In the remaining economic activities (sections O to S), which include mostly (but not exclusively) the public sector of the economy, the LCI recorded a year-on-year increase of 4.8%.

Sections B to N

In the 3rd quarter of 2023, in the activities from sections B to N, compared with the same quarter of 2022, it was observed that:

- the wage costs increased by 4.7% and the other labour costs increased by 5.9% (Figure 3);
- the average labour cost per employee increased by 6.5% (Figure 4);
- the number of hours actually worked per employee increased by 1.5% (Figure 4).

Among the activities from sections B to N, the LCI increased by 5.0% in Industry (sections B to E), by 6.2% in Construction (section F), and by 4.9% in Services (sections G to N).



In Industry (5.0%):

- the wage costs increased by 4.9% and the other labour costs increased by 5.6%;
- the average labour cost per employee increased by 6.6%;
- the number of hours actually worked per employee increased by 1.7%.

In Construction (6.2%):

- the wage costs increased by 4.4% and the other labour costs increased by 12.7%;
- the average labour cost per employee increased by 7.8%;
- the number of hours actually worked per employee increased by 1.5%.

In Services (4.9%):

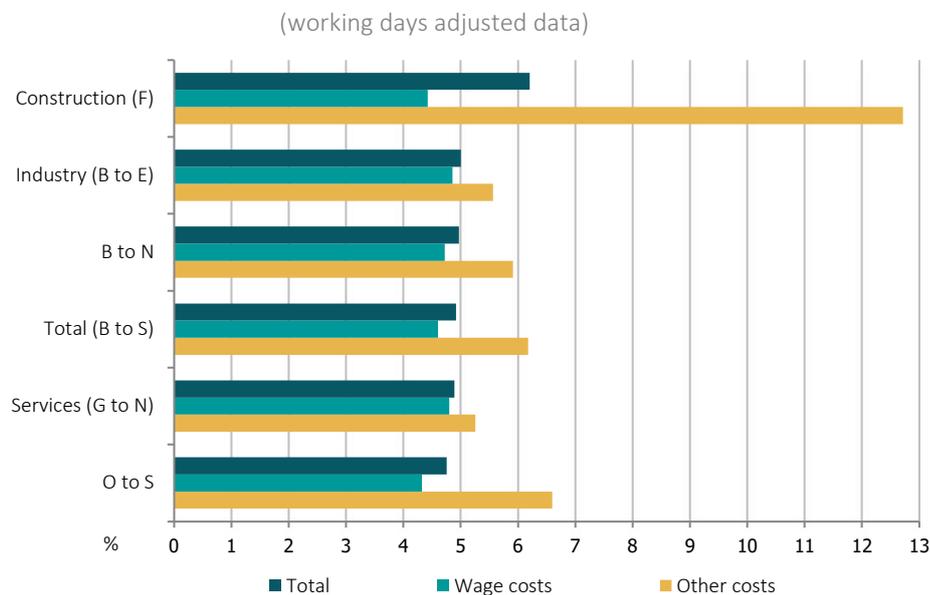
- the wage costs increased by 4.8% and the other labour costs increased by 5.3%;
- the average labour cost per employee increased by 6.3%;
- the number of hours actually worked per employee increased by 1.4%.

Sections O to S

In the 3rd quarter of 2023, in the activities from sections O to S, the LCI recorded an increase of 4.8%. In these activities:

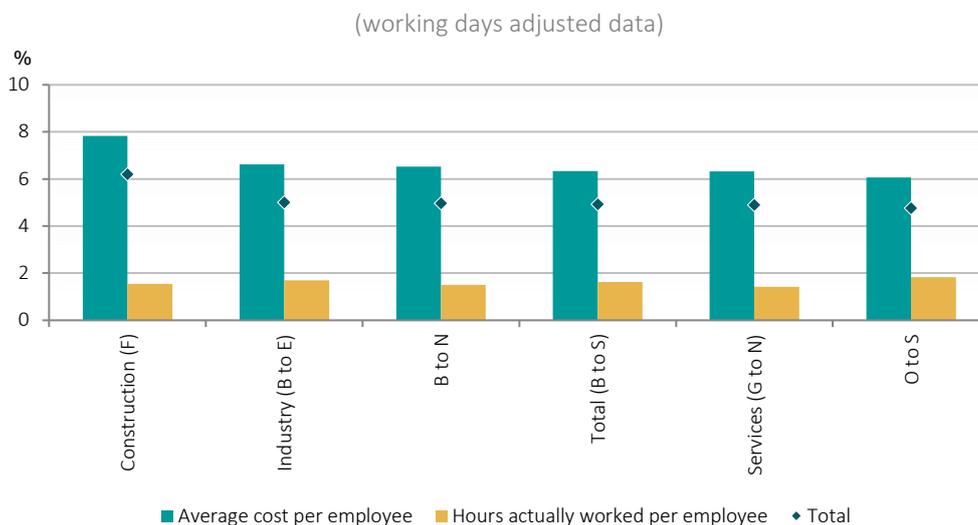
- the wage costs increased 4.3% and the other labour costs increased by 6.6%;
- the average labour cost per employee increased by 6.1%;
- the number of hours actually worked per employee increased by 1.8%.

Figure 3. LCI year-on-year rate of change by index component and economic activity in the 3rd quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

Figure 4. LCI year-on-year rate of change by index source of variation and economic activity in the 3rd quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.



3. Comparison with the European Union

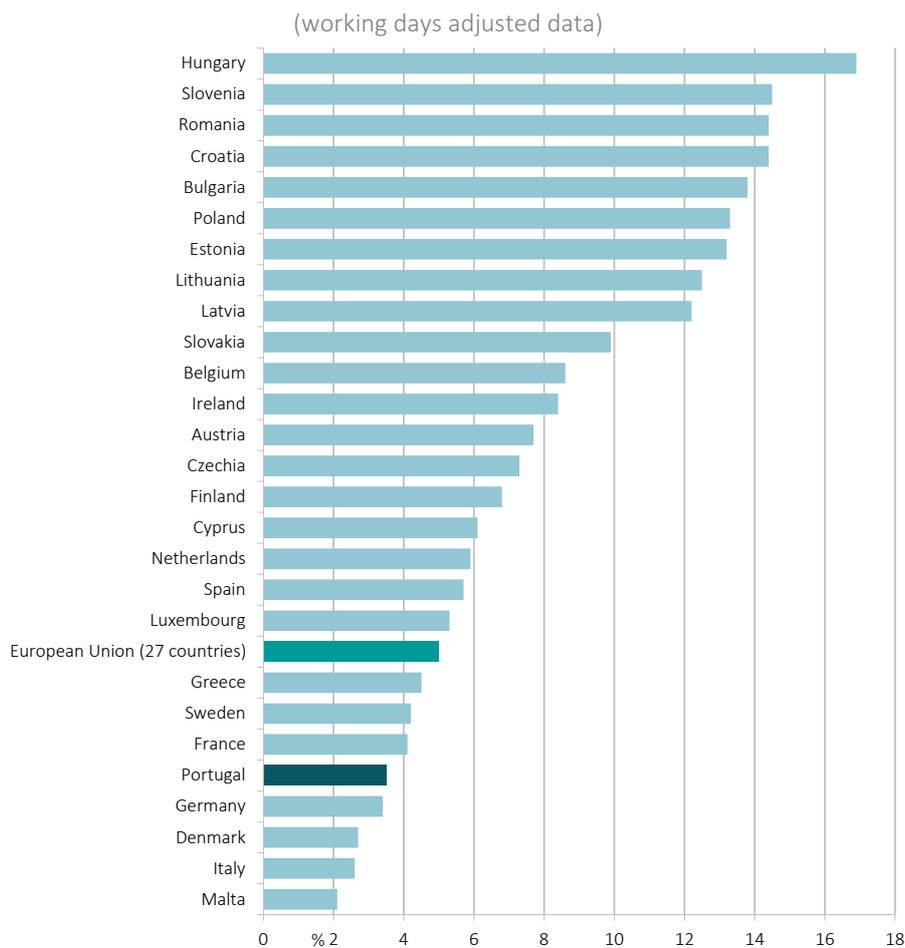
The latest available information by country on the LCI year-on-year rate of change reports to the 2nd quarter of 2023 and was published by Eurostat on the 15th of September of 2023 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 5.0%, in the 2nd quarter of 2023. Nineteen countries recorded LCI rates of change above the European Union average, with Hungary recording the largest LCI increase (16.9%).

In eight countries, including Portugal, the LCI recorded a lower increase than the European Union average, between 2.1% in Malta, and 4.5% in Greece.

In the 2nd quarter of 2023, Portugal recorded a year-on-year increase of 3.5%².

Figure 5. LCI year-on-year rate of change by European Union Country (27) in the 2nd quarter of 2023



Source: Eurostat, Labour Cost Index – 2nd quarter of 2023.

² This value has now been revised to 3.7% (as described in the technical note, page 11).



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

Economic activity (sections from Nace-Rev. 2)	Q3-2022			Q4-2022			Q1-2023			Q2-2023			Q3-2023		
	Total	Wage costs	Other costs												
%															
Total (B to S)	4.5	4.5	4.5	1.4	1.4	1.6	6.7	6.4	7.8	3.7	3.5	4.8	4.9	4.6	6.2
B to N	4.6	4.6	4.7	3.3	3.3	3.3	6.0	5.7	7.0	2.7	2.4	3.6	5.0	4.7	5.9
Industry (B to E)	5.9	5.9	5.8	2.8	2.9	2.8	7.1	6.9	7.7	2.1	2.0	2.6	5.0	4.9	5.6
Construction (F)	4.7	4.7	4.7	2.0	2.0	2.0	7.1	5.3	13.7	2.8	1.0	9.2	6.2	4.4	12.7
Services (G to N)	3.8	3.7	3.9	3.7	3.6	3.8	5.3	5.2	5.7	2.9	2.8	3.3	4.9	4.8	5.3
O to S	4.4	4.4	4.4	-1.8	-1.9	-1.8	8.3	7.9	10.1	5.6	5.2	7.2	4.8	4.3	6.6

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

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

Economic activity (sections from Nace-Rev. 2)	Q3-2022			Q4-2022			Q1-2023			Q2-2023			Q3-2023		
	Total	Wage costs	Other costs												
%															
Total (B to S)	6.1	6.1	6.1	3.1	3.0	3.2	5.0	4.7	6.2	3.7	3.5	4.8	6.6	6.2	7.8
B to N	6.2	6.2	6.3	5.0	5.0	5.0	4.4	4.1	5.3	2.7	2.4	3.6	6.6	6.4	7.6
Industry (B to E)	7.5	7.5	7.4	4.5	4.5	4.5	5.4	5.3	6.0	2.1	2.0	2.6	6.6	6.5	7.2
Construction (F)	6.3	6.3	6.3	3.7	3.7	3.6	5.4	3.7	11.9	2.8	1.0	9.2	7.9	6.1	14.5
Services (G to N)	5.4	5.3	5.5	5.4	5.3	5.5	3.7	3.6	4.1	2.9	2.8	3.3	6.5	6.4	6.9
O to S	6.0	6.0	6.0	-0.2	-0.3	-0.2	6.7	6.2	8.4	5.6	5.2	7.2	6.4	5.9	8.3

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

Sections from Nace-Rev. 2

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



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

Economic activity (sections from Nace-Rev. 2)	Q3-2022			Q4-2022			Q1-2023			Q2-2023			Q3-2023		
	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)	4.5	4.9	0.5	1.4	5.1	3.6	6.7	8.4	1.5	3.7	7.5	3.6	4.9	6.3	1.6
B to N	4.6	5.5	1.1	3.3	5.7	2.5	6.0	9.1	3.0	2.7	8.0	5.2	5.0	6.5	1.5
Industry (B to E)	5.9	5.2	-0.6	2.8	5.2	2.4	7.1	9.3	2.1	2.1	7.8	5.3	5.0	6.6	1.7
Construction (F)	4.7	5.2	0.5	2.0	4.7	2.7	7.1	10.4	3.1	2.8	8.9	5.9	6.2	7.8	1.5
Services (G to N)	3.8	5.7	2.0	3.7	6.1	2.5	5.3	8.9	3.4	2.9	8.0	5.0	4.9	6.3	1.4
O to S	4.4	3.6	-0.8	-1.8	4.0	5.7	8.3	7.0	-1.1	5.6	6.5	0.9	4.8	6.1	1.8

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

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

Economic activity (sections from Nace-Rev. 2)	Q3-2022			Q4-2022			Q1-2023			Q2-2023			Q3-2023		
	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)	6.1	4.9	-1.0	3.1	5.1	1.9	5.0	8.4	3.1	3.7	7.5	3.6	6.6	6.3	0.1
B to N	6.2	5.5	-0.5	5.0	5.7	0.8	4.4	9.1	4.6	2.7	8.0	5.2	6.6	6.5	-0.1
Industry (B to E)	7.5	5.2	-2.1	4.5	5.2	0.8	5.4	9.3	3.7	2.1	7.8	5.3	6.6	6.6	0.1
Construction (F)	6.3	5.2	-1.0	3.7	4.7	1.0	5.4	10.4	4.7	2.8	8.9	5.9	7.9	7.8	0.0
Services (G to N)	5.4	5.7	0.5	5.4	6.1	0.8	3.7	8.9	5.1	2.9	8.0	5.0	6.5	6.3	-0.1
O to S	6.0	3.6	-2.3	-0.2	4.0	4.0	6.7	7.0	0.5	5.6	6.5	0.9	6.4	6.1	0.3

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2023.

Note: The name of the activities can be found in the previous page.



TECHNICAL NOTE

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 sample of around 3 800 entities), which declared earnings for a total of 4.2 million workers. In 2023, the information gathered from administrative sources corresponds to the universe of approximately 437 thousand entities which declared earnings to Social Security and to *Caixa Geral de Aposentações*, for a total of around 4.5 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the LCI sample (4 270 entities in 2023), 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.

With the publication of the results for the 1st quarter of 2023, the Labour Cost Index (LCI) series were rebased to the year 2020 (2020=100), in line with Eurostat's procedure for the Labour Cost Index, whenever more up-to-date data of the (quadrennial) Labour Cost Survey become available. This procedure does not change, by definition, the year-on-year changes already published. However, this opportunity was taken to fully adjust the method for calculating the indices to the methodology adopted by Eurostat, resulting in small differences from the figures previously published.

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

The 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) contribute 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*) 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.

For more detailed information about the LCI calculation, please see the [methodological document](#) (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.

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. The raw figures, not adjusted for these effects, are available in the annex tables and on the Official Statistics website.

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 October of 2023. The response rate of the LCI survey on hours worked was 94%.

REVISIONS

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

The impact of these revisions, measured by the difference between the year-on-year rates of change now available and those published for the 2nd quarter of 2023 in the Press Release “Labour Cost Index – 2nd quarter of 2023”, is presented in the following table:



Revision of the LCI year-on-year rates of change published in the 2nd quarter of 2023

Economic activity (sections from Nace- Rev. 2)	Working days adjusted data					Non-adjusted working days data				
	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	
p.p.										
Total (B to S)	0.2	0.2	0.3	0.3	0.0	0.2	0.2	0.3	0.3	0.0
B to N	0.3	0.3	0.4	0.4	0.1	0.3	0.3	0.4	0.4	0.1
Industry (B to E)	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	0.1
Construction (F)	-0.1	-0.1	-0.1	0.0	0.1	-0.1	-0.1	-0.1	0.0	0.1
Services (G to N)	0.4	0.4	0.5	0.5	0.0	0.4	0.4	0.5	0.5	0.0
O to S	0.0	0.0	0.1	0.1	0.0	0.0	0.0	0.1	0.1	0.0

Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

ACRONYMS AND ABBREVIATIONS

Eurostat – Statistical Office of the European Union

LCI – Labour Cost Index

NACE-Rev. 2 – Statistical Classification of Economic Activities in the European Communities, Revision 2

Next quarterly press release -12th February of 2024
