

13 February 2019

Labour Cost Index

4th quarter of 2018

The Labour Cost Index increased by 3.0% in 2018

The Labour Cost Index (LCI) increased by 3.0% in 2018, compared to the previous year¹

The two main labour cost components – wage costs and other costs (both per hour actually worked) – increased by 3.2% and by 2.4%, respectively, compared to the same period of the previous year.

In 2017, the LCI had recorded an increase of 2.1%, corresponding to rates of change of 2.0% in wage costs and of 2.6% in other costs.

By economic activity, in 2018, the LCI recorded an annual increase of 2.8% in the activities from sections B to N and an increase of 3.3% in the activities from sections O to S (which include the Public Administration).

In the 4th quarter of 2018, the LCI increased by 10.3% corresponding to rates of change of 10.8% in wage costs and of 8.5% in other labour costs (which include employer's contributions). This increase was mainly explained by the change in the payment profile throughout the year of the Christmas bonuses.

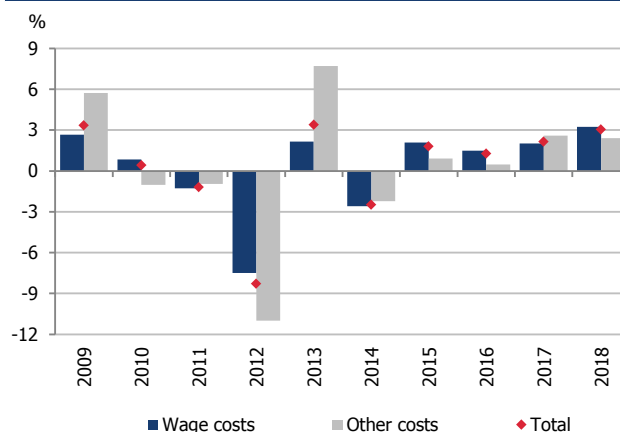
1. Labour Cost Index and components

In 2018, the LCI recorded an increase of 3.0% due to the rise of 3.2% in wage costs and of 2.4% in other labour costs (Figure 1).¹

That evolution also resulted from an increase of 1.7% in the average labour cost per employee and a decrease of 1.2% in the number of hours actually worked per employee (Figure 2).

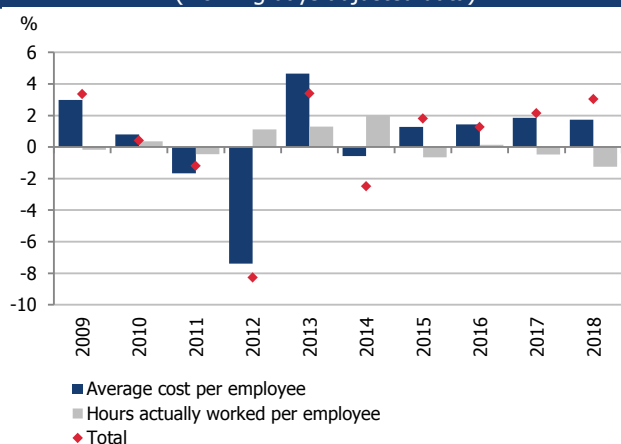
In 2017, the LCI had recorded an increase of 2.1%, corresponding to rates of change of 2.0% and of 2.6% in wage costs and in other costs, respectively. The average labour cost per employee increased by 1.9% and the number of hours actually worked per employee decreased by 0.5%.

Figure 1: LCI annual rate of change
(working days adjusted data)



¹ 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.

Figure 2: LCI annual rate of change
(working days adjusted data)



2. Sectors of economic activity

For the subgroup of economic activities from sections B to N² (which include, in general, the business economy or the private sector of the economy), the LCI increased by 2.8% in 2018.

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 an annual increase of 3.3%.

Sections B to N

In 2018, in the activities from sections B to N:

- the wage costs increased by 2.8% and the other labour costs increased by 2.9% (Figure 3);
- the average labour cost per employee increased by 1.9% (Figure 4);
- the number of hours actually worked per employee decreased by 0.8% (Figure 4).

Among the activities from sections B to N, the LCI increased by 4.2% in industry (sections B to E), by 2.8% in construction (section F), and by 1.9% in services (G to N).

Figure 3: LCI annual rate of change by economic activity (NACE-Rev. 2) in 2018
(working days adjusted data)

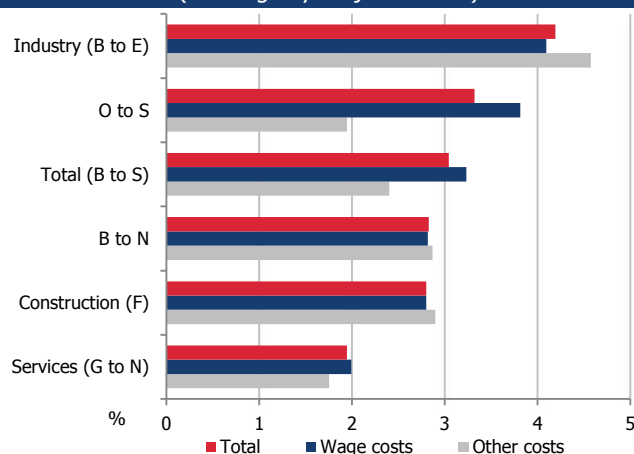
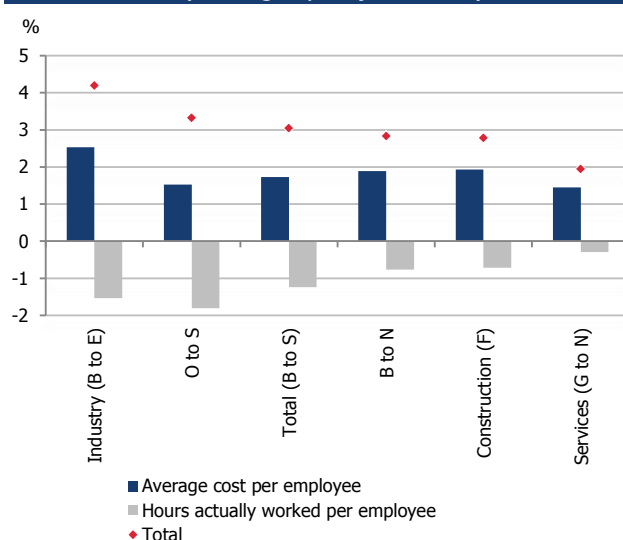


Figure 4: LCI annual rate of change by economic activity (NACE-Rev. 2) in 2018
(working days adjusted data)



² The activities' designation is available in the annex tables.

In Industry (4.2%):

- the wage costs increased by 4.1% and the other labour costs increased by 4.6%;
- the average cost per employee increased by 2.5%;
- the number of hours actually worked per employee decreased by 1.5%.

In Construction (2.8%):

- the wage costs increased by 2.8% and the other labour costs increased by 2.9%;
- the average cost per employee increased by 1.9%;
- the number of hours actually worked per employee decreased by 0.7%.

In Services (1.9%):

- the wage costs increased by 2.0% and the other labour costs increased by 1.8%;
- the average cost per employee increased by 1.4%;
- the number of hours actually worked per employee decreased by 0.3%.

Sections O to S

In the activities from sections O to S, the LCI recorded an increase of 3.3% in 2018. In these activities:

- the wage costs increased by 3.8% and the other labour costs increased by 1.9%;
- the average cost per employee increased by 1.5%;
- the number of hours actually worked per employee decreased by 1.8%.

3. Quarterly year-on-year changes

In the 4th quarter of 2018, the LCI increased 10.3%, due to the rise of 10.8% in wage costs and of 8.5% in other labour costs. The LCI rate of change was also a result of the combined effect of the increase of 6.0% in the average cost per employee (as a result of the change in the payment profile of Christmas bonuses) and the decrease of 3.9% in the number of hours actually worked per employee³, which were common to all activities.

In the subgroup of economic activities from sections B to N, the LCI recorded an annual increase of 8.0%, corresponding to increases of 8.0% and 7.8% in wage costs and in other costs, respectively. On the other side, the wage costs increased by 8.0% and the other labour costs increased by 7.8%.

In the remaining economic activities (sections O to S), the LCI rate of change was 13.5%. In these activities, the wage costs increased by 15.0% and the other costs increased by 9.3%. That evolution also resulted from an increase of 9.5% in the labour cost per employee (mostly explained by the full payment of the Christmas bonuses in November 2018, which was not the case in 2017, when 50% of these bonuses were paid in November and the remaining were paid monthly) and a decrease of 3.4% in the number of hours actually worked by employee.

³ This decrease is a result of the working days adjustment applied to the data and the number of working days of the 4th quarter of 2018 being larger than the 4th quarter of 2017 (three working days more).

4. Comparison with the European Union

The latest available information by country on the LCI year-on-year change reports to the 3rd quarter of 2018 and was published by Eurostat in the 14th December of 2018 (Figure 5).

The LCI year-on-year rate of change for the European Union (28 countries) was 2.7%, in the 3rd quarter of 2018.

In thirteen countries, the LCI rates of change were larger than the European Union average, with Romania recording the largest LCI increase (13.9%).

Germany and Luxembourg presented the same increase as the European Union (2.7%).

In fifteen countries, the LCI recorded increases, albeit lower than the European Union average, from 1.2%, in Belgium, to 2.6% in Austria.

In the 3rd quarter of 2018, Portugal registered a year-on-year increase in the LCI, of 1.5%.⁴

Figure 5: LCI year-on-year rate of change by European Union Country (28) in the 3rd quarter of 2018
(working days adjusted data)



⁴ This value has now been revised to 1.6% (as described in the Technical note, page 8).

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

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			2017			2018		
	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	Wage costs	Other costs
Total (B to S)	-1.4	-1.3	-1.5	1.1	1.4	0.4	1.6	1.5	1.8	10.3	10.8	8.5	2.1	2.0	2.6	3.0	3.2	2.4
B to N	-2.3	-2.2	-2.9	3.5	3.3	4.3	1.6	1.6	1.8	8.0	8.0	7.8	1.6	1.7	1.2	2.8	2.8	2.9
Industry (B to E)	-1.1	-1.0	-1.4	6.2	5.8	8.0	1.8	1.6	2.3	9.4	9.5	9.0	2.5	2.6	2.2	4.2	4.1	4.6
Construction (F)	-2.8	-2.6	-3.6	2.5	2.4	2.8	3.8	3.5	5.1	7.2	7.3	6.9	0.6	1.0	-0.7	2.8	2.8	2.9
Services (G to N)	-3.0	-2.9	-3.7	2.0	1.9	2.3	1.0	1.1	0.6	7.2	7.2	7.1	1.3	1.4	1.0	1.9	2.0	1.8
O to S	0.0	-0.1	0.1	-1.7	-1.2	-3.0	1.5	1.4	1.7	13.5	15.0	9.3	2.8	2.4	4.0	3.3	3.8	1.9

**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)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			2017			2018		
	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	Wage costs	Other costs
Total (B to S)	1.8	1.8	1.7	-0.5	-0.3	-1.2	1.6	1.5	1.8	5.1	5.6	3.4	2.7	2.6	3.2	2.0	2.2	1.4
B to N	0.8	1.0	0.2	1.8	1.6	2.6	1.6	1.6	1.8	2.8	2.9	2.6	2.1	2.2	1.7	1.8	1.8	1.9
Industry (B to E)	2.1	2.2	1.8	4.5	4.1	6.3	1.8	1.6	2.3	4.2	4.3	3.9	3.1	3.1	2.8	3.2	3.1	3.6
Construction (F)	0.3	0.6	-0.5	0.8	0.7	1.1	3.8	3.5	5.1	2.1	2.2	1.8	1.1	1.4	-0.2	1.8	1.8	1.9
Services (G to N)	0.1	0.3	-0.6	0.4	0.3	0.6	1.0	1.1	0.6	2.1	2.1	2.0	1.8	1.8	1.4	0.9	1.0	0.8
O to S	3.2	3.2	3.3	-3.3	-2.8	-4.6	1.5	1.4	1.7	8.1	9.5	4.1	3.5	3.0	4.7	2.3	2.8	1.0

Source: INE, Labour Cost Index - 4th quarter of 2018.

Sections from Nace-Rev. 2

B - Mining and quarrying
C - Manufacturing
D - Electricity, gas, steam and air conditions supply
E - Water supply, sewerage, waste management and remediation activities
F - Construction
G - Wholesale and retail trade; repair of motor vehicles and motor cycles
H - Transport and storage
I - Accommodation and food service activities
J - Information and communication

K - Financial and insurance activities
L - Real estate activities
M - Professional, scientific and technical activities
N - Administrative and support service activities
O - Public administration, defence, and compulsory social security
P - Education
Q - Human health and social work activities
R - Arts, entertainment and recreation
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)

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			2017			2018		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	-1.4	-0.8	0.4	1.1	-0.2	-1.2	1.6	1.5	-0.2	10.3	6.0	-3.9	2.1	1.9	-0.5	3.0	1.7	-1.2
B to N	-2.3	0.2	2.6	3.5	1.5	-1.9	1.6	2.2	0.5	8.0	3.4	-4.2	1.6	1.6	-0.1	2.8	1.9	-0.8
Industry (B to E)	-1.1	0.7	1.8	6.2	2.2	-3.7	1.8	2.5	0.6	9.4	4.4	-4.6	2.5	2.2	-0.3	4.2	2.5	-1.5
Construction (F)	-2.8	0.3	3.1	2.5	1.4	-1.0	3.8	3.1	-0.7	7.2	2.8	-4.1	0.6	1.6	1.0	2.8	1.9	-0.7
Services (G to N)	-3.0	0.0	3.1	2.0	1.1	-0.8	1.0	1.7	0.6	7.2	2.9	-4.0	1.3	1.2	-0.1	1.9	1.4	-0.3
O to S	0.0	-2.2	-2.3	-1.7	-2.2	-0.4	1.5	0.6	-1.0	13.5	9.5	-3.4	2.8	2.2	-0.9	3.3	1.5	-1.8

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)

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			2017			2018		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	1.8	-0.8	-2.8	-0.5	-0.2	0.4	1.6	1.5	-0.2	5.1	6.0	1.0	2.7	1.9	-0.8	2.0	1.7	-0.4
B to N	0.8	0.2	-0.6	1.8	1.5	-0.3	1.6	2.2	0.5	2.8	3.4	0.6	2.1	1.6	-0.5	1.8	1.9	0.0
Industry (B to E)	2.1	0.7	-1.4	4.5	2.2	-2.1	1.8	2.5	0.6	4.2	4.4	0.2	3.1	2.2	-0.7	3.2	2.5	-0.7
Construction (F)	0.3	0.3	-0.1	0.8	1.4	0.6	3.8	3.1	-0.7	2.1	2.8	0.7	1.1	1.6	0.5	1.8	1.9	0.1
Services (G to N)	0.1	0.0	-0.1	0.4	1.1	0.8	1.0	1.7	0.6	2.1	2.9	0.8	1.8	1.2	-0.5	0.9	1.4	0.5
O to S	3.2	-2.2	-5.3	-3.3	-2.2	1.3	1.5	0.6	-1.0	8.1	9.5	1.4	3.5	2.2	-1.3	2.3	1.5	-1.0

Source: INE, Labour Cost Index -4th quarter of 2018.

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

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) contributed to explaining their developments.

Labour costs incurred by the employer 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
- Payment in kind

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)

The LCI is a statistical operation held on a quarterly basis through a sampling survey. Data collection with local units 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.

Data on public administration [Sections O (Public administration and defence; compulsory social security) and the public part of Sections P (Education) and Q (Human health and social work activities)] are not obtained through direct collection. These data are estimated by Statistics Portugal from data obtained, among other sources, from the Directorate-General of Budget of the Ministry of Finance. These data are subject to revisions.

The LCI is 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.

In order to be in line with the series published by Eurostat, which has changed the LCI reference year from 2008 to 2012, the indices published started to have, since the LCI press release for the 1st quarter of 2015, the year 2012 as the reference year (2012=100). The back series of the indices were recalculated for the period from the 1st quarter of 2008 to the 4th quarter of 2014.

With the purpose of eliminating the effects resulting from different numbers of working days in the same 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 on the Official Statistics Portal.

(to be continued)

(continuation)

Revisions

The data published in this release concerning the last quarters are subject to revisions. These revisions result, on one side, from the inclusion of information for the last quarter sent lately by some establishments of the LCI sample and, on the other side, from updates in the data for the last quarters obtained from the Directorate-General of Budget.

The impact of those revisions, measured by the difference between the year-on-year rates of change published today and those published for the 3rd quarter of 2018 in the Press Release "Labour Cost Index – 3rd quarter of 2018", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 3 rd quarter of 2018											
Unit: p.p.											
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 per employee	Hours actually worked per employee		Wage costs	Other costs	Average cost per employee	Hours actually worked per employee	
	Working days adjusted data						Non working days adjusted data				
	Total (B to S)	0.1	-0.4	1.9	0.2	0.0	0.1	-0.4	1.9	0.2	0.0
B to N	-0.1	0.0	-0.1	0.2	0.2	-0.1	0.0	-0.1	0.2	0.2	
Industry (B to E)	0.1	0.0	0.0	0.3	0.2	0.1	0.0	0.0	0.3	0.2	
Construction (F)	-0.2	0.0	-0.5	0.0	0.1	-0.2	0.0	-0.5	0.0	0.1	
Services (G to N)	-0.1	0.0	-0.2	0.1	0.1	-0.1	0.0	-0.2	0.1	0.1	
O to S	0.3	-0.9	3.7	0.3	0.0	0.3	-0.9	3.7	0.3	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 31st of January of 2019. The response rate was 95.1%.

Next Press Release: 14 May 2019.