

14 May 2019

Labour Cost Index

1st quarter of 2019

The Labour Cost Index increased by 1.0% when compared to the same quarter in 2018

The Labour Cost Index (LCI) working days adjusted increased by 1.0% in the 1st quarter of 2019, compared to the same period in 2018. In 2018, it was recorded a year-on-year increase of 3.0%.

The two main labour cost components, wage costs and other costs (both per hour actually worked), increased by 0.7% and 2.1%, respectively, compared to the same period of the previous year.

The LCI year-on-year rate of change was also explained by the increase of 2.3% in the average cost per employee and the increase of 1.2% in the number of hours actually worked per employee.

1. Introduction

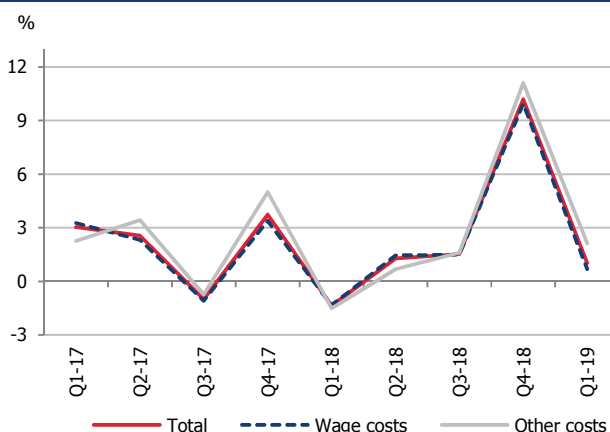
With the publication of the results for the 1st quarter of 2019, Statistics Portugal starts the dissemination of a new series of the Labour Cost Index (LCI), with the base year in 2016, in line with Eurostat's procedure for the Labour Cost Index, whenever new data of the (quadrennial) Labour Cost Survey is available. Back series for all the indices from the 1st quarter of 2008 are available on the Official Statistics website.

Besides the change of the base year, from the 1st quarter of 2018, part of the information related to the labour costs, which was previously collected by direct inquiry, was obtained through administrative sources, namely by data reported on a monthly basis by the enterprises to the Social Security and by the Public Administration organization to *Caixa Geral de Aposentações*. The number of hours worked, the hours not worked and overtime hours remain, however, to be obtained by direct inquiry. The observation unit changed from the local unit to the enterprise.

2. Labour Cost Index and components

In the 1st quarter of 2019, the LCI recorded a year-on-year increase of 1.0% due to increases of 0.7% in wage costs and of 2.1% in other labour costs, both per hour actually worked (Figure 1).¹

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

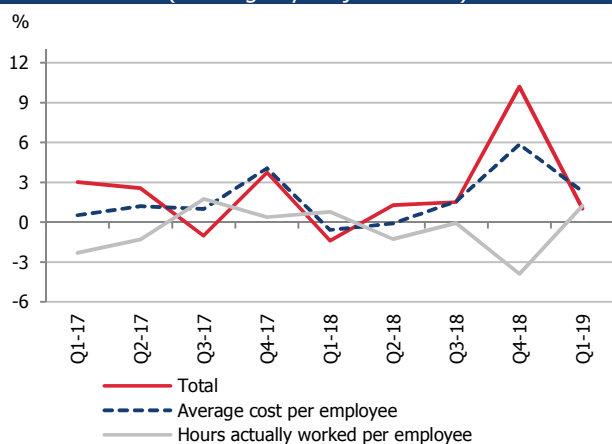


¹ The data analysed in this Press Release are working days adjusted. The raw data are available in the annex tables and at the Official Statistics website. Unless otherwise stated, the rates of change mentioned in this Press Release are year-on-year rates of change (from the same quarter of the previous year).

The LCI year-on-year rate of change was also a result of the 2.3% increase in the average cost per employee and an increase of 1.2% in the number of hours actually worked per employee (Figure 2).

- the wage costs decreased by 0.4% and the other labour costs increased by 0.1% (Figure 3);
- the average labour cost per employee increased by 2.0% (Figure 4);
- the number of hours actually worked per employee increased by 2.3% (Figure 4).

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



3. 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 decreased by 0.3%.

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, it was recorded a year-on-year increase of 3.7%.

Sections B to N

In the 1st quarter of 2019, when compared to the same quarter of 2018, in the activities from sections B to N:

Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 1st quarter of 2019
(working days adjusted data)

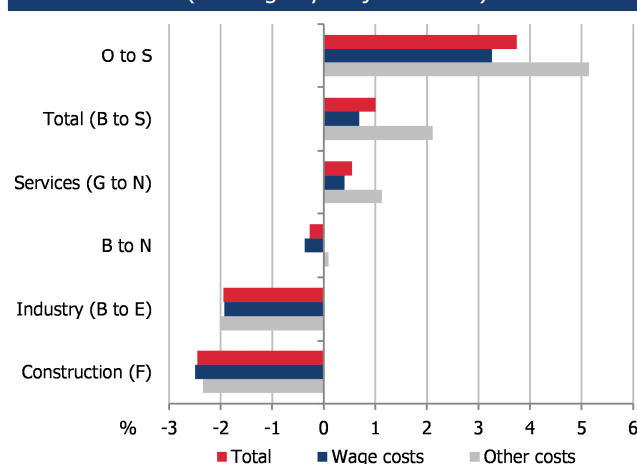
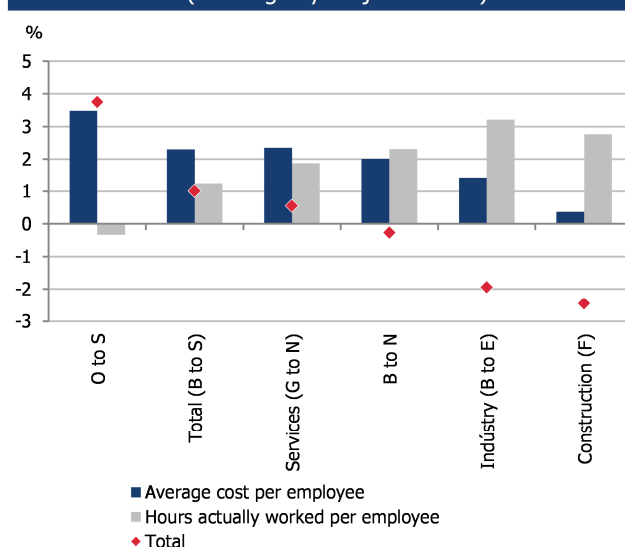


Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 1st quarter of 2019
(working days adjusted data)



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

Among the activities from sections B to N, the LCI decreased by 1.9% in industry (sections B to E) and 2.5% in construction (section F), and increased by 0.6% in services (G to N).

In Industry (-1.9%):

- the wage costs decreased by 1.9% and the other labour costs decreased by 2.0%;
- the average cost per employee increased by 1.4%;
- the number of hours actually worked per employee increased by 3.2%.

In Construction (-2.5%):

- the wage costs decreased by 2.5% and the other labour costs decreased by 2.3%;
- the average cost per employee increased by 0.4%;
- the number of hours actually worked per employee increased by 2.8%.

In Services (0.6%):

- the wage costs increased by 0.4% and the other labour costs increased by 1.1%;
- the average cost per employee increased by 2.4%;
- the number of hours actually worked per employee increased by 1.9%.

Sections O to S

In the activities from sections O to S, the LCI recorded an increase of 3.7% in comparison with the same quarter of the previous year. In these activities:

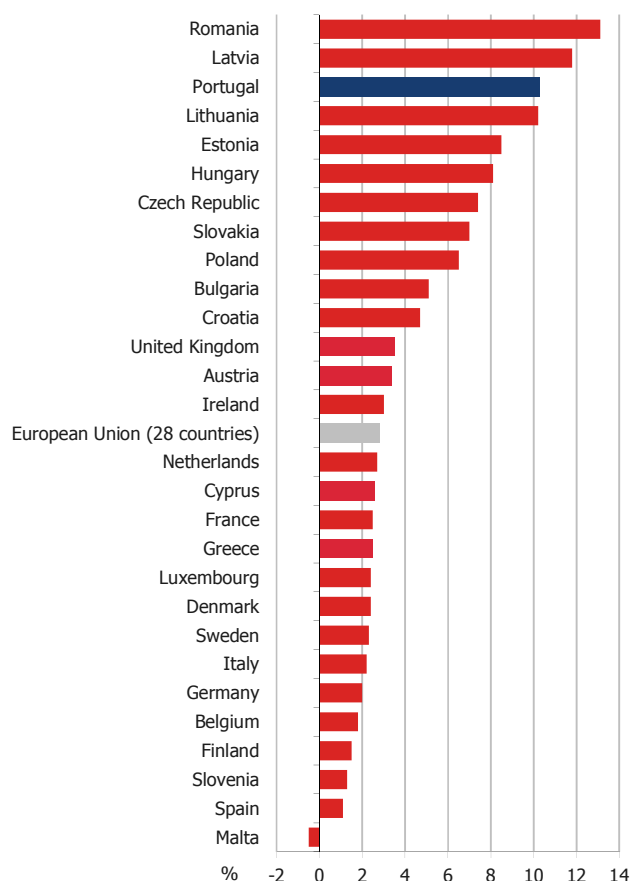
- the wage costs and the other labour costs (both per hour actually worked) increased by 3.3% and 5.1%, respectively.

- the average cost per employee increased by 3.5%, which was mainly explained by the phased payment associated with the unfreezing of promotions and progressions of careers, which started in 2018 and is still ongoing;
- the number of hours actually worked per employee decreased by 0.3%.

4. Comparison with the European Union

The latest available information by country on the LCI year-on-year change reports to the 4th quarter of 2018 and was published by Eurostat in the 19th March of 2019 (Figure 5).

Figure 5: LCI year-on-year rate of change by European Union Country (28) in the 4th quarter of 2018
(working days adjusted data)



The LCI year-on-year rate of change for the European Union (28 countries) was 2.8%, in the 4th quarter of 2018.

In fourteen countries, the LCI rates of change were larger than the European Union average, with Romania recording the largest LCI increase (13.1%).

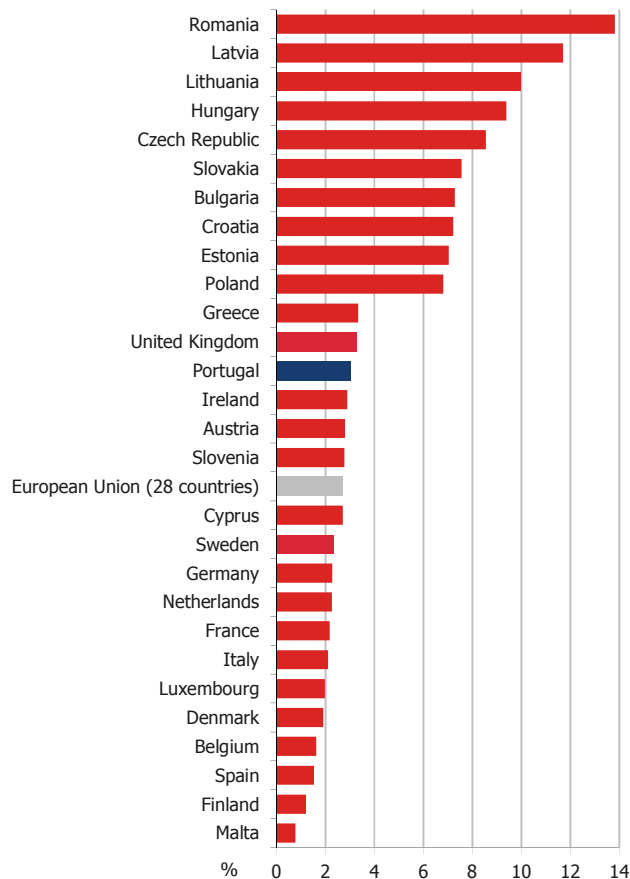
In thirteen other countries, the LCI recorded increases, albeit lower than the European Union average, from 1.1%, in Spain, to 2.7% in Netherlands.

Portugal registered a year-on-year increase in the LCI of 10.3%.³

Malta recorded a year-on-year decrease in the LCI of 0.5%.

The results obtained for 2018 are shown in Figure 6. There is a set of ten countries, most of them from Eastern Europe, where the LCI increased at rates above 6%. In Portugal, the LCI growth was slightly higher than the European Union average (3.0% and 2.7%, respectively). The LCI growth was lower than that average in twelve countries, mainly those that are Portugal's main economic partners in the European Union.

Figure 6: LCI annual rate of change by European Union Country (28) in 2018
(working days adjusted data)



³ This value has now been revised into 10.2%. Note that the year-on-year rate of change in the 4th quarter of 2018 was affected by the change in the annual pattern of the Christmas bonuses payment.

**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			Q1-2019		
	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	1.3	1.4	0.7	1.5	1.5	1.6	10.2	9.9	11.1	1.0	0.7	2.1
B to N	-2.2	-2.1	-2.8	3.4	3.2	4.3	1.8	1.7	1.8	8.1	8.2	7.9	-0.3	-0.4	0.1
Industry (B to E)	-0.8	-0.7	-1.2	6.0	5.5	7.8	2.0	1.8	2.5	9.5	9.6	9.1	-1.9	-1.9	-2.0
Construction (F)	-2.8	-2.6	-3.6	2.5	2.4	2.8	3.8	3.5	5.1	7.3	7.4	6.9	-2.5	-2.5	-2.3
Services (G to N)	-2.9	-2.7	-3.5	2.2	2.1	2.6	1.4	1.5	1.0	7.5	7.6	7.4	0.6	0.4	1.1
O to S	-0.2	-0.2	0.0	-1.7	-1.2	-3.1	1.3	1.2	1.5	13.5	12.9	15.1	3.7	3.3	5.1

**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			Q1-2019		
	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	-0.4	-0.2	-1.0	1.5	1.5	1.6	4.9	4.7	5.8	1.0	0.7	2.1
B to N	0.9	1.1	0.4	1.7	1.5	2.6	1.8	1.7	1.8	3.0	3.0	2.8	-0.3	-0.4	0.1
Industry (B to E)	2.4	2.5	2.0	4.3	3.8	6.1	2.0	1.8	2.5	4.3	4.4	3.9	-2.0	-2.0	-2.1
Construction (F)	0.3	0.6	-0.5	0.8	0.7	1.1	3.8	3.5	5.1	2.2	2.2	1.8	-2.5	-2.5	-2.4
Services (G to N)	0.3	0.4	-0.4	0.6	0.5	1.0	1.4	1.5	1.0	2.4	2.4	2.3	0.6	0.4	1.1
O to S	3.0	3.0	3.2	-3.3	-2.8	-4.7	1.3	1.2	1.5	8.1	7.6	9.7	3.7	3.3	5.1

Source: INE, Labour Cost Index - 1st quarter of 2019.

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)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			Q1-2019		
	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	-0.6	0.8	1.3	-0.1	-1.3	1.5	1.6	-0.1	10.2	5.8	-3.9	1.0	2.3	1.2
B to N	-2.2	0.4	2.7	3.4	1.5	-1.8	1.8	2.1	0.3	8.1	3.6	-4.2	-0.3	2.0	2.3
Industry (B to E)	-0.8	0.9	1.8	6.0	2.0	-3.7	2.0	2.4	0.4	9.5	4.5	-4.5	-1.9	1.4	3.2
Construction (F)	-2.8	0.3	3.1	2.5	1.4	-1.0	3.8	3.1	-0.7	7.3	2.9	-4.1	-2.5	0.4	2.8
Services (G to N)	-2.9	0.1	3.1	2.2	1.2	-0.9	1.4	1.8	0.5	7.5	3.2	-4.0	0.6	2.4	1.9
O to S	-0.2	-2.2	-2.0	-1.7	-2.2	-0.4	1.3	0.5	-0.9	13.5	9.5	-3.4	3.7	3.5	-0.3

**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)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2018			Q2-2018			Q3-2018			Q4-2018			Q1-2019		
	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	-0.6	-2.4	-0.4	-0.1	0.3	1.5	1.6	-0.1	4.9	5.8	0.9	1.0	2.3	1.2
B to N	0.9	0.4	-0.5	1.7	1.5	-0.2	1.8	2.1	0.3	3.0	3.6	0.6	-0.3	2.0	2.3
Industry (B to E)	2.4	0.9	-1.4	4.3	2.0	-2.1	2.0	2.4	0.4	4.3	4.5	0.3	-2.0	1.4	3.2
Construction (F)	0.3	0.3	-0.1	0.8	1.4	0.6	3.8	3.1	-0.7	2.2	2.9	0.7	-2.5	0.4	2.7
Services (G to N)	0.3	0.1	-0.1	0.6	1.2	0.7	1.4	1.8	0.5	2.4	3.2	0.8	0.6	2.4	1.9
O to S	3.0	-2.2	-5.1	-3.3	-2.2	1.3	1.3	0.5	-0.9	8.1	9.5	1.4	3.7	3.5	-0.3

Source: INE, Labour Cost Index -1st quarter of 2019.

Sections from Nace-Rev. 2

- | | |
|---|--|
| B - Mining and quarrying | K - Financial and insurance activities |
| C - Manufacturing | L - Real estate activities |
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| 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 starts 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. Back series for all indices analysed in this press release, from the 1st quarter of 2008, are available at the Official Statistics website.

In addition to the change of the base year, in the context of the SIMPLEX+ measures, the labour costs information, which was previously collected by direct inquiry, was obtained through administrative sources, namely data reported on a monthly basis by the enterprises to the Social Security and by the Public Administration organizations to *Caixa Geral de Aposentações*. The number of hours worked, the hours not worked and overtime hours, however, remain to be obtained by direct inquiry. The data collection for the new series of the LCI covered the four quarters of 2018, in order to guarantee the comparable basic information for the index computation from the 1st quarter of 2019. The observation unit changed from local unit to enterprise, and the dissemination of NUTS II regional data was discontinued.

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 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.

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.

(to be continued)

(continuation)

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 2012 to 2016, the indices published started to have, since the LCI press release for the 1st quarter of 2019, the year 2016 as the reference year (2016=100). The back series of the indices were recalculated for the period from the 1st quarter of 2008 to the 4th quarter of 2018.

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 dissemination of a new series (reference year 2016 =100) led to revisions of the series previously published up to the 4th quarter of 2018.

The impact of those revisions also measured by the difference between the year-on-year rate of change that are now available and those published for the period from the 1st quarter of 2016 to the 4th quarter of 2018, in the Press Release "Labour Cost Index – 4th quarter of 2018", is available in the following table:

Differences of the LCI year-on-year rates of changes published

Unit: p.p.

Quarters	Total	Component of the index	
		Wage costs	Other costs
		Working days adjusted data	
Q12016	0.1	0.2	0.0
Q22016	-0.2	-0.1	-0.4
Q32016	-0.7	-0.7	-0.7
Q42016	0.4	0.3	0.5
Q12017	0.0	-0.1	0.1
Q22017	-0.3	-0.2	-0.3
Q32017	0.2	0.2	0.1
Q42017	-0.4	-0.3	-0.6
Q22018	0.0	0.0	-0.1
Q22018	0.1	0.1	0.3
Q32018	0.0	0.0	-0.1
Q42018	-0.1	-0.1	-0.3

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 April of 2019. The response rate was 89.1%.

Next Press Release: 13 August 2019.