



Statistics in focus

POPULATION AND SOCIAL CONDITIONS

THEME 3 – 10/1999

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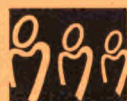
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Italy and Luxembourg: preliminary results

Italy and Sweden: data are for 1997

Figures for EU-15 have been calculated using estimated results for the UK



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LABOUR COSTS 1996

Major disparities between the European Union countries

Ana Nobre

Labour costs account on average for some two-thirds of production costs for goods and services. This figure alone constitutes a case for closely monitoring the level of and trends in such costs. In cooperation with the Member States, Eurostat organizes every four years a detailed collection of comparable statistics on labour costs in industry and services. The 1996 results are available for all countries, except for the United Kingdom.

An update of the main labour components by economic activity for 1997 and 1998 will be available in the last 1999 quarter. Quarterly indices are also available and they can be consulted on-line on the Eurostat Internet server (address on back page).

In the EU hourly labour costs in industry varied between 6.1 and 26.5 ECU in 1996

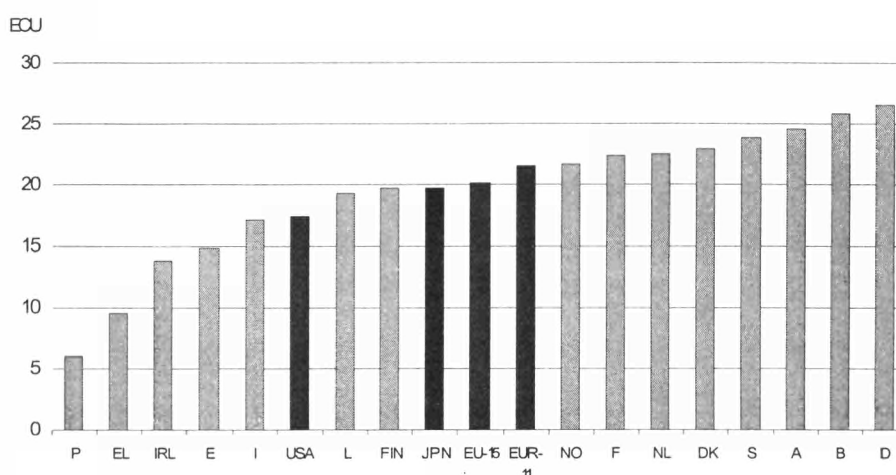


Figure 1: Hourly labour costs in industry in 1996

In 1996, there were major disparities between the levels of labour costs in the various countries of the European Union. In industry, the average hourly labour costs varied between ECU 6.1 in Portugal and ECU 26.5 in Germany, or a ratio of more than 1 to 4. Labour costs in Belgium, Austria and Sweden were close to those of Germany. The European Union average was ECU 20.2 with Luxembourg and Finland closest to this average. The average hourly labour cost in industry in the USA was ECU 17.4, in Japan ECU 19.7.

The costs expressed in current exchange rates do not reflect the purchasing power of the employees concerned but the costs that an employer has to pay to employ people in the Member States. Furthermore, these costs are averages reflecting the industrial structure of each country, with southern countries more specialised in labour intensive low paying industries.

High costs in energy and financial intermediation

An overview of costs in activities covered by this survey (Table 1, page 3) shows for example that in the European Union, labour costs in financial institutions or energy are the highest in all Member States except the Netherlands. Costs are generally the lowest in hotels and restaurants. In Portugal the costs for all activities are very low and between 1992 and 1996 the spread between Portugal and those countries with the highest costs has even increased. Denmark, Sweden and Finland have the most even distribution of costs amongst the various activities. For the other countries, the difference in costs between the lowest and the highest is in general higher than 1 to 2.

Major differences in the structure of costs

The structure of labour costs varies considerably from country to country, mainly due to differences in national tax, pension and social security systems and schemes. A comparison between the situations of France and Denmark provides a striking example of this. In France, employers pay a large share of social security contributions, which account for between 28% and 36% (depending on the activities) of total labour costs. In Denmark, on the other hand individuals finance social protection mainly through income taxes. This explains the small percentage of indirect labour costs in this country (5% to 9%) of total labour costs.

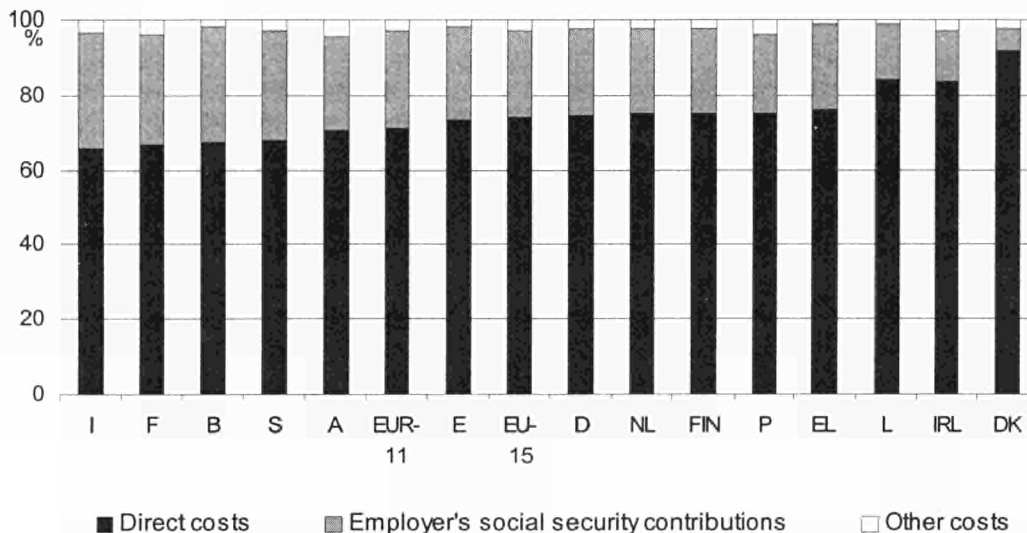


Figure 2: Structure of Labour costs (%) in industry in 1996

ESSENTIAL INFORMATION – METHODOLOGICAL NOTES

The Community statistics on labour costs are the only statistical instruments providing detailed harmonised data on wages and other employer costs related to employment in relation to hours worked. The surveys on labour costs are at present carried out every four years; the latest under Council Regulation (EC) N° 23/97 refers to 1996 and covered the fifteen Member States of the European Union plus Norway. The survey covered local units with ten or more employees in industrial and service activities.

The term "labour costs" means the expenditure borne by employers in order to employ workers. These costs can be subdivided into two main categories: direct costs and indirect costs.

Direct costs are mainly direct remuneration (i.e. gross amounts, before deduction of taxes and social security contributions payable by employees) irregular bonuses and gratuities, payments to employees saving schemes, payments for days not worked and benefits in kind.

Indirect costs include the social security expenses the employer must pay, vocational training expenditure, taxes, etc. If the employer receives any subsidies, these may be deducted from the costs.

Labour costs statistics are available by economic activity (NACE Rev 1, 3 digits), by region (NUTS 1) and by size classe of enterprise. The total cost is broken down into 44 positions (some of which are not available for all countries). These statistics (with explanatory notes) can be consulted in the LACOST domain of the Eurostat Database NewCronos or requested from the Data Shops.

Table 1: Hourly labour costs in ECU (current exchange rates), structure of costs as % of total cost - 1996

	EU-15	EUR-11	B	DK	D	EL	ES	F	IRL	I	L	NL	A	P	FIN	S	UK
Total industry																	
Hourly labour cost (ECU)	20.2	21.6	25.8	23.0	26.5	9.6	14.9	22.5	13.8	17.2	19.3	22.6	24.6	6.1	19.7	23.9	:
Direct cost (%)	73.7	71.2	67.4	92.0	74.4	76.0	73.6	66.9	83.5	66.0	84.0	74.9	70.4	75.3	75.1	67.7	:
Direct remuneration (%)	:	63.4	55.5	:	62.7	69.9	73.5	57.2	73.2	65.5	71.8	64.7	61.3	69.1	63.8	60.7	:
Indirect cost (%)	26.3	28.8	32.6	8.1	25.6	24.0	26.4	33.1	16.5	34.0	16.0	25.1	29.6	24.8	24.9	32.3	:
Social security (%)	23.6	26.1	30.8	6.1	23.6	22.9	25.0	29.2	13.6	31.0	14.8	22.8	25.3	20.8	22.7	29.7	:
Mining and quarrying																	
Hourly labour cost (ECU)	24.7	27.0	23.9	27.4	32.4	11.0	18.9	27.1	17.3	16.7	21.0	34.8	36.5	6.9	19.4	27.8	:
Direct cost (%)	71.9	68.9	70.8	91.8	69.1	76.3	71.2	63.6	83.8	68.0	84.7	73.6	59.9	75.9	74.1	66.1	:
Direct remuneration (%)	:	58.7	57.3	:	54.2	69.6	70.5	54.2	70.9	66.9	73.5	63.4	51.6	69.3	63.3	60.5	:
Indirect cost (%)	28.1	31.1	29.2	8.2	30.9	23.7	28.8	36.4	16.3	32.0	15.3	26.4	40.1	24.1	25.9	33.9	:
Social security (%)	25.5	28.8	27.8	8.2	28.8	23.1	26.9	33.0	14.6	30.8	15.2	22.6	36.4	21.2	23.8	30.7	:
Manufacturing industry																	
Hourly labour cost (ECU)	20.3	21.7	26.0	22.8	27.4	9.0	15.0	22.4	13.3	16.9	21.0	23.0	23.7	6.0	19.7	24.1	:
Direct cost (%)	74.0	71.5	68.6	92.3	75.0	76.2	73.5	67.7	84.0	65.8	83.4	74.5	71.3	75.5	75.1	67.6	:
Direct remuneration (%)	:	63.8	56.6	:	63.3	70.2	73.4	58.2	73.7	65.5	71.9	64.8	62.1	69.4	63.9	60.7	:
Indirect cost (%)	26.1	28.5	31.4	7.7	25.0	23.8	26.5	32.3	16.0	34.2	15.6	25.5	28.7	24.5	24.9	32.4	:
Social security (%)	23.5	25.9	29.6	6.2	23.2	22.6	25.2	28.6	13.0	31.1	14.1	23.3	24.3	20.5	22.7	29.7	:
Electricity, gas and water supply																	
Hourly labour cost (ECU)	28.7	31.3	43.9	26.3	33.8	14.4	24.8	33.6	19.2	30.5	32.4	28.3	36.9	12.1	23.7	26.2	:
Direct cost (%)	67.9	64.8	61.6	89.7	67.6	74.8	71.5	55.6	81.8	65.5	75.3	73.5	62.3	68.3	73.7	66.3	:
Direct remuneration (%)	:	57.8	52.4	:	56.6	68.4	70.8	48.5	69.4	64.9	64.8	62.7	53.7	61.8	60.1	59.7	:
Indirect cost (%)	32.1	35.2	38.4	10.3	32.4	25.3	28.5	44.4	18.2	34.5	24.7	26.6	37.7	31.8	26.3	33.8	:
Social security (%)	28.1	31.0	34.8	9.2	29.6	24.2	26.8	35.7	15.6	32.7	22.8	23.1	33.8	26.2	23.4	29.1	:
Construction																	
Hourly labour cost (ECU)	17.4	18.4	22.6	23.2	21.3	8.2	12.3	19.6	14.6	15.4	15.5	20.4	:	5.3	18.1	21.9	:
Direct cost (%)	74.7	72.1	62.9	90.6	74.1	76.5	75.2	68.2	80.2	66.7	84.2	76.2	:	76.9	76.0	69.1	:
Direct remuneration (%)	:	63.4	51.1	:	62.6	71.1	75.0	56.5	72.3	65.8	72.4	64.7	:	70.7	64.1	61.0	:
Indirect cost (%)	25.3	27.9	37.1	9.4	25.9	23.5	24.8	31.8	19.9	33.3	15.8	23.8	:	23.1	24.0	30.9	:
Social security (%)	22.7	25.3	35.8	5.1	23.1	23.1	23.4	28.9	17.1	30.4	15.5	21.3	:	20.0	22.6	29.3	:
Services (average of the activities below)																	
Hourly labour cost (ECU)	18.8	20.0	23.9	25.2	23.5	9.2	14.0	22.2	14.4	19.2	22.8	18.8	29.4	8.2	19.0	23.9	:
Direct cost (%)	75.1	71.9	69.5	88.9	75.0	75.3	74.4	67.4	84.7	67.1	83.8	76.2	70.8	77.6	75.9	68.1	:
Direct remuneration (%)	:	64.9	60.2	:	63.5	70.0	74.0	58.6	74.8	66.5	71.6	66.9	61.8	71.1	64.7	61.0	:
Indirect cost (%)	24.9	28.1	30.5	11.1	25.0	24.7	25.7	32.6	15.3	32.9	16.2	23.8	29.3	22.4	24.1	32.0	:
Social security (%)	22.0	25.2	28.7	6.7	22.0	23.9	23.8	28.0	13.0	31.2	14.1	21.4	24.7	19.9	21.6	29.2	:
Wholesale and retail trade; repair of motor vehicles																	
Hourly labour cost (ECU)	16.8	18.1	21.4	22.9	21.3	7.9	11.5	19.5	11.6	16.7	15.7	17.5	:	6.9	18.1	22.7	:
Direct cost (%)	76.2	73.6	71.0	91.3	77.1	76.7	74.9	68.9	86.8	67.1	85.7	76.6	:	77.0	76.6	68.5	:
Direct remuneration (%)	:	65.8	62.3	:	65.5	71.2	74.8	60.1	78.1	66.5	74.2	67.8	:	70.8	65.6	60.9	:
Indirect cost (%)	23.8	26.4	29.0	8.7	22.9	23.3	25.1	31.1	13.2	32.9	14.3	23.4	:	23.1	23.5	31.5	:
Social security (%)	21.2	24.1	27.5	5.6	20.5	22.8	23.1	27.9	11.7	31.4	12.9	21.5	:	20.4	21.2	29.2	:
Hotels and restaurants																	
Hourly labour cost (ECU)	13.3	13.6	14.2	19.6	15.5	10.7	9.8	16.5	:	13.4	11.7	13.5	:	4.7	14.3	16.9	:
Direct cost (%)	76.0	71.6	75.3	91.7	74.8	76.6	72.5	68.2	:	67.0	86.8	79.7	:	77.3	76.7	70.7	:
Direct remuneration (%)	:	64.7	63.3	:	63.4	71.1	72.3	58.2	:	66.3	73.4	71.3	:	70.1	67.9	63.0	:
Indirect cost (%)	24.0	28.4	24.7	8.3	25.2	23.4	27.5	31.8	:	33.0	13.2	20.3	:	22.7	23.3	29.3	:
Social security (%)	20.8	24.9	23.8	4.5	20.6	22.4	22.3	28.6	:	30.5	12.3	19.2	:	19.6	21.2	28.3	:
Financial intermediation																	
Hourly labour cost (ECU)	27.6	28.8	34.9	31.1	32.8	14.4	25.5	33.0	21.7	31.0	34.7	28.9	33.4	16.9	23.3	30.1	:
Direct cost (%)	69.3	65.2	64.9	78.9	71.1	70.9	75.0	62.4	82.0	66.6	81.8	72.1	68.2	79.2	73.2	66.8	:
Direct remuneration (%)	:	57.7	54.8	:	59.7	66.2	74.1	53.1	69.4	65.5	68.2	62.8	59.6	72.3	60.8	58.7	:
Indirect cost (%)	26.2	28.7	35.2	21.1	28.9	29.1	25.0	37.6	18.0	33.4	18.2	27.9	31.8	20.8	26.9	33.2	:
Social security (%)	22.2	24.2	31.9	11.2	25.0	27.8	23.4	27.5	15.9	31.3	15.5	22.2	26.9	18.8	23.5	30.1	:
Real estate, renting and business activities																	
Hourly labour cost (ECU)	18.7	19.8	24.3	26.4	:	:	11.3	23.7	14.1	19.6	19.7	18.2	26.5	7.6	20.2	24.8	:
Direct cost (%)	75.5	71.6	70.1	92.6	:	:	75.6	68.1	84.5	67.1	85.8	77.2	73.1	76.0	76.3	67.6	:
Direct remuneration (%)	:	63.7	61.1	:	:	:	75.6	59.9	75.9	66.4	74.1	67.3	63.9	70.0	64.8	61.6	:
Indirect cost (%)	24.5	28.4	29.9	7.4	:	:	24.4	31.9	15.5	32.9	14.3	22.8	26.9	24.0	23.7	32.4	:
Social security (%)	21.6	25.5	28.4	5.3	:	:	23.0	28.2	11.6	31.4	12.6	21.3	22.8	21.1	21.1	29.0	:

Direct remunerations includes irregular bonuses

Further information:

➤ Reference publications

Title Labour Costs 1992: - Detailed results, - Updating 1993-95
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