

RAPID REPORTS

Population and social conditions

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LABOUR COSTS IN INDUSTRY IN SIX COMMUNITY COUNTRIES, 1988

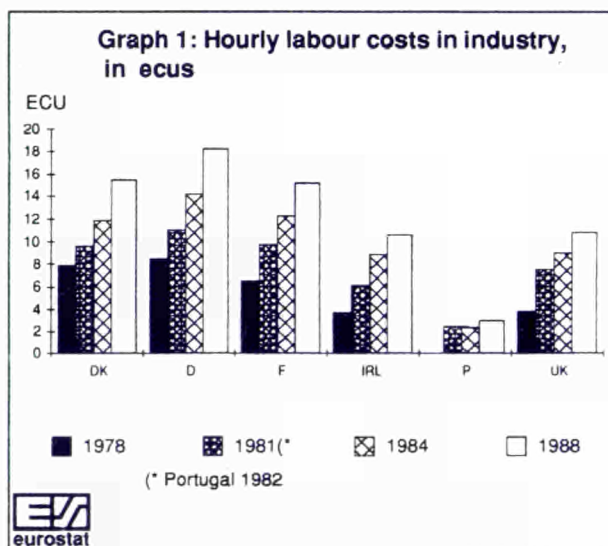
Since 1984, there has been a slower and more evenly spread rise in hourly labour costs in the six Member States studied, expressed in national currencies. The structure of labour costs, the breakdown between direct and indirect costs, appears to be stable although overall a growing percentage of costs is made up of supplementary pay and contractual social security payments. In 1988, hourly labour costs varied both between countries and from one sector of activity to another.

In cooperation with the Member States, Eurostat organizes Community surveys of labour costs. In this note, it is publishing the first results of the 1988 survey, covering the industrial sector (establishments employing at least 10 persons). The results are available presently for six Member States: Denmark, the Federal Republic of Germany, France, Ireland, Portugal and the United Kingdom.

The term "hourly labour costs" covers expenditure on wages and salaries and social security payments relating to each hour actually worked for payment.

Disparities in hourly costs

The survey results show disparities in the levels of hourly labour costs in the six countries studied here. Expressed in ecus, the highest hourly costs were in Germany (ECU 18.27) and the lowest in Portugal (ECU 2.98). Between these extremes, Denmark (ECU 15.51) and France (ECU 15.27) were above the average for the six countries, whilst Ireland (ECU 10.62) and the United Kingdom (ECU 10.87) had lower average hourly costs. Since 1978, the differences between these four countries have narrowed with the more rapid growth in the United Kingdom and Ireland (10.9% per annum) where the starting level was relatively



lower (compared with an annual 6.9% in Denmark and 8.9% in France). The figures for these four countries are also moving closer to those for Germany.

The annual average growth rate in Portugal (just under 3%) has lagged well behind, being even negative in the period from 1982 up to 1984, with the result that the gap between Portugal and the other five has widened since 1982.

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For further information please contact: S. LORANCA
Eurostat, L-2920 Luxembourg, tel. 4301-3273 Fax: 4301 4415

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Slowdown in growth rates since 1984 and closer alignment in terms of costs in ecus...

Changes in hourly costs should be studied against the backdrop of general economic changes. 1984 marked a turning point between a period of stagnation and the economic upturn which led to a boom in 1988.

Since 1984, it has been noticeable that labour costs in ecus have risen more slowly and have moved closer together. This slowdown has been particularly striking in the United Kingdom and Ireland but much less marked in Denmark. The figures for 1978 - 1984 ranged from 7% in Denmark to 15.4% in Ireland, whereas for 1984 - 1988 the range was from 4.5% (Ireland) to 6.7% (Denmark). Portugal was outside this range with hourly costs in ecus rising 5.8% between 1984 and 1988 after falling 2.4% between 1982 and 1984.

....and in national currencies

Similarly, labour costs in national currencies have risen more slowly. Average annual growth rates in countries other than Portugal, ranging from 17.1% (Ireland) to 6.5% (Germany) between 1978 and 1984, slowed to 7.8% (United Kingdom) to 4.4% (Germany). In Portugal, the rise in labour costs slowed from 18.7% between 1982 and 1984 to 16.5% in 1984-1988.

Overall, the trend in hourly labour costs in terms of national currencies is a fairly accurate reflection of trends in prices. In Portugal, the average rise in prices remained relatively high at 26.6% per annum

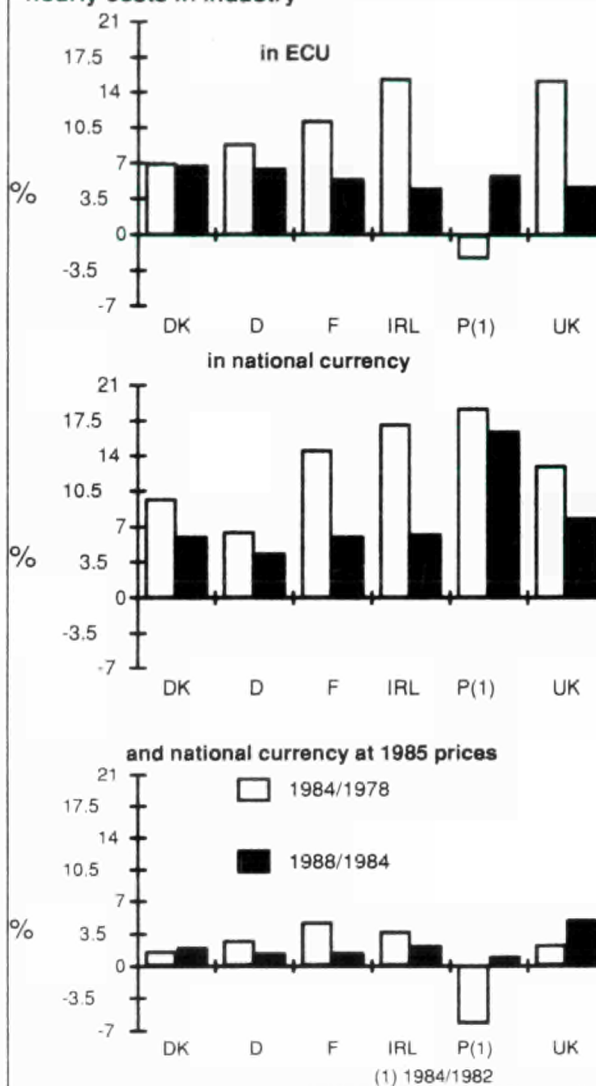
TABLE 1

Hourly labour costs in industry

	DK	D	F	IRL	P (1)	UK
in ECU						
1978	7.96	8.55	6.53	3.77		3.86
1981	9.66	11.01	9.79	6.19	2.50	7.58
1984	11.95	14.24	12.37	8.90	2.38	9.04
1988	15.51	18.27	15.27	10.62	2.98	10.87
in national currency						
1978	55.87	21.86	37.49	2.5		2.56
1981	76.54	27.68	59.11	4.28	195	4.19
1984	97.34	31.88	84.98	6.46	275	5.34
1988	123.30	37.89	107.43	8.24	507	7.22
in national currency at 1985 prices						
1978	91.44	27.92	69.04	5.46		4.82
1981	100.05	31.53	82.21	6.11	383.10	5.02
1984	100.56	32.83	90.99	6.79	336.60	5.51
1988	108.73	34.67	96.35	7.40	349.41	6.69

(1) 1981, survey in 1982

Graph 2 : Annual average rates of change of hourly costs in industry



between 1982 and 1984 and 15.4% since then. For the other countries, rates of increase in the price of value added in the industrial sector ranged from 13% (Ireland) to 3.6% (Germany) between 1978 and 1984 and between 4.5% in France and 2.7% in the United Kingdom between 1984 and 1988.

In real terms, the contrasts between the trends in the different countries were more obvious. After 1984, real labour costs rose relatively quickly in Denmark (2% per annum as against 1.6% between 1978 and 1984) and even more quickly in the United Kingdom (4.9% as opposed to 2.2%). After a fall of 6.3% per annum in Portugal between 1978 and 1984, the trend was reversed between 1984 and 1988 (+ 0.9%). In Germany, Ireland and, even more noticeably, France, on the other hand, real labor costs grew at a slower rate after 1984.

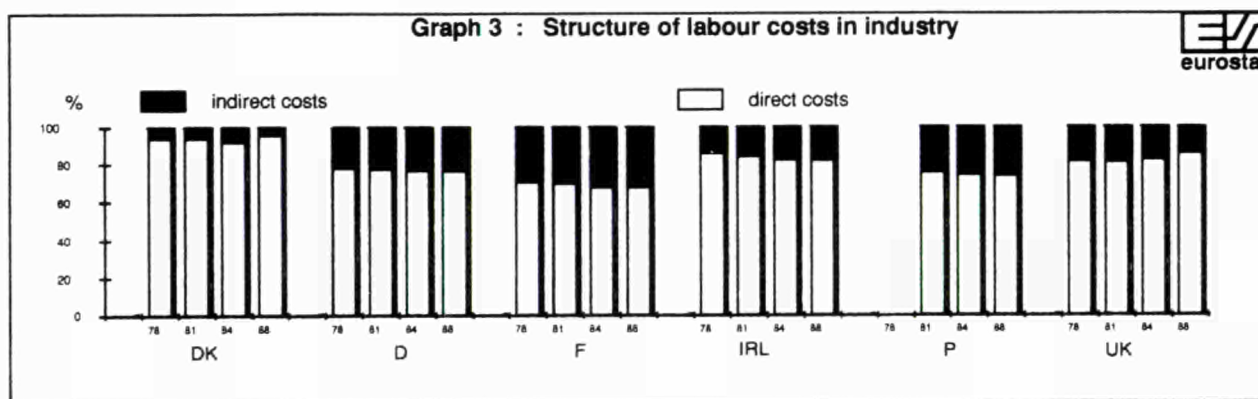
Exchange rate effects

A loss of cost competitiveness may not necessarily result from a particularly large rise in the hourly cost per employee in terms of national currency. Those countries where increases in hourly costs are relatively high may partly or wholly offset excess costs by a depreciation in their exchange rate. The most striking example of this is Portugal. Between 1982 and 1984, its currency depreciated against the Ecu and this more than compensated for the sharp internal rise in costs. There was a partial offset in France and Ireland after 1978, in Portugal and the

United Kingdom between 1984 and 1988 and in Denmark up to 1984.

On the other hand countries with only slight cost increases in terms of national currency may lose some of their competitive edge if their exchange rates appreciate. This happened to Germany throughout the period under consideration and to Denmark in the years following 1984. In the United Kingdom up to 1984, the sharp rises in costs were further exacerbated by the appreciation of sterling.

Differences in the structure of labour costs



The structure of labour costs is by no means the same in all countries, since it depends mainly on types of remuneration and ways in which social protection is financed.

In 1988, direct costs accounted for between 96.2% (Denmark) and 68% (France) of total labour costs; the public sector is a major contributor to social protection in Denmark, whereas in France employers pay a relatively large share of the costs. Between 1978 and 1988, indirect costs in the six countries studied accounted for an increasing share of total costs, although this share seems to have stabilized after 1984, indeed in Denmark and the United Kingdom, direct costs even increased at a faster rate than indirect costs.

Supplementary pay is becoming increasingly important

The relative shares of the various types of remuneration also vary from one country to another. In 1988, direct earnings (wages or salaries, bonuses and allowances paid regularly at each pay period) accounted for 86% of total direct costs in Denmark and roughly 73% in Germany. Remuneration for

days not worked accounted for 13% of direct costs in Denmark, with under 1% being attributed to bonuses and allowances not paid regularly, whereas in Portugal the latter are relatively more important, accounting for around 16% of direct costs as opposed to 8% for remuneration for days not worked.

Since 1984, in all countries except Ireland supplementary pay has accounted for an increasing share of total costs. The increase was slight in the United Kingdom and Germany, but fairly high in the other countries. In all cases, bonuses and allowances rose more rapidly than direct earnings, particularly in France and Portugal. In Denmark, on the other hand, remuneration for days not worked was responsible for the proportional increase in supplementary pay in total labour costs. In Ireland, the fall in the share of labour costs was due to a drop in remuneration for days not worked. The year on year change in the percentage of total labour costs represented by remuneration for days not worked may be due to redundancy payments, which frequently lead to very erratic figures, or to the introduction of new paid holidays.

TABLE 2

Structure of labour costs in industry

	Direct earnings.	Suppl. earnings.	Earnings-days not worked.	Earnings in kind	DIRECT COST	Soc.Sec. contribs.	Voluntary contribs Soc.Sec.	Vocational Training.	Others	INDIRECT COST
DANMARK										
1978	86.5	0.7	7.1	0.1	94.4	2.7	1.4	1.4	0.1	5.6
1981	85.4	0.7	8.2	0.1	94.4	2.6	1.2	1.6	0.1	5.5
1984	83.6	0.7	8.0	0.1	92.4	4.6	1.1	1.9	0.1	7.7
1988	83.1	0.8	12.3	0.0	96.2	1.9	1.1	2.3	-1.5	3.8
DEUTSCHLAND										
1978	59.4	8.0	10.5	0.2	78.1	16.6	3.4	1.2	0.5	21.7
1981	57.6	8.5	11.3	0.2	77.6	16.6	3.6	1.5	0.7	22.4
1984	56.5	8.6	11.4	0.2	76.7	16.4	4.6	1.6	0.7	23.3
1988	56.0	8.8	11.4	0.2	76.4	16.9	4.6	1.6	0.6	23.7
FRANCE										
1978	56.2	5.3	8.1	1.0	70.6	19.5	6.3	1.4	2.2	29.4
1981	55.6	5.2	8.1	1.1	70.0	18.9	7.6	1.5	2.0	30.0
1984	52.5	5.0	9.4	1.2	68.1	19.4	8.7	1.6	2.2	31.9
1988	51.4	6.2	9.4	1.0	68.0	19.1	9.4	1.8	1.7	32.0
IRELAND										
1978	77.3	0.9	7.7	0.1	86.0	5.9	5.1	2.1	0.9	14.0
1981	73.9	0.9	9.2	0.1	84.1	7.0	5.6	2.1	1.2	15.9
1984	69.7	1.0	11.7	0.2	82.6	8.6	6.1	1.3	1.4	17.4
1988	70.4	1.4	10.3	0.1	82.2	8.1	7.0	1.1	1.6	17.8
PORTUGAL										
1978										
1981(*)	58.6	11.1	6.1	0.0	75.8	16.2	2.0	2.0	4.0	24.2
1984	58.7	10.3	5.3	0.2	74.5	16.3	2.1	2.0	5.1	25.5
1988	56.0	11.8	6.0	0.4	74.2	18.9	2.8	2.8	1.3	25.8
UNITED KINGDOM										
1978	72.3	1.1	8.3	0.3	82.0	8.9	6.3	1.9	0.9	18.0
1981	69.3	1.0	10.4	0.4	81.1	9.4	6.8	2.0	0.7	18.9
1984	71.3	1.1	10.4	0.2	83.0	7.6	7.0	1.5	0.9	17.0
1988	73.0	1.3	11.0	0.2	85.5	7.3	4.6	1.5	1.1	14.5

(*) 1982 survey

Social security charges - particularly statutory charges - levelling off or falling

The different components of indirect costs also vary considerably in importance, although statutory social security charges in every case account for the largest percentage. Thus in 1988, total social security charges (statutory and conventional), as a percentage of total costs, ranged from 28.5% in France to 3% in Denmark and voluntary charges from 9.4% in Ireland to 1.1% in Portugal. Vocational training costs ranged from 1.1% in Ireland to 2.8% in Portugal.

Graph 4.C shows that the share of total social security costs in total labour costs has fallen since 1984 in Denmark and since 1981 in the United Kingdom whilst it has risen, but at a slower pace than prior to 1984 in Germany, France and

Ireland. In Portugal, however, social security costs have risen more rapidly.

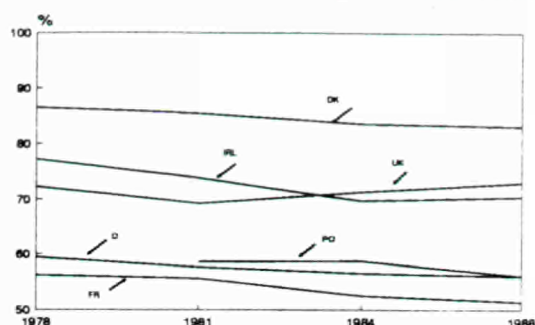
Since 1984, there has been a sharp rise in statutory charges as a share of total costs in Portugal and a slight rise in Germany, in contrast to a fall in the other countries.

At the same time, voluntary charges have become increasingly important in France and Ireland (continuing the trend begun in 1978) and in Portugal (since 1982).

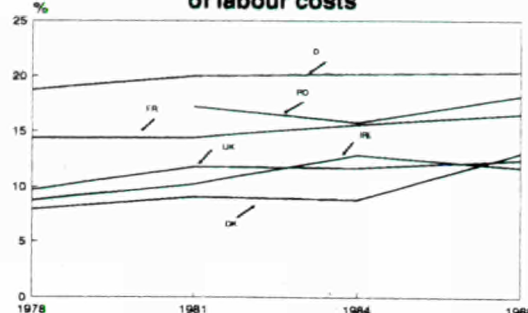
In the United Kingdom, the fall in the share of social security costs has been due mainly to a fall in voluntary costs, whilst in Denmark the fall has been in statutory costs, even though these were of relatively minor importance initially.

Graph 4 : Trends in cost structure

4.A: The share of direct earnings in labour costs



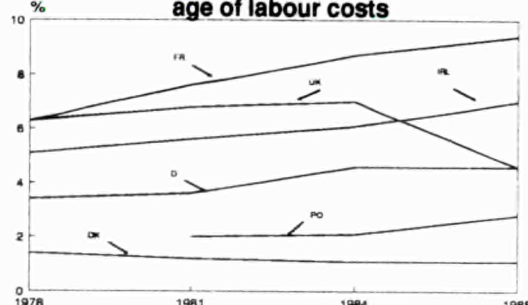
4.B: Total supplementary pay as a percentage of labour costs



4.C: Total social security charges as a percentage of labour costs



4.D: Voluntary social security costs as a percentage of labour costs



Structure by sector in 1988

The differences in labour costs per employee between Member States follow roughly the same pattern at sectoral level. Therefore in those countries where labour costs are relatively high in a given sector, there is also a tendency towards high labour costs in other sectors, although there are exceptions. e.g. the highest hourly costs in industry are found in Germany, but in the building and civil engineering sector, the highest costs are to be found in Denmark.

Variable spread by sector

The level of hourly costs varies from one sector to another, with the size of the spread varying from country to country. Costs are particularly widely spread in Portugal (NACE 1 to 5 = 100; the range is from 68 to 251) whereas the range is relatively small in Denmark (75 to 119).

Relatively similar ranking by sector

Overall, labour costs tend to be highest in the energy, electricity, gas and steam sectors and in the high-technology industries (manufacture of office machinery), the chemical industry and the production of man-made fibres. Costs tend to be relatively low in the manufacture of metal articles, timber,

food and textile industries. In all countries, the industries with the lowest costs are footwear and clothing, which have suffered from serious structural problems and fierce competition from the south-east Asian countries, where, labour costs are low. The sector with the highest costs varies from country to country, apparently depending on the structure of industry. In Denmark, the highest costs are in the paper, printing and publishing sector, whereas in Germany, France and the United Kingdom they are in the office equipment sector, and in Ireland and Portugal they are in the gas, electricity and water supply sector.

Varying cost structures by sector

Finally, cost structures may vary considerably from one sector to another, especially in the Federal Republic of Germany, France and Ireland. Direct costs generally account for the smallest percentage in the energy sector, more specifically in the production of gas, electricity and water supply. Statutory social charges are also relatively low in this sector, where contractual charges are generally more important. The highest percentage of direct costs is usually in those industries where labour costs are low, notably textiles, leather and clothing. Statutory social security charges in these industries are generally above the industrial average, whereas the opposite is true for contractual charges.

Table 3

Labour costs survey 1988 : Sectoral data

SECTORS	NACE	volume of work in %	HOURLY COST												AVERAGE NUMBER OF HOURS WORKED IN THE YEAR					
			IN ECU						NACE 1- 5 = 100						DK	D	FR	IRL	P	UK
			DK	D	FR	IRL	P	UK	DK	D	FR	IRL	P	UK						
ENERGY, WATER	1	6.1	—	24.55	23.37	14.92	6.08	14.70	—	134.4	153.1	140.4	203.9	135.3	—	1603	1541	1736	1753	1758
Electricity, gas, steam	16	3.3	17.64	24.21	24.98	15.02	7.51	13.46	113.8	132.5	163.6	141.4	251.9	123.8	1728	1692	1480	1731	1690	1828
MANUFACTURING INDUSTRY (12+14+15+22+24 to 49)		80.1	15.20	18.32	15.21	10.16	2.92	10.66	98.0	100.3	99.6	95.6	97.8	98.1	1678	1645	1684	1960	1947	1913
Production, processing of metals	22	2.6	15.03	19.65	17.15	10.97	4.58	12.57	96.9	107.6	112.3	103.3	153.6	115.7	1690	1628	1645	2029	1890	1886
Production of non-métallic minerals	24	3.3	15.30	16.11	14.84	13.56	3.07	9.92	98.7	88.2	97.2	127.7	103.0	91.3	1693	1700	1702	1978	1965	1938
Chemical industry	25	6.1	17.55	22.72	20.19	13.39	4.99	13.36	113.2	124.4	132.3	126.1	167.5	123.0	1696	1697	1649	1992	1836	1836
Production of man-made fibres	26	0.2	—	21.76	18.79	—	5.29	14.48	—	119.1	123.0	—	177.3	133.2	—	1673	1568	—	1742	1816
Manufacture of metal articles	31	7.4	14.48	16.51	13.80	9.41	2.97	9.21	93.4	90.4	90.4	88.6	99.6	84.8	1694	1644	1700	2004	1973	1948
Mechanical engineering	32	8.9	14.83	18.81	15.05	9.20	3.09	10.13	95.6	103.0	98.6	86.7	103.7	93.2	1696	1644	1700	1963	1987	1941
Manufacture of office machinery	33	1.3	17.61	26.29	27.23	11.28	—	16.03	113.6	143.9	178.3	106.2	—	147.5	1730	1623	1678	1971	—	1822
Electrical engineering	34	10.1	15.63	19.35	16.61	8.87	4.40	10.96	100.8	105.9	108.8	83.5	147.7	100.8	1704	1594	1682	1943	1902	1861
Motor vehicles, parts	35	6.6	14.03	21.71	14.83	6.85	4.14	9.96	90.5	118.9	97.1	64.4	138.9	91.7	1695	1566	1673	1996	1968	2257
Other means of transport	36	2.8	15.68	21.49	19.89	10.76	4.56	12.55	101.1	117.7	130.2	101.3	153.1	115.5	1687	1623	1638	2040	1975	1859
Instrument engineering	37	1.4	14.59	16.30	13.77	9.46	2.97	11.41	94.1	89.3	90.2	89.1	99.6	105.0	1713	1647	1701	1910	1902	1851
Food, drink & tobacco	41/42	7.6	14.85	14.90	13.35	10.74	2.96	9.32	95.8	81.6	87.5	101.1	99.4	85.7	1626	1734	1709	2011	1946	1960
Textile industry	43	4.0	13.40	13.36	11.95	7.98	2.26	7.33	86.4	73.1	78.3	75.1	75.7	67.5	1625	1678	1670	1862	1951	1883
Leather industry	44	0.3	13.50	11.65	11.49	6.57	2.34	7.84	87.1	63.8	75.2	61.9	78.5	72.2	1648	1686	1683	1849	1996	1954
Manufacture of clothing and footwear	45	3.6	11.65	11.46	10.42	5.49	2.03	6.26	75.1	62.8	68.3	51.7	68.2	57.6	1629	1663	1654	1880	1972	1818
Timber & wooden furn. industry	46	3.1	13.21	14.61	11.40	7.68	2.11	9.33	85.2	80.0	74.6	72.3	70.8	85.9	1684	1684	1717	1984	1961	1979
Manufacture of paper, printing	47	5.8	18.53	17.84	16.28	12.43	4.08	12.61	119.5	97.7	106.6	117.0	136.9	116.1	1697	1668	1703	1919	1914	1868
Processing of rubber & plastics	48	3.7	14.54	15.60	13.32	9.44	3.05	9.53	93.8	85.4	87.3	88.8	102.2	87.7	1670	1673	1699	1940	1915	1907
Other manufacturing industries	49	0.8	14.56	14.13	13.07	8.75	2.42	9.62	93.9	77.4	85.6	82.4	81.3	88.5	1671	1643	1675	1868	1958	1863
BUILDING & CIVIL ENGINEERING	50	13.7	16.48	15.66	13.31	9.79	2.60	9.77	106.3	85.7	87.1	92.1	87.2	89.9	1679	1664	1713	2024	1984	2022
INDUSTRY TOTAL	1 to 5	100.0	15.51	18.27	15.27	10.62	2.98	10.87	100.0	100.0	100.0	100.0	100.0	100.0	1680	1645	1681	1945	1944	1912

Table 3 (cont.)

Labour costs survey 1988 : Sectoral data

SECTORS	NACE	volume of work in %	COST STRUCTURE																	
			Direct cost as % of total costs						Statutory charges of social security						Conventional charges of social security as % of total costs					
			DK	D	FR	IRL	P	UK	DK	D	FR	IRL	P	UK	DK	D	FR	IRL	P	UK
ENERGY, WATER	1	6.1	—	68.7	60.7	81.5	71.7	81.7	—	16.9	12.3	2.6	14.7	6.6	—	11.0	21.0	14.2	10.9	8.7
Electricity, gas, steam	16	3.3	92.5	66.8	58.7	81.6	69.2	82.6	1.2	14.1	9.3	2.4	15.9	6.1	4.9	16.7	25.5	14.5	12.3	8.4
MANUFACTURING INDUSTRY (12+14+15+22+24 to 49)		80.1	96.6	77.0	69.0	82.1	74.1	86.0	1.8	16.5	19.2	8.7	19.1	7.3	1.1	4.3	8.5	6.2	2.2	4.2
Production, processing of metals	22	2.6	96.4	74.3	63.9	81.9	75.9	84.6	2.1	17.3	18.7	9.1	20.3	7.2	0.6	5.8	13.3	7.0	2.0	6.5
Production of non-metallic minerals	24	3.3	96.2	76.8	68.7	80.7	74.4	86.6	2.0	18.5	20.2	8.0	19.3	7.4	1.9	3.4	8.2	8.5	2.1	4.0
Chemical industry	25	6.1	96.1	74.2	69.1	81.0	72.7	85.5	0.9	14.6	17.2	8.0	18.8	6.7	2.6	7.8	9.6	7.3	5.8	4.7
Production of man-made fibres	26	0.2	—	72.0	68.0	—	69.5	88.0	—	15.1	18.0	—	18.6	7.0	—	10.8	10.3	—	4.3	2.3
Manufacture of metal articles	31	7.4	96.1	78.5	69.3	84.3	74.0	86.7	2.1	18.2	20.7	9.3	19.1	7.8	0.5	1.7	7.6	4.4	1.9	3.6
Mechanical engineering	32	8.9	96.8	78.4	69.8	82.8	72.9	86.1	1.7	16.7	19.6	9.5	19.5	7.6	0.5	2.8	7.9	4.0	1.4	3.8
Manufacture of office machinery	33	1.3	98.9	73.6	68.2	80.9	—	83.5	0.5	14.6	15.0	8.7	—	7.3	0.1	9.4	10.2	3.6	—	6.0
Electrical engineering	34	10.1	97.3	76.7	69.3	84.4	76.1	85.4	1.4	15.3	18.3	9.3	18.1	7.7	0.7	5.4	8.7	3.9	1.8	3.7
Motor vehicles, parts	35	6.6	96.4	76.2	68.6	78.2	71.3	88.2	2.2	16.1	19.5	9.1	19.2	7.0	0.3	5.7	8.1	8.7	2.3	2.7
Other means of transport	36	2.8	95.9	78.1	68.2	83.0	72.1	84.9	2.5	15.9	17.8	9.3	20.5	6.6	0.6	3.7	8.7	4.9	3.8	5.4
Instrument engineering	37	1.4	97.9	78.7	69.7	82.4	75.3	86.1	1.7	16.4	19.2	9.0	18.8	7.0	0.7	2.6	8.0	5.2	0.9	4.3
Food, drink & tobacco	41/42	7.6	96.3	76.7	69.6	80.6	74.1	86.5	2.2	17.2	19.8	8.4	19.1	7.0	1.4	4.4	7.8	8.4	3.4	4.1
Textile industry	43	4.0	98.2	78.3	69.9	85.2	76.2	87.6	1.5	18.1	20.0	9.6	19.2	7.8	0.7	2.4	7.6	3.7	0.6	3.0
Leather industry	44	0.3	97.9	79.3	70.2	86.2	77.0	87.6	2.2	18.5	20.2	9.8	20.7	7.6	0.5	1.1	7.5	2.9	0.3	3.3
Manufacture of clothing and footwear	45	3.6	99.0	78.9	70.6	84.9	72.9	87.3	1.9	18.0	20.2	10.1	18.4	7.4	0.4	1.4	6.9	1.8	0.7	3.6
Timber & wooden furn. industry	46	3.1	97.1	79.2	69.4	79.6	73.7	86.2	2.4	18.5	21.9	9.3	21.2	8.2	0.5	1.0	7.0	6.1	0.5	3.4
Manufacture of paper, printing	47	5.8	95.3	79.2	70.0	82.9	74.4	86.5	1.4	16.6	18.7	8.3	18.2	7.4	2.1	2.5	8.4	6.4	2.7	4.1
Processing of rubber & plastics	48	3.7	97.7	78.2	68.8	83.4	76.0	86.9	2.1	17.9	19.9	9.2	19.6	7.4	0.9	2.4	8.1	5.0	1.4	4.1
Other manufacturing industries	49	0.8	96.6	79.3	70.3	83.1	76.7	85.0	1.6	17.3	19.6	9.2	19.6	7.1	0.4	1.8	7.5	4.8	0.5	5.3
BUILDING & CIVIL ENGINEERING	50	13.7	95.4	75.3	66.2	76.4	75.4	85.9	1.9	19.5	22.7	9.0	19.9	8.0	0.6	3.0	8.8	9.4	2.0	2.9
INDUSTRY TOTAL	1 to 5	100.0	96.2	76.3	68.0	82.3	74.2	86.0	1.9	16.9	19.1	8.1	18.9	7.3	1.1	4.6	9.4	7.0	2.8	4.6

TECHNICAL NOTE

Under Council Regulation (EEC) 1612/88, the Member States carried out surveys of labour costs in industry, wholesale and retail distribution, banking and insurance in 1988. These surveys followed on from similar surveys in industry in 1966, 1969, 1972, 1975, 1978, 1981 and 1984 and in wholesale and retail distribution, banking and insurance in 1970, 1974, 1978, 1981 and 1984.

The statistical unit for the industry survey is the establishment employing a minimum of ten persons and the period covered is in principle the calendar year. In Portugal, the first labour costs survey was in 1982.

"Industry" generally covers manufacturing, energy, building and civil engineering, except in Ireland, where building and civil engineering are not included.

Some results have been converted into ecus to facilitate comparisons of labour costs in terms of international competitiveness. Furthermore, in order to give some idea of trends in real terms in domestic markets, hourly costs in national currencies have been deflated by the value added price index for industry, with the exception of Ireland, where the GDP deflator has been used.

The term "labour costs" covers expenditure defrayed by employers for the employment of labour, namely:

a) direct earnings: all wages and salaries paid regularly in each pay period before deduction of taxes and employees' social security contributions;

b) bonuses and allowances not paid regularly in each pay period;

c) remuneration for days not worked: paid holidays, holiday bonuses, paid public holidays, other contractual, statutory or voluntary paid holidays and redundancy payments;

d) benefits in kind;

e) employers' statutory social security and family allowance contributions;

f) employers' contractual, customary or voluntary payments other than statutory ones; in particular, for insurance schemes operated by the enterprise and supplementary retirement pension schemes;

g) other social expenditure, in particular transport allowances, cultural or medical facilities;

h) vocational training costs (including payments to apprentices);

i) taxes (+) considered as labour costs and subsidies (-) intended to reimburse labour costs.

Hours worked are based on the number of hours actually worked by manual workers and for non-manual workers the hours fixed under collective agreements or the firm's normal working hours, excluding paid and public holidays.

FOR FURTHER INFORMATION :

Eurostat : Labour Costs 1988

Eurostat : Unit E-2 . Living and working conditions

Mr S.Loranca tel 4301-3273

Mme E.Degryse tel 4301-4143