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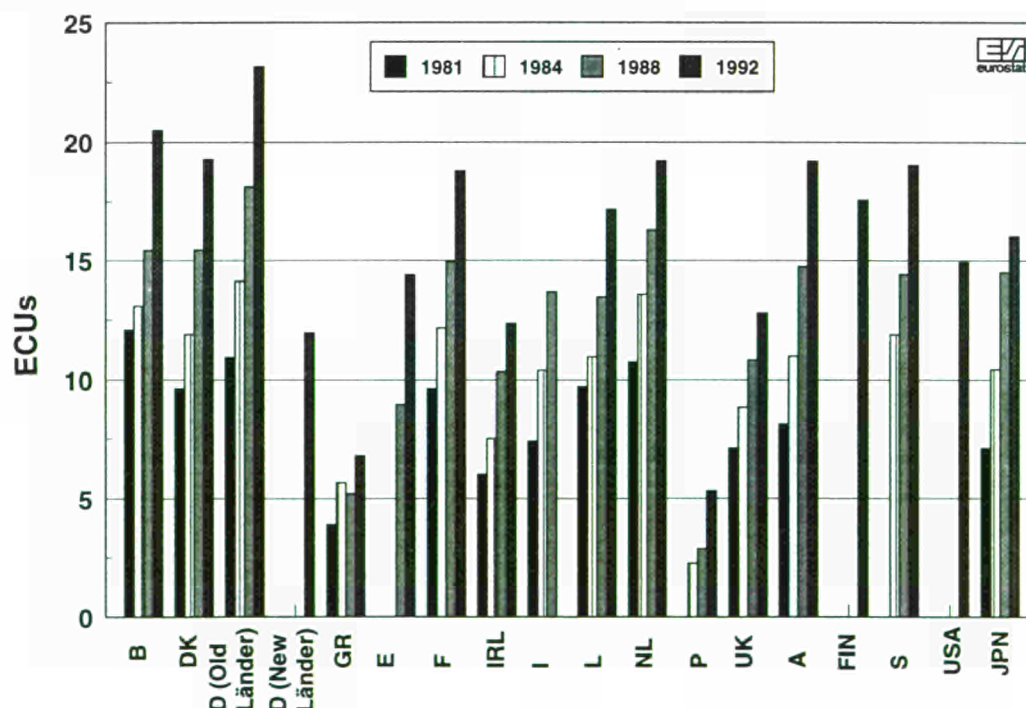
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LABOUR COSTS IN INDUSTRY - 1992

Major disparities continue to exist between Member States

In 1992, there were major disparities between the various Member States of the European Community¹ as regards labour costs in industry. As in 1988, pre-unification Federal Republic of Germany again had the highest hourly labour costs (annual average, ECU 23.14, or ECU 21.71 including the former East German Länder) and Portugal had the lowest (ECU 5.34). However, the gap between the Member States narrowed between 1988 and 1992. The weighted average of the 11 countries was ECU 17.32² in 1992, compared with ECU 13.78 in 1988. These are the main conclusions that emerge from a European survey of labour costs.

Graph 1:
Hourly Labour Costs in Industry (Manual and non-manual workers)



1 No data are available for Italy.
2 For reasons of comparability, this figure excludes the former GDR.

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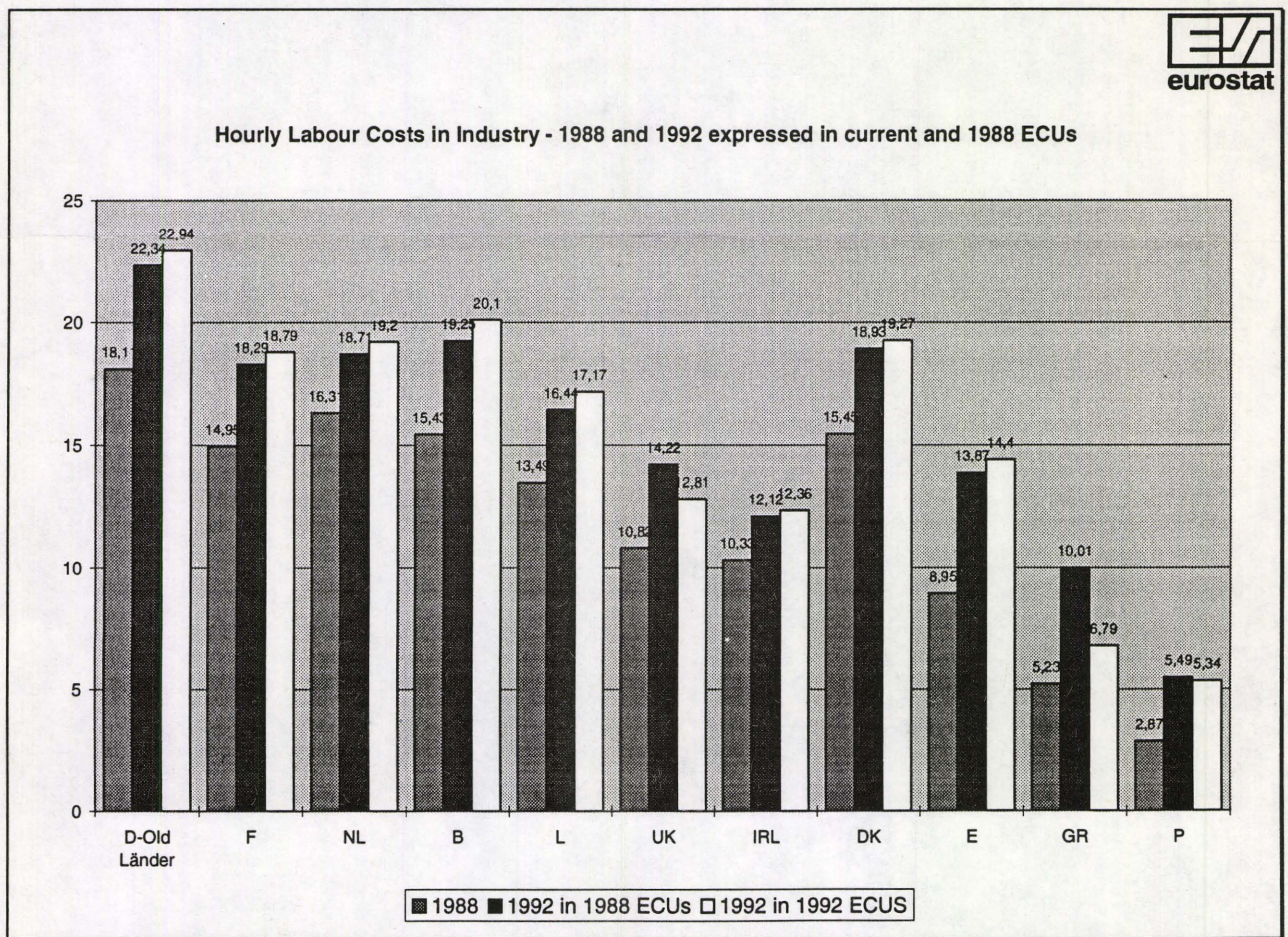
For further information please contact: S.Soro
Eurostat, L-2920 Luxembourg, tel. 4301-34718 Fax: 4301-34029

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Due to problems which occurred at publishing level, in Graph 3 at page 5 the columns concerning Denmark, Greece, the Netherlands and Portugal are not correct. The correct version of the Graph is as follows:



EUROSTAT
 Directorate E: Social and Regional Statistics - Structural Plans
 For further information, contact:
 Stefano SORO - Tel.: (352) 4301 34718; Fax: 4301 34029

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For further information please contact: S. Soro
 Eurostat, L-2920 Luxembourg, tel. 4301-34718 Fax: 4301-34029

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A major cost factor

Labour costs exercise a considerable influence on the choices of political, economic and social decision-makers, as they account 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.

Labour costs also have an appreciable impact on employment, inflation, competitiveness and economic growth. As the behaviour of labour costs tends to be perspective, observing them can give useful ex-ante or ex-post indications of cost-push pressures in the economy. Moreover, a thorough knowledge of labour costs is an essential tool in the strategic planning of investment, production, employment policy or wage levels in collective bargaining.

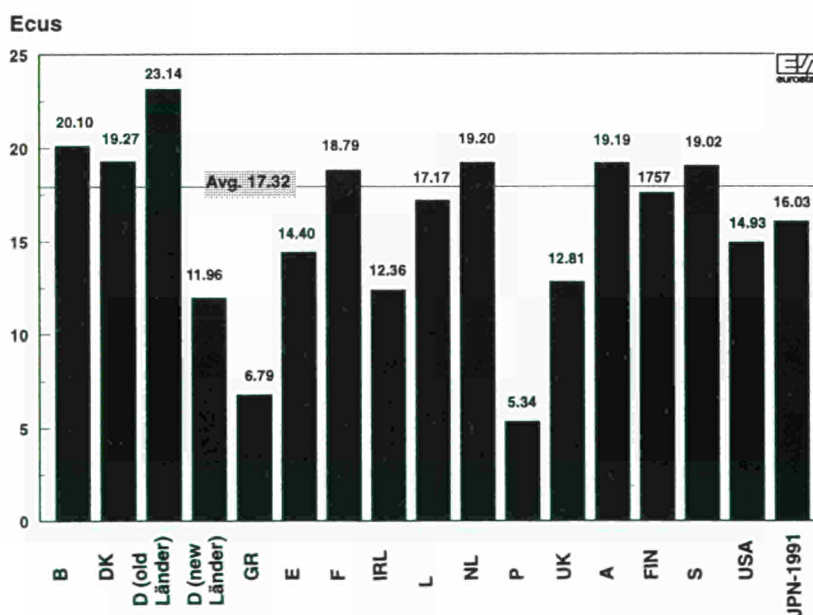
Germany has the highest and Portugal the lowest labour costs

There continue to be considerable disparities between the level of hourly labour cost in the various countries³. As in previous surveys, Germany led the field (ECU 23.14 for the Länder of the former FRG), followed by Belgium (ECU 20.10), Denmark (ECU 19.27) and the Netherlands (ECU 19.20). The Community average was ECU 17.32. As in 1984 and 1988, Portugal (ECU 5.34) and Greece (ECU 6.79) had the lowest labour costs. However, a comparison between the 1992 and 1988 results⁴ seems to indicate that the gap between the bottom two countries and the other Member States has narrowed.

To give a clearer picture of the distribution of labour costs in the various countries, it should be noted that, with hourly labour costs averaging ECU 17.56 for the Community as a whole in 1992⁵, the standard deviation of the national figures was 5.24 and the coefficient of variation 0.30. In 1988, with an EC average of ECU 13.78, the standard deviation was 4.40 and the coefficient of variation 0.32.

In Germany, hourly labour costs in the Länder of the former Federal Republic were considerably higher (about 93%) than in the Länder of the former GDR.

Graph 2:
Hourly Labour Cost in Industry - 1992 (manual and non-manual workers)



3 See graph 2 and Table 1.

4 See Table 1.

5 Annual averages; for reasons of comparability, this figure excludes the Länder of the former GDR.

Table 1:
Hourly labour cost in industry (manual and non-manual workers, annual averages) ⁽¹⁾



Country	1981 ⁽²⁾	1984 ⁽²⁾	1988 ⁽²⁾	1992 ⁽²⁾
Belgique / België	12.08	13.09	15.43	20.1
Danmark	9.63	11.9	15.45	19.27
Deutschland (old Länder) ⁽⁴⁾	10.93	14.14	18.11	23.14
Deutschland (new Länder)	:	:	:	11.96
Hellas	3.91	5.69	5.23	6.79
España	:	:	8.95	14.4
France	9.63	12.17	14.95	18.79
Ireland	6.03	7.51	10.33	12.36
Italia	7.4	10.39	13.7	:
Luxembourg	9.71	10.96	13.49	17.17
Nederland	10.73	13.59	16.31	19.2
Portugal	:	2.29	2.87	5.34
United Kingdom	7.11	8.84	10.82	12.81
Österreich ⁽³⁾	8.13	10.99	14.75	19.19
Suomi / Finland ⁽³⁾	:	:	:	17.57
Sverige ^{(3) (5)}	:	11.89	14.43	19.02
USA ^{(3) (6)}	:	:	:	14.93
Japan ^{(3) (7)}	7.10	10.43	14.51	16.03(8)

(1) Nace B (Total industry except 16 and 17) in establishments with 10 or more employees.

(2) For the EEC 12 Members States, results from Labour Cost Survey 1981, 1984, 1988 and 1992.

(3) Figures requested directly to countries.

(4) Excluding Bremen.

(5) Only manual workers in establishments with 5 or more employees.

(6) All size establishments; excluding vocational training and further expenditure.

(7) Manual and non-manual workers in establishments with 30 or more employees.

(8) 1991.

Table 2:
ECU exchange rates from 1988 to 1992 (annual averages)



Country	Currency	1988	1989	1990	1991	1992
België/Belgique	BEF	43,4284	43,3806	42,4252	42,2232	41,5947
Danmark	DKK	7,95152	8,04928	7,85645	7,90852	7,80966
Deutschland	DEM	2,0744	2,07015	2,05211	2,05076	2,02038
España	ESP	137,601	130,406	129,316	128,469	132,513
France	FRF	7,03643	7,02387	6,91416	6,97334	6,84881
Hellas	GRD	167,576	178,84	201,412	225,216	246,981
Ireland	IEP	0,775671	0,776818	0,767769	0,767808	0,760738
Luxembourg	LUF	43,4284	43,3806	42,4252	42,2232	41,5947
Nederland	NLG	2,33479	2,33526	2,31214	2,31097	2,2749
Portugal	PTE	170,059	173,413	181,108	178,614	174,698
United Kingdom	UKP	0,664434	0,673302	0,713856	0,701012	0,737558

Table 3: Relative positions 1992

Hourly labour cost for a country expressed in terms of the cost of every other country

Country	Hourly Cost 1992	EZA SURVEIL													
		B	DK	D-Old L.	GR	E	F	IRL	L	NL	P	UK	A	S	JPN
B	20.10	100.00	104.31	86.86	296.02	139.58	106.97	162.62	117.06	104.69	376.40	156.91	104.74	105.68	125.39
DK	19.27	95.87	100.00	83.28	283.80	133.82	102.55	155.91	112.23	100.36	360.86	150.43	100.42	101.31	120.21
D-Old Länder	23.14	115.12	120.08	100.00	340.80	160.69	123.15	187.22	134.77	120.52	433.33	180.64	120.58	121.66	144.35
GR	6.79	33.78	35.24	29.34	100.00	47.15	36.14	54.94	39.55	35.36	127.15	53.01	35.38	35.70	42.36
E	14.40	71.64	74.73	62.23	212.08	100.00	76.64	116.50	83.87	75.00	269.66	112.41	75.04	75.71	89.83
F	18.79	93.48	97.51	81.20	276.73	130.49	100.00	152.02	109.44	97.86	351.87	146.68	97.92	98.79	117.22
IRL	12.36	61.49	64.14	53.41	182.03	85.83	65.78	100.00	71.99	64.38	231.46	96.49	64.41	64.98	77.11
L	17.17	85.42	89.10	74.20	252.87	119.24	91.38	138.92	100.00	89.43	321.54	134.04	89.47	90.27	107.11
NL	19.20	95.52	99.64	82.97	282.77	133.33	102.18	155.34	111.82	100.00	359.55	149.88	100.05	100.95	119.78
P	5.34	26.57	27.71	23.08	78.65	37.08	28.42	43.20	31.10	27.81	100.00	41.69	27.83	28.08	33.31
UK	12.81	63.73	66.48	55.36	188.66	88.96	68.17	103.64	74.61	66.72	239.89	100.00	66.75	67.35	79.91
A	19.19	95.47	99.58	82.93	282.62	133.26	102.13	155.26	111.76	99.95	359.36	149.80	100.00	100.89	119.71
S	19.02	94.63	98.70	82.20	280.12	132.08	101.22	153.88	110.77	99.06	356.18	148.48	99.11	100.00	118.65
JPN	16.03	79.75	83.19	69.27	236.08	111.32	85.31	129.69	93.36	83.49	300.19	125.14	83.53	84.28	100.00

Table 4: Growth factor 1992 / 1988

Country	Growth 1992/1988	EZA SURVEIL													
		B	DK	D-Old L.	GR	E	F	IRL	L	NL	P	UK	A	S	JPN
B	1.30	1.00	1.04	1.02	1.00	0.81	1.04	1.09	1.02	1.11	0.70	1.10	1.00	0.99	1.18
DK	1.25	0.96	1.00	0.98	0.96	0.78	0.99	1.04	0.98	1.06	0.67	1.05	0.96	0.95	1.13
D-Old Länder	1.28	0.98	1.02	1.00	0.98	0.79	1.02	1.07	1.00	1.09	0.69	1.08	0.98	0.97	1.16
GR	1.30	1.00	1.04	1.02	1.00	0.81	1.03	1.09	1.02	1.10	0.70	1.10	1.00	0.98	1.18
E	1.61	1.24	1.29	1.26	1.24	1.00	1.28	1.34	1.26	1.37	0.86	1.36	1.24	1.22	1.46
F	1.26	0.96	1.01	0.98	0.97	0.78	1.00	1.05	0.99	1.07	0.68	1.06	0.97	0.95	1.14
IRL	1.20	0.92	0.96	0.94	0.92	0.74	0.95	1.00	0.94	1.02	0.64	1.01	0.92	0.91	1.08
L	1.27	0.98	1.02	1.00	0.98	0.79	1.01	1.06	1.00	1.08	0.68	1.08	0.98	0.97	1.15
NL	1.18	0.90	0.94	0.92	0.91	0.73	0.94	0.98	0.92	1.00	0.63	0.99	0.90	0.89	1.07
P	1.86	1.43	1.49	1.46	1.43	1.16	1.48	1.56	1.46	1.58	1.00	1.57	1.43	1.41	1.68
UK	1.18	0.91	0.95	0.93	0.91	0.74	0.94	0.99	0.93	1.01	0.64	1.00	0.91	0.90	1.07
A	1.30	1.00	1.04	1.02	1.00	0.81	1.04	1.09	1.02	1.11	0.70	1.10	1.00	0.99	1.18
S	1.32	1.06	1.06	1.03	0.97	0.95	1.15	0.71	1.04	1.12	0.71	1.11	1.01	1.00	1.19
JPN	1.10	0.85	0.89	0.86	0.85	0.69	0.88	0.92	0.87	0.94	0.59	0.93	0.85	0.84	1.00

Significant rise in labour costs in Portugal and Spain

A comparison of trends in the various Member States reveals that, between 1988 and 1992 in ECU terms, Portugal experienced the highest growth rate for labour costs (86.1%), followed by Spain (60.9%) and Belgium (30.2%). At the other end of the scale, the Netherlands⁶ recorded the lowest growth rate over the period considered (17.8%), with the United Kingdom experiencing a very similar trend.

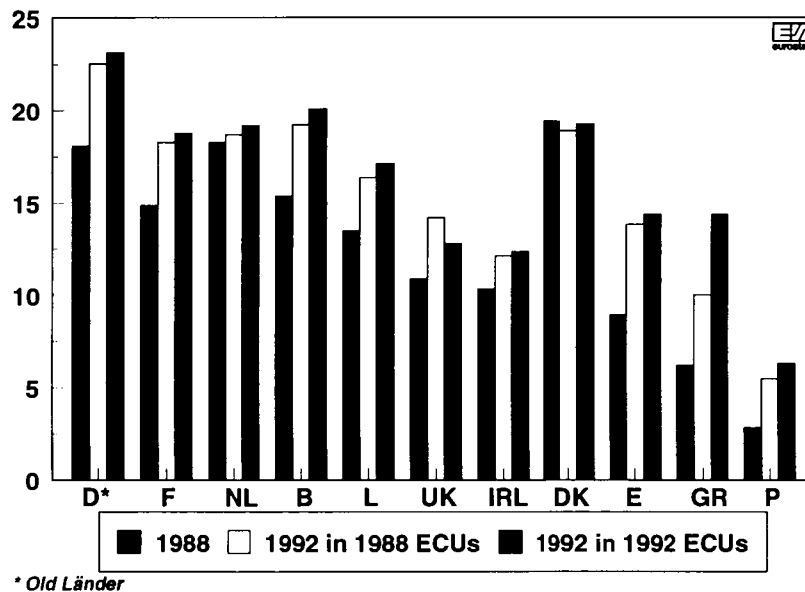
It should be emphasized that the effects of the monetary crisis which broke in September 1992 are not reflected to any great extent in the published figures⁷. It is highly probable, for example, that the 1993 data expressed in current ECU for these countries would show a very different picture. Today, the effects of exchange rate movements⁸ are a matter of discussion among the Member States. It may well be that certain countries whose currency depreciated partly or fully compensated, or even over-compensated, for cost increases in domestic currency terms by lowering their exchange rates⁹.

Two Member States, Greece and the United Kingdom, were particularly affected by exchange-rate fluctuations between 1988 and 1992¹⁰. During the period under review, the ECU rise by 47.4% against the Greek drachma and 11% against sterling. Greece has therefore to a great extent offset, in ECU terms, the considerable domestic increase in labour costs: the growth rate in ECU over the four years was 29.8% in comparison with 91.4% in domestic currency terms. The effect of exchange-rate movements on growth of labour costs in the United Kingdom, though far smaller than in Greece, is nonetheless significant: 18.4% in ECU as against 31.4% in domestic currency between 1988 and 1992.

Tables 3 and 4 show:

- the relative position of the various countries in 1992 (hourly labour costs in industry in each country are expressed in terms of the costs in every other country) (Table 3);
- the growth factor between 1988 and 1992 (e.g. at the intersection of the "Luxembourg" row and the "Denmark" column is the figure 1.02, which means that the growth of hourly labour costs in industry between 1988 and 1992 was about 2% higher in Luxembourg than in Denmark) (Table 4).

Graph 3:
Hourly Labour Costs in Industry - 1988 and 1992 expressed in current and 1988 ECUS



6 If we also include non-EU countries for which figures are available, Japan is the country with the lowest growth in Labour Costs.

7 The exchange rate used in this report is the annual average, see Table 2.

8 These effects have been the subject of a recent Commission Communication to the European Council (COM (95) 503 final): "The impact of currency fluctuations on the Internal Market".

9 The effects of exchange-rate fluctuations between 1988 and 1992 are shown in Graph 4, in which hourly Labour Costs for 1992 (measured in 1988 ECUs) are compared with 1988 and 1992 costs in current ECUs.

10 See graph 3.

Graph 4 below shows the positions of the various countries relative to the European averages in 1988 (X axis, where X=0 represents the European average in 1988) and 1992 (Y axis, where Y=0 represents the European average in 1992). Over the period in question, the growth rate of the countries to the left of the diagonal was higher than the European average, and that of the ones to the right was lower. For example, hourly labour costs in industry in Spain were 64.9% of the European average in 1988 and 82.3% of the average in 1992.

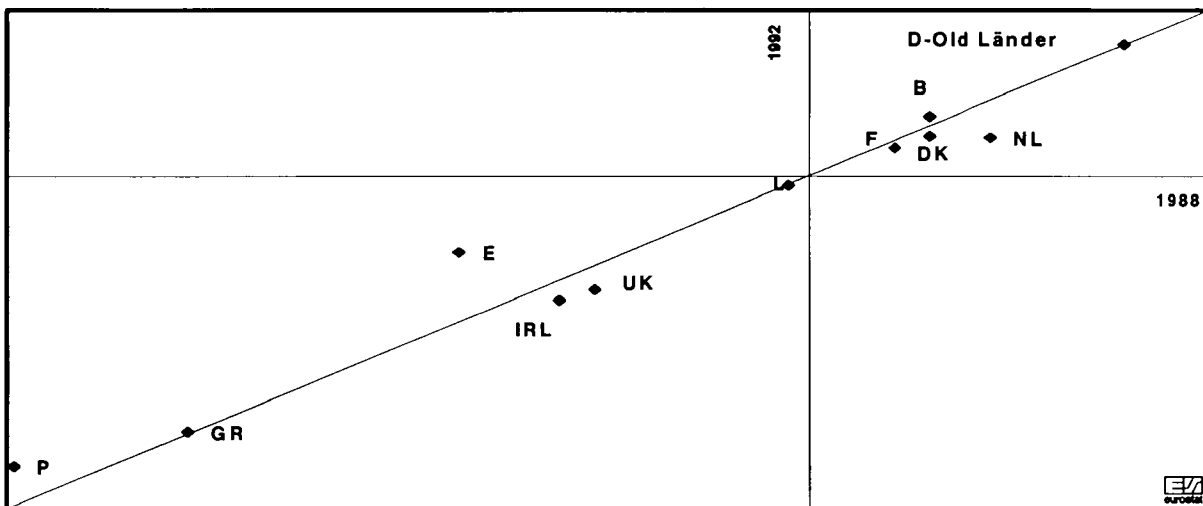
Major changes in the structure of labour costs

It is very difficult to give an overall interpretation of the global trends in the structure of labour costs for the 1988-1992 period. Of the fourteen European countries for which data are available for both 1988 and 1992

(EUR12 minus Italy, plus Austria, Finland and Sweden), seven recorded an increase in the percentage of total labour costs generated by indirect costs, and seven a reduction.

The structure of labour costs varies considerably from country to country¹¹, mainly owing to differences in national tax, pension and social security systems and schemes. A comparison between the situations of France and Denmark provides the most striking example of this. In France, employers pay a large share of social security contributions, which account for 26.7% of labour costs¹². In Denmark, in contrast, social protection is financed mainly by the state: Danish income tax rates are considerably higher than those of the other Member States, which largely accounts for the small percentage of indirect labour costs in this country, as social security adds only 3.5% to total labour costs.

Graph 4:
Positions of the Member States relative to EUR-11 averages (1988 and 1992)

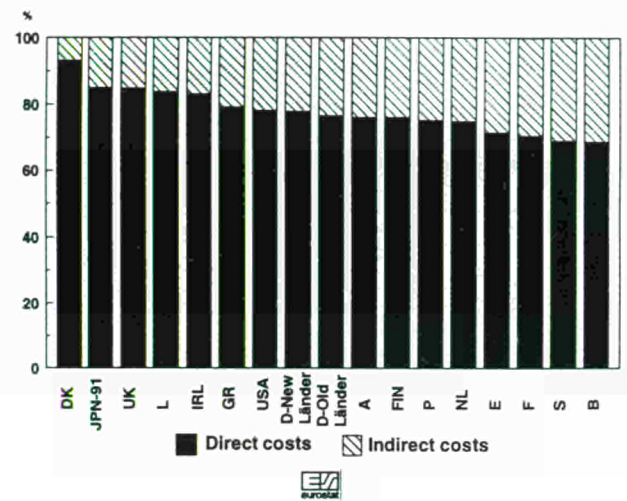


11 See graph 5.

12 The reduction of this figure lies at the heart of the debate on ways of promoting employment in France.

There are also major differences in the item "premiums and bonuses"¹³. Such payments account for only a small share of labour costs in Finland (1.3%), Denmark (1.4%), Ireland (1.5%) and the United Kingdom (2.0%), but for a significant percentage in Austria (11.8%), Greece (11.5%), Portugal (11.4%) and Spain (11.2%). In Japan, 21.7% of total labour costs are in the form of premiums and bonuses, which therefore account for a far higher share than in Europe. Generally speaking, in most European countries, the contribution of premiums and bonuses to total labour costs seems to be on the rise¹⁴.

Graph 5:
Structure of labour cost in industry - 1992



Technical note

In cooperation with the Member States, Eurostat organizes a four-yearly sample survey on labour costs in industry and services. The survey, carried out under Council Regulation (EEC) No 3949/92, covers establishments with ten or more employees in various economic activities according to the NACE classification.

The variables covered by the survey are:

1. wage costs (including premiums and bonuses), contributions to social security and supplementary schemes;
2. total number of persons employed by the establishments or local units; and
3. working hours.

The survey, based on 1992 data (yearly averages), covers labour costs in all industries, except electricity, gas, steam and water production, in eleven of the twelve EC Member States.

Where available, data for the three new Member States (Austria, Finland and Sweden), the EFTA countries and the USA and Japan have been included. These figures, which are drawn from independent national surveys, are supplied directly by the statistical services of these countries. Though they are not always fully comparable, they provide the user with a better overview. The data for a few countries are still provisional and may be subject to further minor adjustments. All the results are expressed in current ECUs at the annual average exchange rate for the reference year.

13 This item includes all bonuses that are not paid regularly (one-off bonuses, or bonuses paid at set dates, such as 13th and 14th month payments; bonuses linked to individual or collective performance, etc.).

14 All the data on the structure of Labour Costs in industry is given in Table 5.

**Table 5: Structure of labour cost in Industry
(manual and non-manual workers) (1)**



(% of total costs)

	Country	Year	Direct costs (2)				Indirect costs (3)	
			Total	of which:			Total	of which: Social Security
				Basic salaries	Premium and bonuses	Payments for days not worked		
1	Belgique/België	1988	70,1	51,3	9,6	8,9	29,9	28,7
		1992	68,4	51,5	6,9	10,5	31,6	29,5
2	Danmark	1988	96,3	83,2	0,8	12,3	3,7	2,9
		1992	93,1	79,6	1,4	11,4	6,9	3,5
3	Deutschland (old Länder) (4)	1988	76,6	56,3	8,7	11,5	23,4	21,1
		1992	76,6	55,8	8,6	12 (5)	23,5	21,4
	Deutschland (new Länder)	1988	:	:	:	:	:	:
		1992	77,8	61,1	3,0	13,4 (5)	22,2	19,4
4	Hellas	1988	80,0	61,0	11,0	7,0	20,0	19,0
		1992	79,1	59,2	:	:	20,9	19,9
5	España	1988	75,1	55,5	7,0	12,5	24,9	24,5
		1992	71,4	60,1	11,2	:	28,6	22,5
6	France	1988	68,5	52,0	6,2	9,5	31,5	28,2
		1992	70,3	48,7	8,3	9,7	29,6	26,7
7	Ireland	1988	82,3	70,3	1,5	10,3	17,7	14,9
		1992	83,0	71,6	1,5	9,2	17,0	14,1
8	Italia	1988	70,6	51,1	7,8	11,4	29,4	26,2
		1992	:	:	:	:	:	:
9	Luxembourg	1988	83,3	68,0	3,9	11,2	16,7	15,7
		1992	83,7	68,4	4,6	10,4	16,3	15,6
10	Nederland	1988	72,8	54,6	7,2	11,0	27,2	23,7
		1992	74,8	55,7	7,5	11,6	26,2	22,7
11	Portugal	1988	74,3	55,9	11,9	6,1	25,7	21,4
		1992	75,1	56,6	11,4	6,8	24,9	19,7
12	United Kingdom	1988	86,7	72,8	1,4	9,8	14,3	11,7
		1992	84,8 (6)	70,3	2,0	7,5	16,2	12,7
13	Österreich	1988	76,1	51,8	11,8	9,1	23,9	17,7
		1992	76,4	52,4	11,8	11,8	24,2	18,0
14	Suomi/Finland (7)	1988	76,9	61,7	0,5	13,7	24,1	21,2
		1992	76,0	58,8	1,3	15,9	24,0	21,1
15	Island	1988	88,6	73,6	4,1	10,9	11,4	9,7
		1992	:	:	:	:	:	:
16	Norge	1988	:	:	:	:	:	:
		1992	:	:	:	:	:	:
17	Sverige	1988	69,8	58,8	:	11,0	30,2	30,2
		1992	68,7	56,4	:	12,2	31,3	31,3
18	Schweiz/Suisse	1988	:	:	:	:	:	:
		1992	:	:	:	:	:	:
19	USA (8)	1988	:	:	:(9)	:	:	:
		1992	78,1	71,3	:	6,9	:	21,9
20	Japan (10)	1988	85,5	63,5	20,1	:(9)	14,5	13,1
		1991	85,0	61,3	21,7	:	15,0	13,5

(1) Nace B (Total Industry except 16 and 17) in establishments with 10 or more employees.

(2) Basic salaries plus premium and bonuses plus payments for days not worked plus payments in kind.

(3) Social Security, vocational training costs and further expenditure minus subsidies.

(4) Excluding Bremen

(5) Includes severance pay, excludes sick leave

(6) Inc. 3,8% Pay in kind, 1,8% Severance

(7) Manufacturing Industry

(8) All size establishments

(9) Included in basic salaries

(10) Establishments with 30 or more employees

EUROSTAT

Directorate E: Social and Regional Statistics - Structural Plans

For further information, contact:

Stefano SORO - Tel.: (352) 4301 34718; Fax.: (352) 4301 34029