



11 August 2023
LABOUR COST INDEX
2nd quarter of 2023

THE LABOUR COST INDEX INCREASED BY 3.5% AS A RESULT MAINLY OF INCREASES IN NON-WAGE COSTS PER HOUR ACTUALLY WORKED (4.6%) AND IN AVERAGE COSTS PER EMPLOYEE (7.2%)

In the 2nd quarter of 2023, the Labour Cost Index (LCI) recorded a year-on-year increase of 3.5%. In the previous quarter, it had increased 6.7%.

The wage costs (per hour actually worked) increased by 3.3%, and the other labour costs (also per hour actually worked) increased by 4.6%, compared with the same period of the previous year.

The year-on-year change of the LCI resulted also from the increase of 7.2% in the average cost per employee and the 3.6% rise in the number of hours actually worked per employee. The increase of the first component was common to all economic activities, with smaller variations than those observed in the preceding quarter. The lowest increase was registered in the Public Administration (6.5%) and the highest was observed in Construction (8.8%). The hours actually worked per employee also recorded increases in all economic activities with the largest increase being observed in Construction and the smallest in Administration. As a result of these variations, the LCI increased in all economic activities, with the largest increase being recorded in the Public Administration.

1. Labour Cost Index and components

In the 2nd quarter of 2023, the LCI, which measures the labour costs per hour actually worked, increased by 3.5% compared with the same quarter of 2022 (it had increased by 6.7% in the preceding quarter).

The wage costs (per hour actually worked) increased by 3.3% (6.4% in the previous quarter) and the other labour costs (also per hour actually worked) increased by 4.6% (7.8% in the previous quarter) (Figure 1)¹.

In the 2nd quarter of 2023, the wage costs recorded increases between 1.1 %, in Construction, and 5.2%, in the Public Administration. In the previous quarter, all economic activities had registered larger increases than those observed in this quarter.

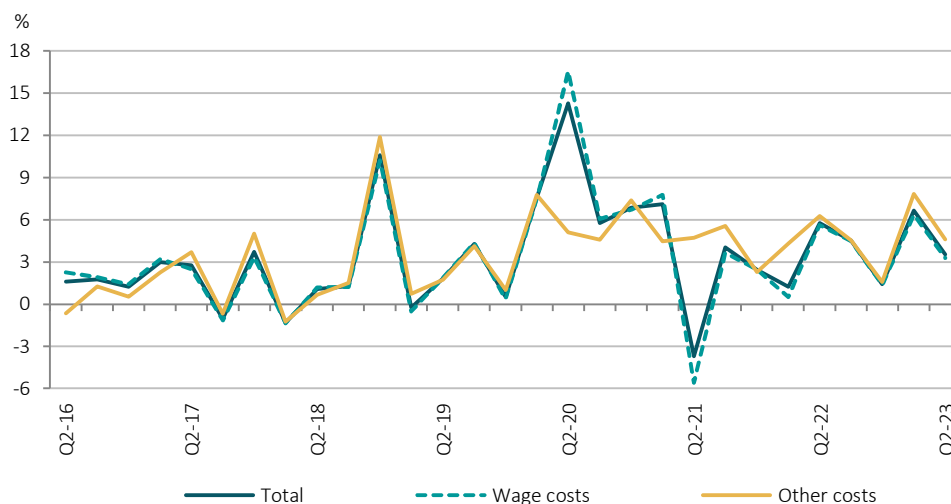
Non-wage costs, similarly to wage costs, also recorded lower increases than in the previous quarter.

The less pronounced increase in wage and non-wage costs was due to the higher increase in the number of hours actually worked per employee, across all economic activities, when compared to the previous quarter.

¹ The data analysed in this press release are adjusted for working days. The raw data are available in the annex tables and at the Official Statistics Portal.

Figure 1. LCI year-on-year rate of change by components

(working days adjusted data)



Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

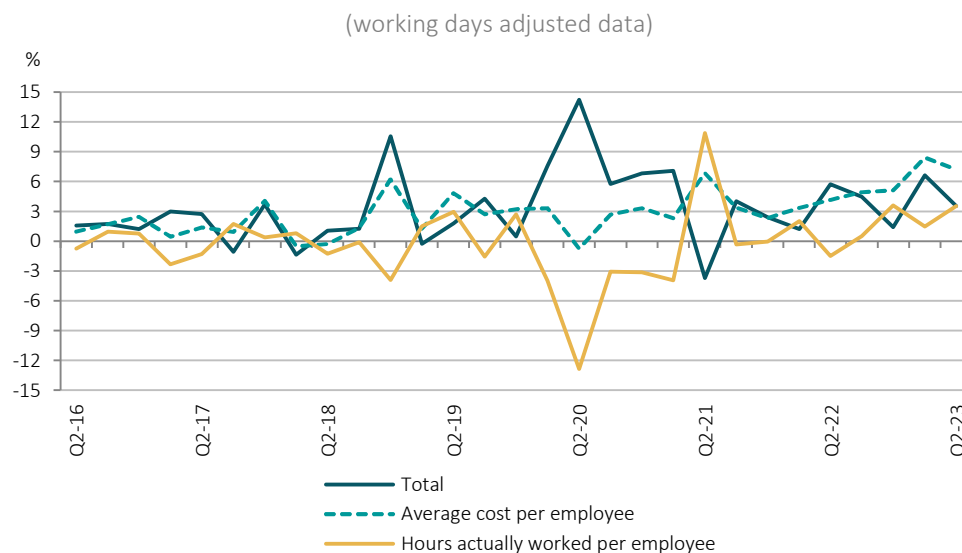
Non-wage costs recorded higher variations than the wage costs in all economic activities, which may be explained: 1) by the extraordinary deferral scheme for the payment of Social Security² contributions, which established that the payment of contributions for the months of March, April, May and June 2022 could be made in a phased manner - one third of the amount in the month in which it was due and the remaining two thirds in instalments (up to a maximum of six) from August 2022 onwards; 2) the normalisation of the payment of the social contributions by the enterprises that, during the COVID-19 pandemic, joined the simplified layoff regime, the extraordinary support for progressive resumption of activity, or the new business standardisation incentive, being totally or partially exempted from the payment of the employer contributions. As of the 2nd quarter of 2021, the payment of employer contributions was progressively³ resumed and, in the 2nd quarter of 2022 (the same quarter of the previous year with which the results now released for the 2nd quarter of 2023 are being compared), a group of employers were still benefiting from these measures, which is reflected in the year-on-year changes analysed.

The LCI increase was also explained by the growth of 7.2% in the average cost per employee (it had increased by 8.4% in the preceding quarter) and the increase of 3.6% in the number of hours actually worked per employee (it had increased by 1.5% in the previous quarter) (Figure 2).

² According to Decree-Law no. 30-D/2022, of 18 April, which established an extraordinary regime for deferring the payment of Social Security contributions due by employers and self-employed workers, with a view to mitigating the effects caused by the increase in energy prices or interruptions in the supply chains of essential raw materials for the exercise of their activity, in the context of the armed conflict in Ukraine.

³ For those employers who, in the context of the COVID-19 pandemic, were totally or partially subject to the duty of close, set by legislative or administrative determination from a government source.

Figure 2. LCI year-on-year rate of change by source of variation



Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

The average cost per employee registered a smaller increase than the one observed in the preceding quarter in all economic activities, with the highest increase being observed in Construction (8.8%) and the lowest in the Public Administration (6.5%). The increases in the Public Administration have been lower than those observed in the remaining activities since the 1st quarter of 2021.

The number of hours actually worked per employee increased in all economic activities, with the highest increase being observed in Construction (5.8%) and the lowest in the Public Administration (0.9%).

2. Sectors of economic activity

In the 2nd quarter of 2023, in the subgroup of economic activities belonging to sections B to N (which broadly cover the private sector of the economy), the LCI registered a year-on-year increase of 2.4%.

In the remaining economic activities (sections O to S), which include mostly (but not exclusively) the public sector of the economy, the LCI recorded a year-on-year increase of 5.5%.

Sections B to N

In the 2nd quarter of 2023, in the activities from sections B to N, compared with the same quarter of 2022, it was observed that:

- the wage costs increased by 2.1% and the other labour costs increased by 3.2% (Figure 3);
- the average labour cost per employee increased by 7.6% (Figure 4);



- the number of hours actually worked per employee increased by 5.1% (Figure 4).

Among the activities from sections B to N, the LCI increased by 2.0% in Industry (sections B to E), by 2.9% in Construction (section F), and by 2.4% in Services (sections G to N).

In Industry (2.0%):

- the wage costs increased by 1.9% and the other labour costs increased by 2.5%;
- the average labour cost per employee increased by 7.5%;
- the number of hours actually worked per employee increased by 5.2%.

In Construction (2.9%):

- the wage costs increased by 1.1% and the other labour costs increased by 9.3%;
- the average labour cost per employee increased by 8.8%;
- the number of hours actually worked per employee increased by 5.8%.

In Services (2.4%):

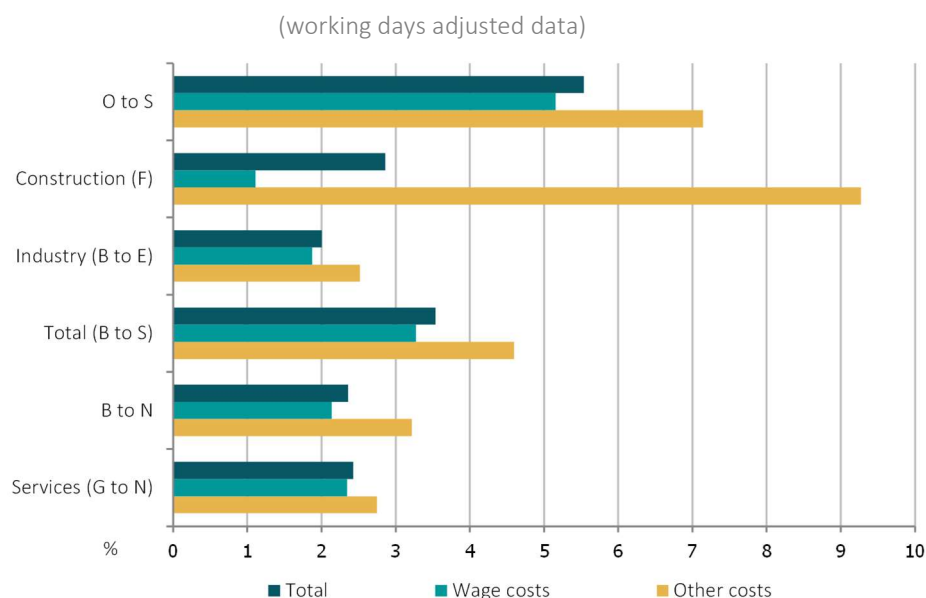
- the wage costs increased by 2.3% and the other labour costs increased by 2.7%;
- the average labour cost per employee increased by 7.5%;
- the number of hours actually worked per employee increased by 4.9%.

Sections O to S

In the 2nd quarter of 2023, in the activities from sections O to S, the LCI recorded an increase of 5.5%. In these activities:

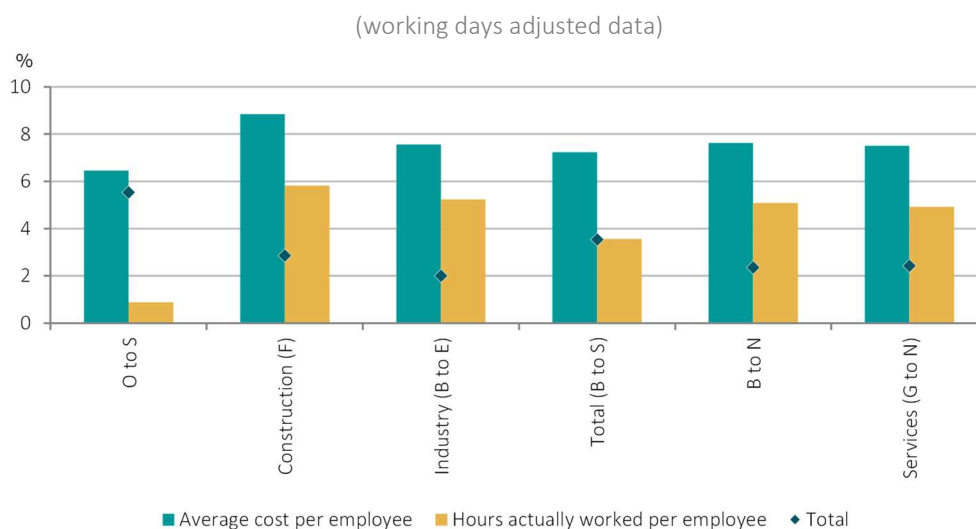
- the wage costs increased 5.2% and the other labour costs increased by 7.1%;
- the average labour cost per employee increased by 6.5%;
- the number of hours actually worked per employee increased by 0.9%.

Figure 3. LCI year-on-year rate of change by index component and economic activity in the 2nd quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

Figure 4. LCI year-on-year rate of change by index source of variation and economic activity in the 2nd quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.



3. Comparison with the European Union

The latest available information by country on the LCI year-on-year rate of change reports to the 1st quarter of 2023 and was published by Eurostat on the 16th of June of 2023 (Figure 5).

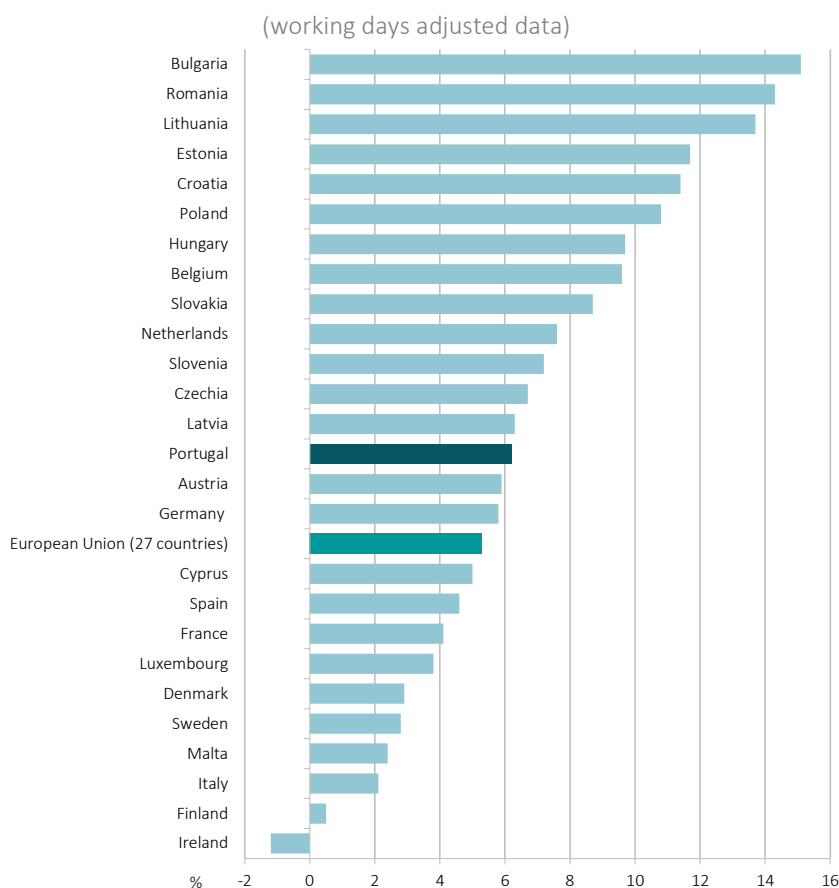
The LCI year-on-year rate of change for the European Union (27 countries) was 5.3%, in the 1st quarter of 2023.

Sixteen countries, including Portugal, recorded LCI rates of change above the European Union average, with Bulgaria recording the largest LCI increase (15.1%).

In nine countries, the LCI recorded a lower increase than the European Union average, between 0.5% in Finland, and 5.0% in Cyprus. Ireland was the only country that registered a year-on-year decrease, of 1.2%.

In the 1st quarter of 2023, Portugal recorded a year-on-year increase of 6.2%⁴.

Figure 5. LCI year-on-year rate of change by European Union Country (27) in the 1st quarter of 2023



Source: Eurostat, Labour Cost Index – 1st quarter of 2023.

⁴ This value has now been revised to 6.7% (as described in the technical note, page 11).



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

Economic activity (sections from Nace-Rev. 2)	Q2-2022			Q3-2022			Q4-2022			Q1-2023			Q2-2023		
	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)	5.8	5.6	6.3	4.5	4.5	4.5	1.4	1.4	1.6	6.7	6.4	7.8	3.5	3.3	4.6
B to N	6.1	5.9	6.7	4.6	4.6	4.7	3.3	3.3	3.3	6.0	5.7	7.0	2.4	2.1	3.2
Industry (B to E)	7.2	7.2	7.4	5.9	5.9	5.8	2.8	2.9	2.8	7.1	6.9	7.7	2.0	1.9	2.5
Construction (F)	7.0	7.0	7.0	4.7	4.7	4.7	2.0	2.0	2.0	7.1	5.3	13.7	2.9	1.1	9.3
Services (G to N)	5.5	5.2	6.4	3.8	3.7	3.9	3.7	3.6	3.8	5.3	5.2	5.7	2.4	2.3	2.7
O to S	5.3	5.2	5.5	4.4	4.4	4.4	-1.8	-1.9	-1.8	8.3	7.9	10.1	5.5	5.2	7.1

Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

Table 2. LCI year-on-year rate of change by index component and economic activity (NACE-Rev. 2)
(working days non-adjusted data)

Economic activity (sections from Nace-Rev. 2)	Q2-2022			Q3-2022			Q4-2022			Q1-2023			Q2-2023		
	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)	7.5	7.4	8.0	6.1	6.1	6.1	3.1	3.0	3.2	5.0	4.7	6.2	3.5	3.3	4.6
B to N	7.8	7.6	8.5	6.2	6.2	6.3	5.0	5.0	5.0	4.4	4.1	5.3	2.4	2.1	3.2
Industry (B to E)	9.0	8.9	9.1	7.5	7.5	7.4	4.5	4.5	4.5	5.4	5.3	6.0	2.0	1.9	2.5
Construction (F)	8.8	8.8	8.7	6.3	6.3	6.3	3.7	3.7	3.6	5.4	3.7	11.9	2.9	1.1	9.3
Services (G to N)	7.2	6.9	8.2	5.4	5.3	5.5	5.4	5.3	5.5	3.7	3.6	4.1	2.4	2.3	2.7
O to S	7.0	6.9	7.2	6.0	6.0	6.0	-0.2	-0.3	-0.2	6.7	6.2	8.4	5.5	5.2	7.1

Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

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

LABOUR COST INDEX – 2nd quarter of 2023



Table 3. LCI year-on-year rate of change by index source of variation and economic activity (NACE-Rev. 2)
(working days adjusted data)

Economic activity (sections from Nace-Rev. 2)	Q2-2022			Q3-2022			Q4-2022			Q1-2023			Q2-2023		
	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)	5.8	4.2	-1.5	4.5	4.9	0.5	1.4	5.1	3.6	6.7	8.4	1.5	3.5	7.2	3.6
B to N	6.1	5.1	-0.8	4.6	5.5	1.1	3.3	5.7	2.5	6.0	9.1	3.0	2.4	7.6	5.1
Industry (B to E)	7.2	4.7	-2.2	5.9	5.2	-0.6	2.8	5.2	2.4	7.1	9.3	2.1	2.0	7.5	5.2
Construction (F)	7.0	5.1	-1.7	4.7	5.2	0.5	2.0	4.7	2.7	7.1	10.4	3.1	2.9	8.8	5.8
Services (G to N)	5.5	5.4	0.0	3.8	5.7	2.0	3.7	6.1	2.5	5.3	8.9	3.4	2.4	7.5	4.9
O to S	5.3	2.7	-2.5	4.4	3.6	-0.8	-1.8	4.0	5.7	8.3	7.0	-1.1	5.5	6.5	0.9

Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

Table 4. LCI year-on-year rate of change by index source of variation and economic activity (NACE-Rev. 2)
(working days non-adjusted data)

Economic activity (sections from Nace-Rev. 2)	Q2-2022			Q3-2022			Q4-2022			Q1-2023			Q2-2023		
	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)	7.5	4.2	-3.1	6.1	4.9	-1.0	3.1	5.1	1.9	5.0	8.4	3.1	3.5	7.2	3.6
B to N	7.8	5.1	-2.4	6.2	5.5	-0.5	5.0	5.7	0.8	4.4	9.1	4.6	2.4	7.6	5.1
Industry (B to E)	9.0	4.7	-3.7	7.5	5.2	-2.1	4.5	5.2	0.8	5.4	9.3	3.7	2.0	7.5	5.2
Construction (F)	8.8	5.1	-3.3	6.3	5.2	-1.0	3.7	4.7	1.0	5.4	10.4	4.7	2.9	8.8	5.8
Services (G to N)	7.2	5.4	-1.6	5.4	5.7	0.5	5.4	6.1	0.8	3.7	8.9	5.1	2.4	7.5	4.9
O to S	7.0	2.7	-4.1	6.0	3.6	-2.3	-0.2	4.0	4.0	6.7	7.0	0.5	5.5	6.5	0.9

Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2023.

Note: The name of the activities can be found in the previous page.



TECHNICAL NOTE

With the publication of the results for the 1st quarter of 2020, Statistics Portugal started to include, in the LCI calculation, regarding the information related to the labour costs obtained from administrative sources, data corresponding to the universe of about 386 thousand entities (instead of the sample of around 3 800 entities), which declared earnings for a total of 4.2 million workers. In 2023, the information gathered from administrative sources corresponds to the universe of approximately 437 thousand entities which declared earnings to Social Security and to *Caixa Geral de Aposentações*, for a total of around 4.5 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the LCI sample (4 270 entities in 2023), and no changes were introduced at this level. For the O, P and Q sections of NACE-Rev. 2 estimates of the number of hours actually worked per employee from the Labour Force Survey are used.

With the publication of the results for the 1st quarter of 2023, the Labour Cost Index (LCI) series were rebased to the year 2020 (2020=100), in line with Eurostat's procedure for the Labour Cost Index, whenever more up-to-date data of the (quadrennial) Labour Cost Survey become available. This procedure does not change, by definition, the year-on-year changes already published. However, this opportunity was taken to fully adjust the method for calculating the indices to the methodology adopted by Eurostat, resulting in small differences from the figures previously published.

The back series for all indices, from the 1st quarter of 2008, are available at the Official Statistics website.

The 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) contribute to explaining the development of the LCI.

Labour costs incurred by the employer correspond to that reported by the entities to the Social Security (*Declaração Mensal de Remunerações*) and to the *Caixa Geral de Aposentações* (*Relação Contributiva*) 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

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)

Quarterly data collection on the hours worked in the 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.

The LCI is a Laspeyres index.

For more detailed information about the LCI calculation, please see the [methodological document](#) (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.

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. The raw figures, not adjusted for these effects, are available in the annex tables and on the Official Statistics website.

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 28th of July of 2023. The response rate of the LCI survey on hours worked was 93%.

REVISIONS

The Data published in this Press Release concerning the last quarters were subject to the usual revisions. These revisions are the result of the inclusion of information relating to the previous quarter sent late by some enterprises of the sample survey on hours worked and from the update of information obtained through administrative sources, namely data from the *Declaração Mensal de Remunerações* reported by enterprises to Social Security.

The impact of these revisions, measured by the difference between the year-on-year rates of change now available and those published for the 1st quarter of 2023 in the Press Release “Labour Cost Index – 1st quarter of 2023”, is presented in the following table:



Revision of the LCI year-on-year rates of change published in the 1st quarter of 2023

Economic activity (sections from Nace- Rev. 2)	Working days adjusted data					Non-adjusted working days data				
	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	Hours actually worked		Wage costs	Other costs	Average cost	Hours actually worked
	Per hour actually worked			Per employee		Per hour actually worked			Per employee	
	p.p.									
Total (B to S)	0.5	0.4	0.5	0.5	0.0	0.4	0.4	0.5	0.5	0.0
B to N	0.4	0.4	0.5	0.5	0.0	0.4	0.4	0.5	0.5	0.0
Industry (B to E)	0.5	0.5	0.5	0.5	-0.1	0.5	0.5	0.5	0.5	-0.1
Construction (F)	-0.1	-0.1	-0.1	0.1	0.1	-0.1	-0.1	-0.1	0.1	0.1
Services (G to N)	0.4	0.4	0.6	0.5	0.1	0.4	0.4	0.6	0.5	0.1
O to S	0.5	0.5	0.5	0.5	0.0	0.5	0.5	0.5	0.5	0.0

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

ACRONYMS AND ABBREVIATIONS

Eurostat – Statistical Office of the European Union

LCI – Labour Cost Index

NACE-Rev. 2 – Statistical Classification of Economic Activities in the European Communities, Revision 2

Next quarterly press release -14th November of 2023
