

14 August 2025
 LABOUR COST INDEX
 2nd quarter of 2025

THE LABOUR COST INDEX INCREASED BY 5.2%

In the **2nd quarter of 2025**, the Labour Cost Index (LCI) recorded a year-on-year increase of 5.2%. In the previous quarter, it had increased 4.4%.

The wage costs (per hour actually worked) increased by 5.3%, and the other labour costs (also per hour actually worked) increased by 5.1%, compared with the same period of the previous year.

The year-on-year change of the LCI resulted also from the increase of 5.9% in the average cost per employee and the increase of 0.6% in the number of hours actually worked per employee. The increase of the average cost per employee was common to all economic activities, with higher increases in Public Administration (6.7%) and lower in Services (5.2%). Compared with the preceding quarter, Construction and Industry recorded higher increases, while in Services and Public Administration increases were lower. The hours actually worked per employee increased in all economic activities, with the exception of Public Administration, where it decreased by 2.7%. The largest increase was observed in Industry (3.2%) and the lowest in Services (2.1%). As a result of these variations, the LCI increased in all economic activities, with the largest increase being recorded in Public Administration (9.5%).

1. LABOUR COST INDEX AND COMPONENTS

In the 2nd quarter of 2025, the LCI, which measures the labour costs per hour actually worked, increased by 5.2% compared with the same quarter of 2024 (it had increased by 4.4% in the preceding quarter).

The wage costs (per hour actually worked) increased by 5.3% (4.4% in the preceding quarter) and the other labour costs (also per hour actually worked) increased by 5.1% (4.4% in the previous quarter) (Figure 1)¹.

In the 2nd quarter of 2025, the wage costs increased by 9.6% in Public Administration, 3.7% in Construction, 3.0% in Services and 2.8% in Industry. Compared with the preceding quarter, the increase observed in this quarter was higher in Public Administration (3.6% in the previous quarter), lower in Services (5.4%) and Construction (4.6%), and remained unchanged in Industry (2.8%).

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.

Non-wage costs were up 9.3% in Public Administration, 3.7% in Construction, 3.1% in Services, and 2.8% in Industry. Compared with the previous quarter, as with wage costs, a higher increase was registered in Public Administration (3.4% in the preceding quarter) and a lower in Services (5.5%), Construction (4.5%), and Industry (2.9%).

Figure 1

LCI YEAR-ON-YEAR RATE OF CHANGE BY COMPONENTS

(working days adjusted data)



Except for Public Administration, the increase in wage and non-wage costs was, essentially, due to the increase of the average costs (wage and non-wage) per employee, as well as to the lower increase in the number of hours actually worked per employee. In Public Administration, the more pronounced increase in average costs per employee was followed by a decrease in the number of hours actually worked per employee.

The LCI increase was explained by the 5.9% rise in the average cost per employee (it had increased also by 5.9% in the preceding quarter) and by the 0.6% rise in the number of hours actually worked per employee (it had increased by 1.6% in the previous quarter) (Figure 2).

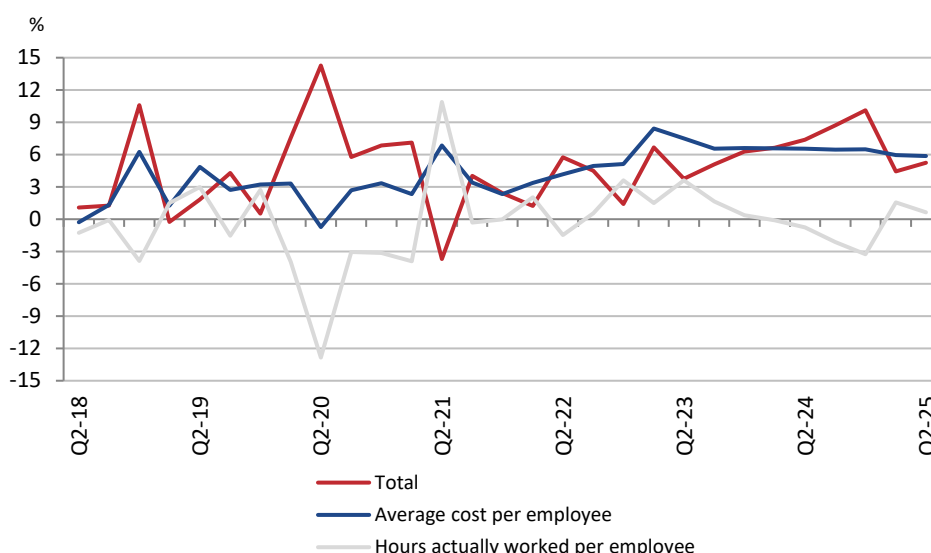
The average cost per employee increased in all economic activities. The largest increase was observed in Public Administration (6.7%) and the lowest in Services (5.2%). Construction and Industry recorded higher increases than those observed in the previous quarter, while Services and Public Administration registered lower increases. From the 3rd quarter of 2024 onwards, Public Administration began to record higher increases than those of the remaining activities, reversing the pattern registered since the 1st quarter of 2021, when increases were lower.

With the exception of Public Administration, where it decreased by 2.7%, the number of hours actually worked per employee increased in all economic activities, reversing, since the 1st quarter of 2025, the trend registered throughout 2024. The highest increase was observed in Industry (3.2%) and the lowest in Services (2.1%).

Figure 2

LCI YEAR-ON-YEAR RATE OF CHANGE BY SOURCE OF VARIATION

(working days adjusted data)



2. SECTORS OF ECONOMIC ACTIVITY

In the 2nd quarter of 2025, 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 3.1%.

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 9.5%.

SECCIONS B TO N

In the 2nd quarter of 2025, in the activities from sections B to N, compared with the same quarter of 2024, it was observed that:

- the wage costs and the other labour costs increased by 3.1% (Figure 3);
- the average labour cost per employee increased by 5.5% (Figure 4);

- the number of hours actually worked per employee increased by 2.5% (Figure 4).

Among the activities from sections B to N, the LCI increased by 2.8% in Industry (sections B to E), by 3.7% in Construction (section F), and by 3.0% in Services (sections G to N).

In Industry (2.8%):

- the wage costs and the other labour costs increased by 2.8%;
- the average labour cost per employee increased by 6.1%;
- the number of hours actually worked per employee increased by 3.2%.

In Construction (3.7%):

- the wage costs and the other labour costs increased by 3.7%;
- the average labour cost per employee increased by 6.1%;
- the number of hours actually worked per employee increased by 2.3%.

In Services (3.0%):

- the wage costs increased by 3.0% and the other labour costs increased by 3.1%;
- the average labour cost per employee increased by 5.2%;
- the number of hours actually worked per employee increased by 2.1%.

SECÇÕES O TO S

In the 2nd quarter of 2025, in the activities from sections O to S, the LCI recorded an increase of 9.5%. In these activities:

- the wage costs increased by 9.6% and the other labour costs increased by 9.3%;
- the average labour cost per employee increased by 6.7%;
- the number of hours actually worked per employee decreased by 2.7%.



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Figure 3

LCI YEAR-ON-YEAR RATE OF CHANGE BY INDEX COMPONENT AND ECONOMIC ACTIVITY

IN THE 2ND QUARTER OF 2025 (working days adjusted data)

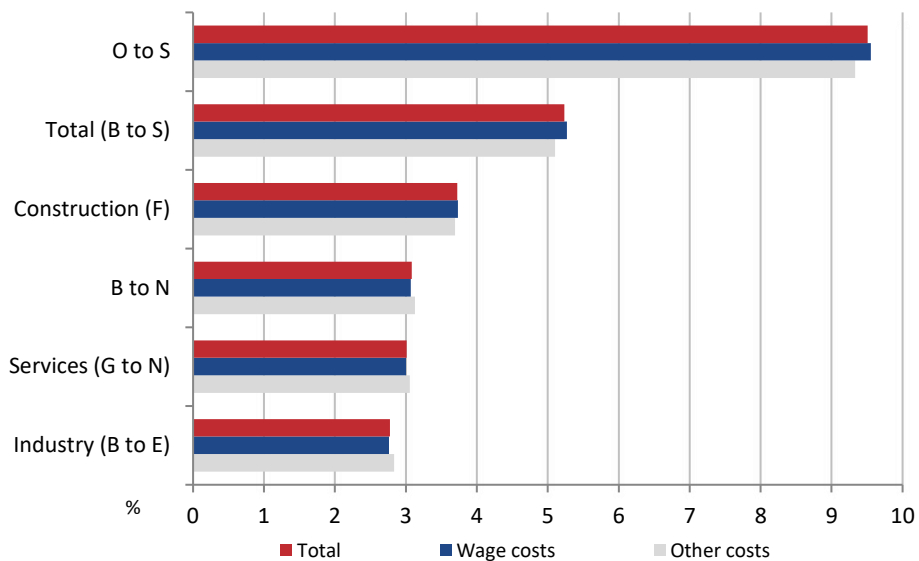
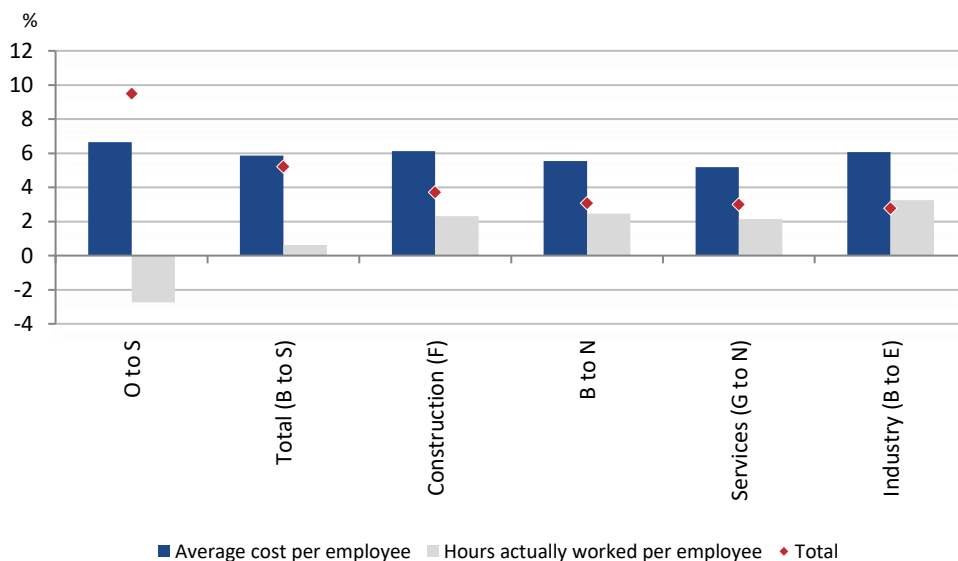


Figure 4

LCI YEAR-ON-YEAR RATE OF CHANGE BY INDEX SOURCE OF VARIATION AND ECONOMIC ACTIVITY

IN THE 2ND QUARTER OF 2025 (working days adjusted data)



3. COMPARISON WITH THE EUROPEAN UNION

The latest available information by Member State of the European Union on the LCI year-on-year rate of change reports to the 1st quarter of 2025 and was published by Eurostat on the 16th of June of 2025 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 4.1%, in the 1st quarter of 2025.

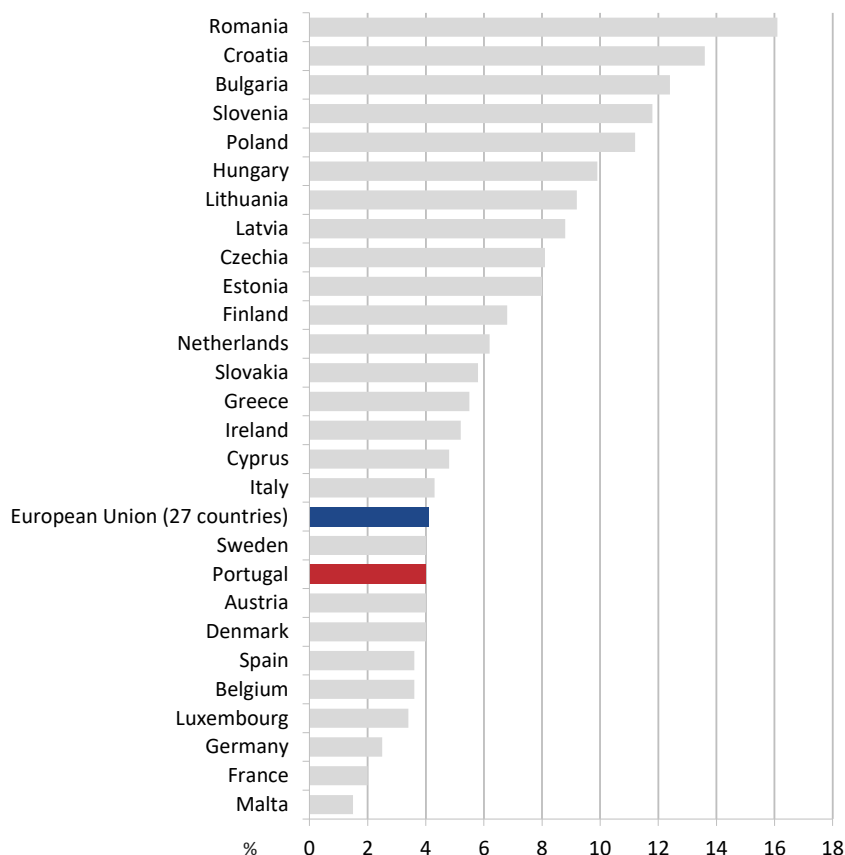
Seventeen countries recorded LCI rates of change above the European Union average, with Romania recording the largest LCI year-on-year increase (16.1%).

In ten countries, the LCI recorded a lower increase than the European Union average, between 1.5% in Malta, and 4.0% in Austria, Denmark, Portugal² and Sweden.

Figure 5

LCI YEAR-ON-YEAR RATE OF CHANGE BY EUROPEAN UNION COUNTRY (27) IN THE 1ST QUARTER OF 2025

(working days adjusted data)



Source: Eurostat, Labour Cost Index – 1st quarter of 2025.

² This value has now been revised to 4.4% (as described in the technical note, page 10).

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 2024 (definitive data), the information gathered from administrative sources corresponds to the universe of approximately 456 thousand entities which declared earnings to Social Security and to *Caixa Geral de Aposentações*, for a total of around 4.7 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the LCI sample (5 220 entities in 2025), 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) contributes 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.

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 series of index figures and related rates of change, including the raw figures, working days non adjusted data, are available at the Official Statistics website, as presented in the next point, as well as in the Excel file released together with the present Press release.

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 1st of August of 2025. The response rate of the LCI survey on hours worked was 93%.

QUARTERLY INDICATORS AT STATISTICS PORTUGAL PORTAL

The indicators are available at www.ine.pt, in the option Products, Statistical data, Database.

- [Labour cost index \(Year-on-year growth rate - working days adjusted - Base 2020 - %\) by Economic activity \(NACE Rev.2\) and Index components; Quarterly](#)
- [Labour cost index \(Year-on-year growth rate - Base 2020 - %\) by Economic activity \(NACE Rev. 2\) and Index components; Quarterly](#)
- [Labour cost index \(Year-on-year growth rate - working days adjusted - Base 2020 - %\) by Economic activity \(NACE Rev.2\) and Index source of variation; Quarterly](#)
- [Labour cost index \(Year-on-year growth rate - Base 2020 - %\) by Economic activity \(NACE Rev. 2\) and Index source of variation; Quarterly](#)
- [Labour cost index \(working days adjusted, Base - 2020\) by Economic activity \(NACE Rev. 2\) and Index components; Quarterly](#)
- [Labour cost index \(Base - 2020\) by Economic activity \(NACE Rev. 2\) and Index components; Quarterly](#)
- [Labour cost index \(working days adjusted, Base - 2020\) by Economic activity \(NACE Rev. 2\) and Index source of variation; Quarterly](#)
- [Labour cost index \(Base - 2020\) by Economic activity \(NACE Rev. 2\) and Index source of variation; Quarterly](#)

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 2025 in the Press Release "[Labour Cost Index – 1st quarter of 2025](#)", is presented in the following table:

REVISION OF THE LCI YEAR-ON-YEAR RATES OF CHANGE PUBLISHED FOR THE 1ST QUARTER OF 2025

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)	0.4	0.4	0.4	0.5	0.1	0.4	0.4	0.4	0.5	0.1
B to N	0.2	0.2	0.2	0.4	0.1	0.2	0.2	0.2	0.4	0.1
Industry (B to E)	0.2	0.2	0.2	0.4	0.2	0.2	0.2	0.2	0.4	0.2
Construction (F)	-0.3	-0.2	-0.3	0.1	0.4	-0.3	-0.2	-0.3	0.1	0.4
Services (G to N)	0.3	0.3	0.3	0.4	0.1	0.3	0.3	0.3	0.4	0.1
O to S	1.0	0.9	0.9	1.0	0.0	1.0	0.9	0.9	1.0	0.0

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2025.

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 – 13 November 2025
