

November, 14th 2013

Labour Cost Index

3rd quarter of 2013

The Labour Cost Index decreased by 0.1% from the same quarter in 2012

The Labour Cost Index adjusted for working days decreased by 0.1% in the 3rd quarter of 2013, compared with the same period in 2012. In the previous quarter, this change had been 1.3% (revised value).

The two main labour cost items are wage costs and other costs (per hour actually worked). Wage costs decreased by 0.2% from the same period a year earlier, while other costs increased by 0.2%.

1. Labour Cost Index and respective items

The Labour Cost Index (LCI) recorded a year-on-year decrease of 0.1% in the 3rd quarter of 2013.¹

LCI is a short-term indicator that measures the evolution of labour costs per hour actually worked (hourly labour cost) incurred by the employer. These costs include, in addition to wage costs, other labour costs incurred by the employer (see technical note on pages 7 and 8).

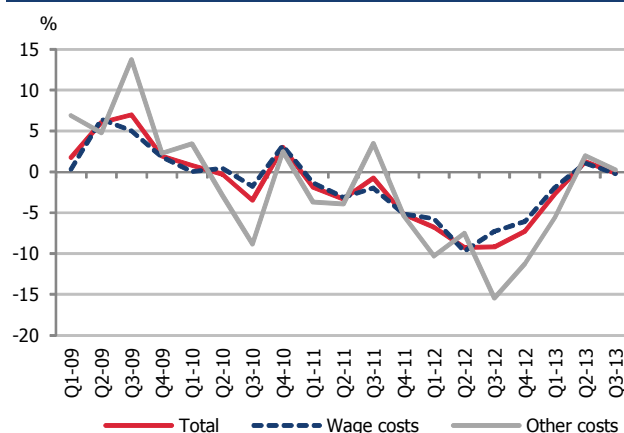
From yet another viewpoint, as it is a labour cost index calculated as the ratio of two items, i.e. average cost per employee and number of hours actually worked per employee (hereinafter referred to as average labour costs and hours actually worked), its evolution is determined by changes in each of these items.

This press release analyses LCI series broken down into several items, according to the two mentioned viewpoints: 1) wage costs (per hour actually worked)

¹ Data analysed in this press release are adjusted for working days. Raw data, not adjusted for seasonal and working day effects, are available in the annex tables and on the Official Statistics Portal.

versus other costs (non-wage costs, also per hour actually worked); 2) average labour costs *versus* hours actually worked.

Figure 1: LCI year-on-year rate of change (working day adjusted data)

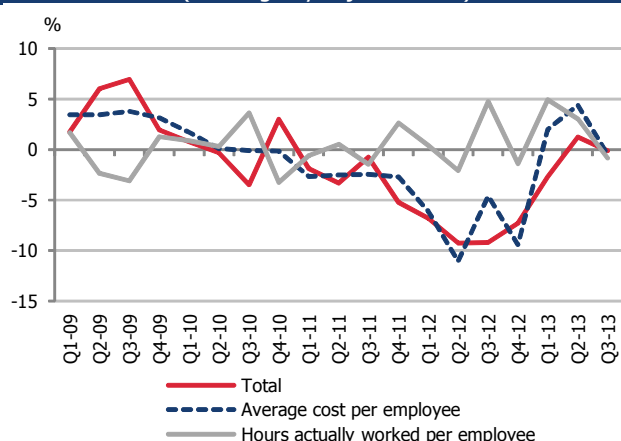


Wage costs decreased by 0.2% from the same period a year earlier, while other costs increased by 0.2% (Figure 1).

The year-on-year change in the LCI also resulted from the combined effect of a 0.5% decrease in the average

labour costs and a decrease, slightly larger, in the number of hours actually worked, of 0.8% (Figure 2).

Figure 2: LCI year-on-year rate of change (working day adjusted data)



Since 2009, the labour cost has decelerated and gave rise to successive decreases from the 3rd quarter of 2010 up to the 4th quarter of 2012. In the 1st and the 2nd quarters of 2013, however, the average labour costs increased, compared to the same period of the previous year, partly due to the fact that holiday and Christmas bonuses were paid differently than in the preceding year (paid monthly or at once) and to the payment of other irregular bonuses and allowances (e.g., end-of-year bonuses and distribution of profits). In the 3rd quarter of 2013, the average labour costs decreased, now partly due to the fact that holiday bonuses have been paid monthly.

The number of hours actually worked described a more irregular pattern over the period analyzed, having recorded substantial increases in the 1st and the 2nd quarter of 2013, and a decrease of 0.8% in the 3rd quarter of 2013.

2. Sectors of economic activity

The year-on-year decrease in the LCI was also observed for the subgroup of economic activities from sections B to N² (which include, in general, the business economy or the private sector of the economy). For this group, the LCI decreased by 1.4%.

For the subgroup composed by the remaining economic activities covered by the LCI (sections O to S), which include mostly, but not exclusively, the non-business economy or the public sector of the economy, it was recorded a year-on-year increase of 1.7%.

In activities from sections B to N:

- wage costs decreased by 2.5% and other costs increased by 3.1%, respectively (Figure 3);
- the decrease in the LCI (of 1.4%) resulted from a decrease in average labour costs (1.1%) and a decrease, smaller, in the number of hours actually worked (0.1%) (Figure 4).

In activities from sections O to S:

- wage costs increased by 3.2% and other costs decreased by 3.0%;
- the increase in the LCI (of 1.7%) resulted from an increase in average labour costs (0.2%) and a decrease in the number of hours actually worked (1.7%).

Among the activities from sections B to N, the LCI recorded a year on-year decrease of 3.5% in industry (sections B to E), an increase of 0.7% in construction (section F), and a decrease of 0.4% in services (G to N).

² The activities' designation is available in the annex tables.

In industry:

- wage costs decreased by 4.6% (mainly due to the decrease of holiday bonus) and other costs increased by 1.0%;
- the increase in the LCI (of 3.5%) resulted from a decrease in average labour costs (1.9%) and an increase in the number of hours actually worked (1.5%).

In construction:

- wage costs decreased by 0.7% and other costs increased by 6.4% (in the latter case, mainly due to the increase of severance payment);
- the increase in the LCI (of 0.7%) resulted from a decrease in average labour costs (1.2%) and a decrease, larger, in the number of hours actually worked (1.9%).

In services:

- wage costs decreased by 1.5% and other costs increased by 3.8%;
- the decrease in the LCI (of 0.4%) resulted from a decrease in average labour costs (0.5%) and a decrease, larger, in the number of hours actually worked (0.7%).

Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 3rd quarter of 2013 (working day adjusted data)

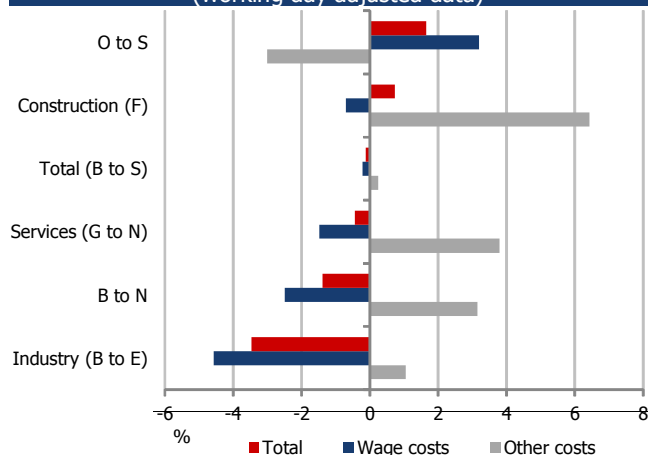
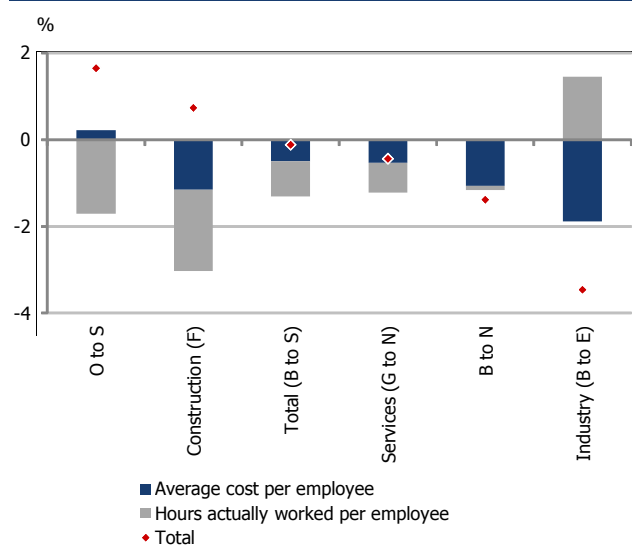


Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 3rd quarter of 2013 (working day adjusted data)



3. Comparison with the European Union

Figure 5 shows the year-on-year rates of change of the LCI, by country, for the last quarter available (2nd quarter of 2013), as published by Eurostat in the 16th of September of 2013.

The LCI year-on-year rate of change for the European Union (28 countries) was 0.9%, in the 2nd quarter of 2013.

In sixteen countries, the LCI year-on-year rates of increase were larger than the European Union average. Estonia showed an LCI year-on-year rate of increase (7.7%) that was larger, more than eight times, that recorded for the European Union.

In five countries, the LCI year-on-year rates of increase were smaller than the European Union average, whose values ranged from 0.3% (Netherlands and Portugal³) to 0.6% (Ireland and Italy).

In four countries, there were recorded LCI year-on-year rates of decrease, whose values ranged from -8.4% (Greece) to -0.3% (Spain).

Figure 6 shows the developments in the LCI year-on-year rates of change in Portugal and in the European Union, from the 1st quarter of 2009 to the 2nd quarter of 2013.

Its analysis shows that the LCI in Portugal recorded globally lower year-on-year changes than those observed, on average, for the European Union (28 countries) since the 1st quarter of 2010 until the 1st quarter of 2013. Those changes gave rise to successive decreases from the beginning of 2011.

Figure 5: LCI year-on-year rate of change by European Union Country (28) in the 2nd quarter of 2013 (working day adjusted data)

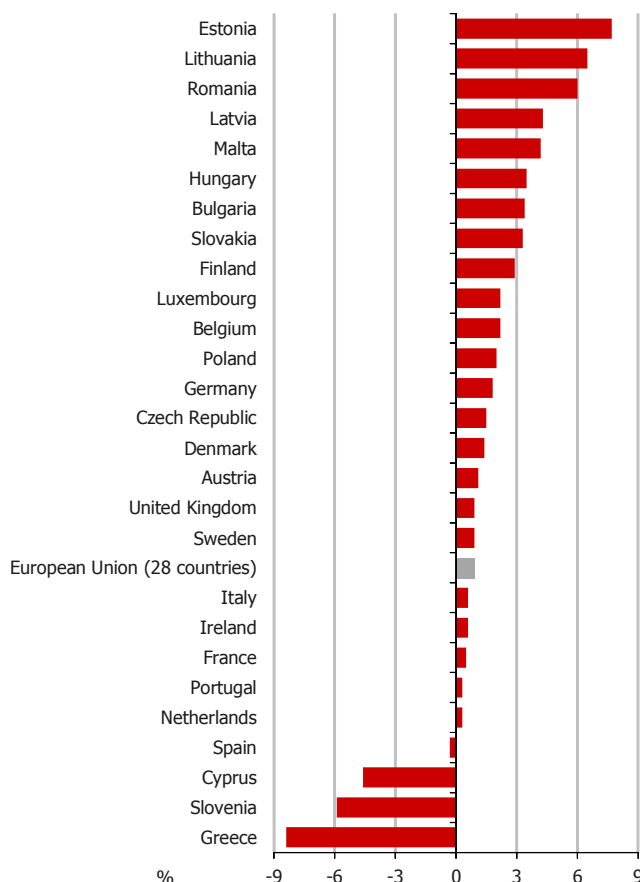
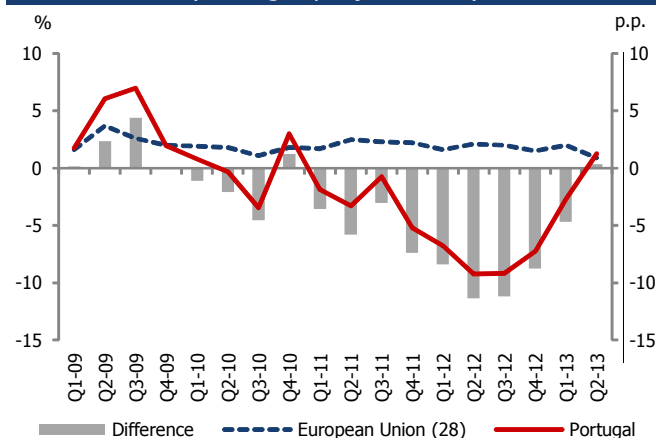


Figure 6: LCI year-on-year rate of change in the European Union (28) and in Portugal (working day adjusted data)



³ The year-on-year change for Portugal was now revised into 1.3% (as described in the technical note, page 8).

**Table 1: Labour Cost Index (LCI) year-on-year rate of change by component and economic activity (NACE-Rev. 2)
(working day adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2012			Q4-2012			Q1-2013			Q2-2013			Q3-2013		
	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)	-9.2	-7.3	-15.5	-7.3	-6.1	-11.3	-2.7	-1.9	-5.6	1.3	1.1	2.0	-0.1	-0.2	0.2
B to N	-11.5	-8.8	-20.9	-0.5	1.3	-7.2	-1.6	-1.2	-2.9	1.3	0.4	4.8	-1.4	-2.5	3.1
Industry (B to E)	-1.9	2.7	-17.0	-2.9	-1.7	-7.3	-2.4	-1.7	-5.3	0.9	-0.2	5.6	-3.5	-4.6	1.0
Construction (F)	-12.3	-6.3	-30.0	0.8	2.0	-3.9	1.0	0.3	3.8	5.0	4.0	8.9	0.7	-0.7	6.4
Services (G to N)	-17.0	-16.0	-20.9	0.7	3.1	-7.7	-1.6	-1.3	-2.9	0.8	0.1	3.5	-0.4	-1.5	3.8
O to S	-5.8	-4.9	-8.4	-16.8	-17.1	-16.0	-4.4	-2.9	-8.9	1.2	2.1	-1.5	1.7	3.2	-3.0

**Table 2: Labour Cost Index (LCI) year-on-year rate of change by component and economic activity (NACE-Rev. 2)
(not working day adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2012			Q4-2012			Q1-2013			Q2-2013			Q3-2013		
	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)	-7.8	-5.8	-14.1	-10.2	-9.1	-14.1	2.1	2.9	-0.9	2.9	2.7	3.6	-1.7	-1.7	-1.3
B to N	-10.1	-7.4	-19.7	-3.7	-1.9	-10.1	3.3	3.6	1.9	3.0	2.1	6.6	-2.9	-4.0	1.6
Industry (B to E)	-0.4	4.3	-15.7	-5.9	-4.8	-10.3	2.4	3.1	-0.6	2.6	1.4	7.3	-4.9	-6.0	-0.5
Construction (F)	-10.9	-4.8	-28.9	-2.4	-1.2	-7.0	6.0	5.3	8.9	6.7	5.7	10.7	-0.8	-2.2	4.8
Services (G to N)	-15.7	-14.6	-19.7	-2.5	-0.2	-10.7	3.2	3.6	1.9	2.4	1.7	5.2	-2.0	-3.0	2.2
O to S	-4.3	-3.4	-7.0	-19.5	-19.7	-18.6	0.4	1.9	-4.4	2.8	3.7	0.1	0.1	1.6	-4.5

Source: INE, Labour Cost Index - 3rd quarter of 2013.

Sections from Nace-Rev. 2

- | | |
|---|--|
| B - Mining and quarrying | L - Real estate activities |
| C - Manufacturing | M - Professional, scientific and technical activities |
| D - Electricity, gas, steam and air conditions supply | N - Administrative and support service activities |
| E - Water supply, sewerage, | O - Public administration, defence, and compulsory social security |
| G - Wholesale and retail trade; | P - Education |
| H - Transport and storage | Q - Human health and social work activities |
| I - Accommodation and food service activities | R - Arts, entertainment and recreation |
| J - Information and communication | S - Other service activities |
| K - Financial and insurance activities | |

Table 3: Labour Cost Index (LCI) year-on-year rate of change by source of variation and economic activity (NACE-Rev. 2)
(working day adjusted data)

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2012			Q4-2012			Q1-2013			Q2-2013			Q3-2013		
	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)	-9.2	-4.6	4.8	-7.3	-9.4	-1.4	-2.7	2.0	4.9	1.3	4.4	3.1	-0.1	-0.5	-0.8
B to N	-11.5	-5.0	7.2	-0.5	-3.1	-2.5	-1.6	4.0	5.7	1.3	4.8	3.3	-1.4	-1.1	-0.1
Industry (B to E)	-1.9	0.6	2.5	-2.9	-2.0	0.9	-2.4	3.1	5.6	0.9	4.3	3.0	-3.5	-1.9	1.5
Construction (F)	-12.3	-8.2	4.6	0.8	0.2	-0.6	1.0	5.3	4.2	5.0	7.3	2.2	0.7	-1.2	-1.9
Services (G to N)	-17.0	-7.7	10.7	0.7	-4.5	-5.1	-1.6	4.3	6.0	0.8	4.6	3.7	-0.4	-0.5	-0.7
O to S	-5.8	-4.1	1.8	-16.8	-17.1	0.0	-4.4	-0.4	4.1	1.2	4.0	2.8	1.7	0.2	-1.7

Table 4: Labour Cost Index (LCI) year-on-year rate of change by source of variation and economic activity (NACE-Rev. 2)
(not working day adjusted data)

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2012			Q4-2012			Q1-2013			Q2-2013			Q3-2013		
	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)	-7.8	-4.6	3.2	-10.2	-9.4	1.8	2.1	2.0	0.0	2.9	4.4	1.4	-1.7	-0.5	0.7
B to N	-10.1	-5.0	5.5	-3.7	-3.1	0.7	3.3	4.0	0.7	3.0	4.8	1.6	-2.9	-1.1	1.5
Industry (B to E)	-0.4	0.6	0.9	-5.9	-2.0	4.3	2.4	3.1	0.7	2.6	4.3	1.3	-4.9	-1.9	3.0
Construction (F)	-10.9	-8.2	3.0	-2.4	0.2	2.6	6.0	5.3	-0.7	6.7	7.3	0.5	-0.8	-1.2	-0.3
Services (G to N)	-15.7	-7.7	9.0	-2.5	-4.5	-2.0	3.2	4.3	1.0	2.4	4.6	2.0	-2.0	-0.5	0.9
O to S	-4.3	-4.1	0.3	-19.5	-17.1	3.3	0.4	-0.4	-0.8	2.8	4.0	1.2	0.1	0.2	-0.2

Source: INE, Labour Cost Index - 3rd quarter of 2013.

Sections from Nace-Rev. 2

B - Mining and quarrying
C - Manufacturing
D - Electricity, gas, steam and air conditions supply
E - Water supply, sewerage, waste
G - Wholesale and retail trade; repair of
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

TECHNICAL NOTE

The Labour Cost Index (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) contributed to explaining their developments.

Labour costs incurred by the employer 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
- Payment in kind

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)

The LCI is a statistical operation held on a quarterly basis through a sampling survey. Data collection with local units is carried out through an electronic questionnaire (Computer Assisted Web Interviewing - CAWI). By economic activity, the LCI covers Sections B to S of CAE-Rev. 3.

Data on public administration [Sections O (Public administration and defence; compulsory social security) and the public part of Sections P (Education) and Q (Human health and social work activities)] are not obtained through direct collection. These data are estimated by Statistics Portugal from data obtained, among other sources, from the Directorate-General of Budget of the Ministry of Finance. These data are subject to revisions.

The LCI is Laspeyres index.

In order to obtain more information about the LCI calculation, we recommend the consultation of the methodological note for this statistical operation, which is available (in Portuguese) at <http://smi.ine.pt/DocumentacaoMetodologica/Detalhes/1064>.

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 resulting from different numbers of working days in the same quarters of different years (Easter and other movable feasts), the series analysed are adjusted for working days. Raw series, not adjusted for seasonal and working day effects, are available in the annex tables and on the Official Statistics Portal.

(to be continued)

(continued)

Revisions

The data published in this release concerning the last quarters are subject to revisions. These revisions result, on one side, from the inclusion of information for the last quarter sent lately by some establishments of the LCI sample and, on the other side, from updates in the data for the last quarters obtained from the Directorate-General of Budget.

The impact of those revisions, measured by the difference between the year-on-year rates of change as published for the 2nd quarter of 2013 in the Press Release "Labour Cost Index – 2nd quarter of 2013" and those published today, is available in the following table:

Revision of the LCI year-on-year rates of change published in the 2 nd quarter of 2013										
Economic activity (sections from Nace Rev. 2)	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 per employee	Hours actually worked per employee		Wage costs	Other costs	Average cost per employee	Hours actually worked per employee
	Working day adjusted data					Not working day adjusted data				
Total (B to S)	0.9	1.1	0.2	1.2	0.1	0.9	1.1	0.2	1.2	0.1
B to N	-0.4	-0.3	-0.8	-0.2	0.2	-0.4	-0.3	-0.8	-0.2	0.2
Industry (B to E)	-0.1	0.0	-0.4	0.0	0.1	-0.1	0.0	-0.4	0.0	0.1
Construction (F)	0.3	0.4	-0.1	0.5	0.2	0.3	0.4	-0.1	0.5	0.2
Services (G to N)	-0.7	-0.6	-1.2	-0.4	0.3	-0.7	-0.6	-1.2	-0.4	0.3
O to S	2.9	3.4	1.3	2.9	0.0	2.9	3.4	1.3	2.9	0.0

Unit: p.p.

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 31th of October of 2013. The response rate was 85.4%.