

November, 13<sup>th</sup> 2015

## Labour Cost Index 3<sup>rd</sup> quarter of 2015

### The Labour Cost Index decreased by 2.8% from the same quarter in 2014

The Labour Cost Index (LCI) working days adjusted decreased by 2.8% in the 3<sup>rd</sup> quarter of 2015, compared with the same period in 2014. In the previous quarter, it was recorded a year-on-year increase of 2.6%.

For this evolution, contributed the decreases of 2.5% in wage costs, of 3.9% in other labour costs, of 3.1% in average labour costs, and of 0.5% in the number of hours actually worked. The LCI increased by 2.5% in the private sector, namely in the Industry (3.7%), and decreased by 9.1% in the Public Administration activities.

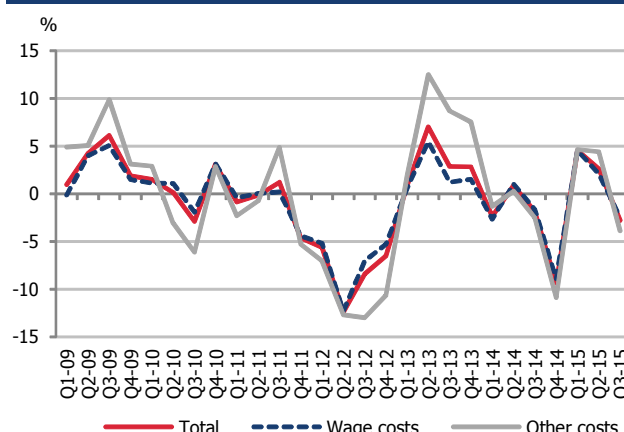
### 1. Labour Cost Index and components

The labour costs incurred by the employer include *wage costs* and *other labour costs* of their responsibility (see the Technical note on pages 7 and 8).

Therefore their evolution depends on the development of each component. The labour Cost Index (LCI) is a short term indicator which, in addition to the labour costs incurred by the employer, considers the number of hours actually worked per employee, measuring the evolution of the *average labour costs per hour actually worked*.

Thus, in the 3<sup>rd</sup> quarter of 2015<sup>1</sup>, the LCI recorded a decrease of 2.8% due to a decrease of 2.5% in wage costs and of 3.9% in other labour costs (Figure 1).

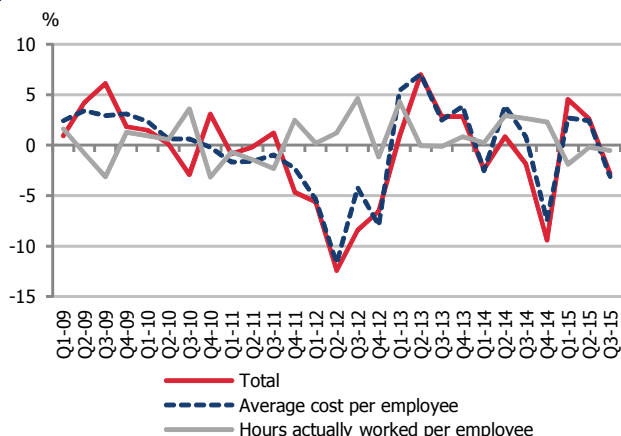
**Figure 1: LCI year-on-year rate of change**  
(working days adjusted data)



For this evolution also contributed the decrease of 0.5% in the number of hours actually worked (Figure 2) and of 3.1% in the average labour costs.

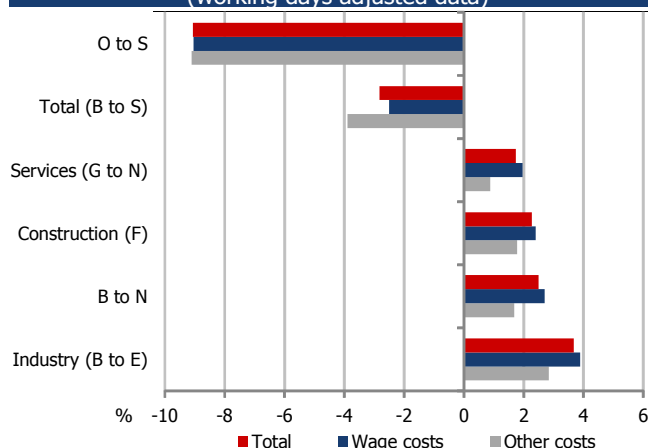
<sup>1</sup> The data analysed in this Press Release are working days adjusted. The raw data are available in the annex tables and at the Official Statistics Portal. Unless otherwise stated, the rates of change mentioned in this Press Release are year-on-year rates of change (from the same quarter of the previous year).

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

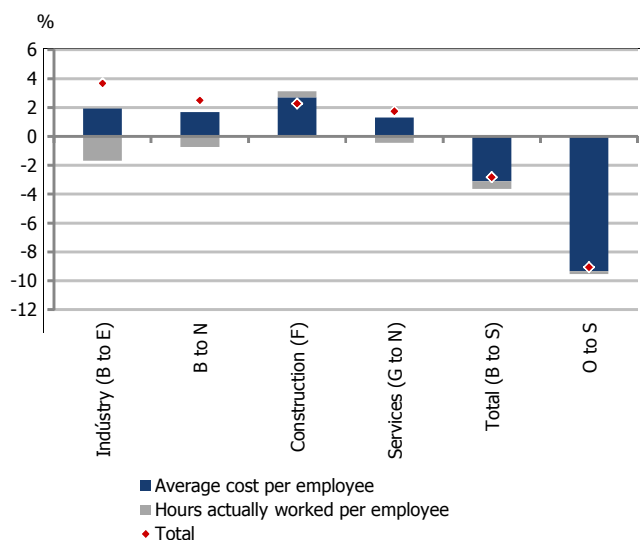


- the number of hours actually worked decreased by 0.8% (Figure 4)

**Figure 3:** LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 3<sup>rd</sup> quarter of 2015 (working days adjusted data)



**Figure 4:** LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 3<sup>rd</sup> quarter of 2015 (working days adjusted data)



## 2. Sectors of economic activity

For the subgroup of economic activities from sections B to N<sup>2</sup> (which include, in general, the business economy or the private sector of the economy), the LCI year-on-year rate of change was of 2.5%.

In the remaining economic activities (sections O to S), which include mostly (but not exclusively) the non-business economy of the public sector of the economy, it was recorded an year-on-year decrease of 9.1%.

### Sections B to N

In activities from sections B to N:

- the wage costs (per hour actually worked) increased by 2.7% (mainly due to increases in base wages and in regular bonuses and allowances) (Figure 3);
- the other labour costs increased by 1.7% (Figure 3);
- the average labour costs increased by 1.7% (Figure 4);

Among the activities from sections B to N, the LCI increased by 3.7% in Industry (sections B to E), by 2.3% in Construction (section F), and by 1.7% in Services (G to N).

<sup>2</sup> The activities' designation is available in the annex tables.

#### In Industry (3.7%):

- the wage costs increased by 3.9% and the other labour costs increased by 2.8%;
- the average labour costs increased by 1.9%;
- the number of hours actually worked decreased by 1.7%.

#### In Construction (2.3%):

- the wage costs and the other labour costs increased by 2.4% and by 1.8%, respectively;
- the average labour costs increased by 2.7%;
- the number of hours actually worked increased by 0.4%.

#### In Services (1.7%):

- the wage costs increased by 2.0% and the other labour costs increased by 0.9%;
- the average labour costs increased by 1.3%;
- the number of hours actually worked decreased by 0.4%.

### Sections O to S

The year-on-year evolution of the LCI in the Public Administration activities was affected by the following factors:

- the payment of severance payments by mutual agreements terminations, in the 3<sup>rd</sup> quarter 2014;
- the resumption of wage reductions set out in 2011 (which had been eliminated in the 3<sup>rd</sup> quarter of 2014);
- the elimination of the contribution of public entities employers for the Directorate General

for Social Protection of Workers in Public Functions (ADSE).

Therefore:

- the wage costs and the other labour costs decreased by 9.0% and 9.1%, respectively;
- the average labour costs decreased by 9.3%;
- the number of hours actually worked decreased slightly, by 0.2%.

### 3. Comparison with the European Union

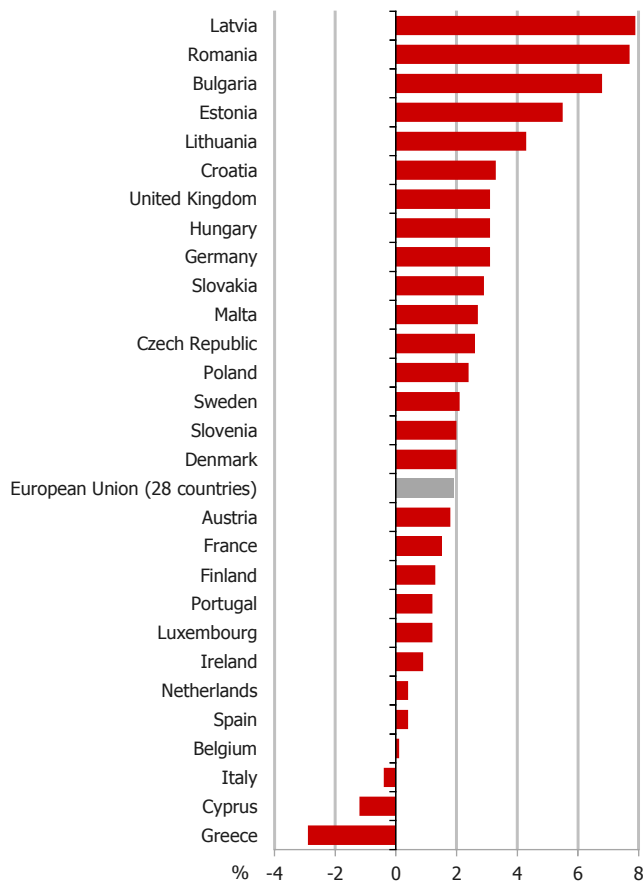
The latest available information by country on the LCI year-on-year changes refers to the 2<sup>nd</sup> quarter of 2015 and was published by Eurostat in the 16<sup>th</sup> September of 2015 (Figure 5).

Hence, the LCI year-on-year rate of change for the European Union (28 countries) was 1.9%, in the 2<sup>nd</sup> quarter of 2015.

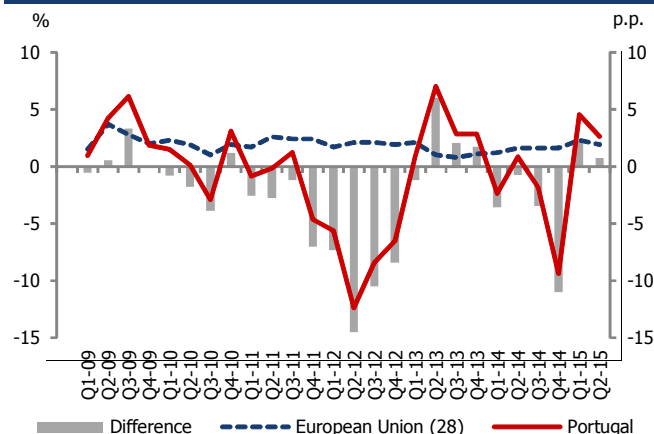
In sixteen countries, the LCI rates of change were larger than the European Union average, with Latvia recording the largest increase (of 7.9%).

In nine other countries, the LCI recorded increases, albeit lower than the European Union average, between 0.1% for Belgium and 1.8% for Austria.

**Figure 5:** LCI year-on-year rate of change by European Union Country (28) in the 2<sup>nd</sup> quarter of 2015 (working days adjusted data)



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



Its analysis shows that, since the 1<sup>st</sup> quarter of 2010 (excluding the 4<sup>th</sup> quarter of that year, the last three quarters of 2013 and the 1<sup>st</sup> and 2<sup>nd</sup> quarters of 2015), the LCI in Portugal has been registering lower changes than those of the European Union average.

The year-on-year increases observed in the first half of 2015 occurred after the decreases of 1.9% and 9.4% recorded in the 3<sup>rd</sup> and 4<sup>th</sup> quarters of 2014, respectively.

In the 2<sup>nd</sup> quarter of 2015, Portugal<sup>3</sup> registered an year-on-year increase in the LCI of 1.2%.

Three countries recorded decreases in the LCI: Greece (2.9%), Cyprus (1.2%), and Italy (0.4%).

Figure 6 shows the developments in the LCI rates of change in Portugal and in the European Union in the last six years (from the 1<sup>st</sup> quarter of 2009 to the 2<sup>nd</sup> quarter of 2015).

<sup>3</sup> The rate of change for Portugal was now revised into 2.6% (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 days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2014			Q4-2014			Q1-2015			Q2-2015			Q3-2015		
	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
<b>Total (B to S)</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-2.5</b>	<b>-9.4</b>	<b>-8.9</b>	<b>-10.9</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>2.6</b>	<b>2.1</b>	<b>4.4</b>	<b>-2.8</b>	<b>-2.5</b>	<b>-3.9</b>
B to N	-1.6	-1.4	-2.6	-3.4	-3.6	-2.6	4.5	4.9	3.0	2.3	2.8	0.3	2.5	2.7	1.7
Industry (B to E)	-0.3	-0.1	-1.3	-4.5	-4.8	-3.4	5.1	5.6	3.4	2.9	3.3	1.1	3.7	3.9	2.8
Construction (F)	-6.1	-5.4	-8.6	-6.1	-6.3	-5.3	5.3	5.7	3.8	4.2	4.4	3.3	2.3	2.4	1.8
Services (G to N)	-1.4	-1.3	-1.9	-2.1	-2.2	-1.5	3.9	4.3	2.6	1.5	2.1	-0.8	1.7	2.0	0.9
O to S	-2.1	-2.0	-2.4	-17.4	-16.6	-19.4	4.6	4.0	6.5	3.1	1.2	8.5	-9.1	-9.0	-9.1

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

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2014			Q3-2014			Q1-2015			Q2-2015			Q3-2015		
	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
<b>Total (B to S)</b>	<b>-1.9</b>	<b>-1.7</b>	<b>-2.5</b>	<b>-8.0</b>	<b>-7.5</b>	<b>-9.5</b>	<b>4.5</b>	<b>4.5</b>	<b>4.6</b>	<b>1.0</b>	<b>0.4</b>	<b>2.7</b>	<b>-4.3</b>	<b>-4.0</b>	<b>-5.3</b>
B to N	-1.6	-1.4	-2.6	-1.9	-2.1	-1.1	4.5	4.9	3.0	0.6	1.1	-1.3	0.9	1.2	0.2
Industry (B to E)	-0.3	-0.1	-1.3	-3.0	-3.3	-1.9	5.1	5.6	3.4	1.2	1.6	-0.5	2.1	2.3	1.3
Construction (F)	-6.1	-5.4	-8.6	-4.6	-4.8	-3.8	5.3	5.7	3.8	2.5	2.7	1.6	0.7	0.9	0.2
Services (G to N)	-1.4	-1.3	-1.9	-0.5	-0.7	0.0	3.9	4.3	2.6	-0.1	0.4	-2.4	0.2	0.4	-0.6
O to S	-2.1	-2.0	-2.4	-16.1	-15.3	-18.2	4.6	4.0	6.5	1.4	-0.5	6.8	-10.4	-10.4	-10.5

Source: INE, Labour Cost Index - 3<sup>rd</sup> quarter of 2015.

**Sections from Nace-Rev. 2**

- |   |  |
|---|--|
| B - Mining and quarrying                              | K - Financial and insurance activities                             |
| C - Manufacturing                                     | L - Real estate activities   |
| D - Electricity, gas, steam and air conditions supply | M - Professional, scientific and technical activities              |
| E - Water supply, sewerage,                           | N - Administrative and support service activities                  |
| F - Construction                                      | 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                                       |

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

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2014			Q4-2014			Q1-2015			Q2-2015			Q3-2015		
	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
<b>Total (B to S)</b>	<b>-1.9</b>	<b>0.8</b>	<b>2.7</b>	<b>-9.4</b>	<b>-7.4</b>	<b>2.3</b>	<b>4.5</b>	<b>2.7</b>	<b>-1.9</b>	<b>2.6</b>	<b>2.4</b>	<b>-0.2</b>	<b>-2.8</b>	<b>-3.1</b>	<b>-0.5</b>
B to N	-1.6	-0.2	1.4	-3.4	-0.4	3.1	4.5	2.5	-2.0	2.3	1.6	-0.6	2.5	1.7	-0.8
Industry (B to E)	-0.3	1.8	2.1	-4.5	-0.4	4.3	5.1	2.8	-2.2	2.9	2.1	-0.8	3.7	1.9	-1.7
Construction (F)	-6.1	-3.5	2.8	-6.1	-0.9	5.5	5.3	5.3	0.0	4.2	4.4	0.2	2.3	2.7	0.4
Services (G to N)	-1.4	-0.8	0.7	-2.1	-0.3	1.9	3.9	1.6	-2.2	1.5	0.8	-0.7	1.7	1.3	-0.4
O to S	-2.1	2.2	4.4	-17.4	-16.3	1.4	4.6	3.1	-1.8	3.1	3.4	0.3	-9.1	-9.3	-0.2

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

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q3-2014			Q4-2014			Q1-2015			Q1-2015			Q3-2015		
	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
<b>Total (B to S)</b>	<b>-1.9</b>	<b>0.8</b>	<b>2.7</b>	<b>-8.0</b>	<b>-7.4</b>	<b>0.7</b>	<b>4.5</b>	<b>2.7</b>	<b>-1.9</b>	<b>1.0</b>	<b>2.4</b>	<b>1.4</b>	<b>-4.3</b>	<b>-3.1</b>	<b>1.0</b>
B to N	-1.6	-0.2	1.4	-1.9	-0.4	1.6	4.5	2.5	-2.0	0.6	1.6	1.0	0.9	1.7	0.8
Industry (B to E)	-0.3	1.8	2.1	-3.0	-0.4	2.7	5.1	2.8	-2.2	1.2	2.1	0.8	2.1	1.9	-0.2
Construction (F)	-6.1	-3.5	2.8	-4.6	-0.9	3.9	5.3	5.3	0.0	2.5	4.4	1.8	0.7	2.7	2.0
Services (G to N)	-1.4	-0.8	0.7	-0.5	-0.3	0.3	3.9	1.6	-2.2	-0.1	0.8	0.9	0.2	1.3	1.1
O to S	-2.1	2.2	4.4	-16.1	-16.3	-0.2	4.6	3.1	-1.8	1.4	3.4	1.9	-10.4	-9.3	1.3

Source: INE, Labour Cost Index - 3<sup>rd</sup> quarter of 2015.

**Sections from Nace-Rev. 2**

- |   |  |
|---|--|
| B - Mining and quarrying                              | K - Financial and insurance activities                             |
| C - Manufacturing                                     | L - Real estate activities   |
| D - Electricity, gas, steam and air conditions supply | M - Professional, scientific and technical activities              |
| E - Water supply, sewerage,                           | N - Administrative and support service activities                  |
| F - Construction                                      | 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                                       |

## 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 NACE-Rev. 2.

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.

In order to be in line with the series published by Eurostat, which has changed the LCI reference year from 2008 to 2012, the indices published started to have, since the LCI press release for the 1<sup>st</sup> quarter of 2015, the year 2012 as the reference year (2012=100). The back series of the indices were recalculated for the period from the 1<sup>st</sup> quarter of 2008 to the 4<sup>th</sup> quarter of 2014.

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 working day effects, are available in the annex tables and on the Official Statistics Portal.

(continuation)

## 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 published today and those published for the 2<sup>nd</sup> quarter of 2015 in the Press Release "Labour Cost Index – 2<sup>nd</sup> quarter of 2015", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 2 <sup>nd</sup> quarter of 2015										
Unit: p.p.										
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 days adjusted data					Non working days adjusted data				
	Total (B to S)	1.4	0.6	4.2	1.6	0.1	1.4	0.5	4.1	1.6
B to N	-0.1	-0.1	-0.2	0.0	0.2	-0.2	-0.2	-0.1	0.0	0.2
Industry (B to E)	-0.2	-0.2	-0.4	-0.1	0.1	-0.2	-0.2	-0.4	-0.1	0.1
Construction (F)	-0.9	-1.2	0.1	-0.3	0.6	-0.9	-1.2	0.0	-0.3	0.5
Services (G to N)	0.1	0.1	0.0	0.2	0.1	0.1	0.1	0.0	0.2	0.1
O to S	3.4	1.5	8.6	3.5	0.0	3.3	1.5	8.5	3.5	-0.1

Unit: p.p.

Due to the recent availability of the definitive Public Administration Accounts for 2013, the LCI series had to be reviewed from the 1<sup>st</sup> quarter of 2013 onwards.

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 30th of October of 2015. The response rate was 94.4%.

**Next Press Release:** 15 February 2016.