

14 August 2018

Labour Cost Index  
2<sup>nd</sup> quarter of 2018

**The Labour Cost Index increased by 1.4%, when compared to the same quarter in 2017**

The Labour Cost Index (LCI) working days adjusted increased by 1.4% in the 2<sup>nd</sup> quarter of 2018, compared with the same period in 2017. In the previous quarter, it was recorded a year-on-year decrease of 1.3%.

The two main labour cost components – wage costs and other costs (both per hour actually worked) – increased by 1.2% and 2.1%, respectively, compared to the same period of the previous year.

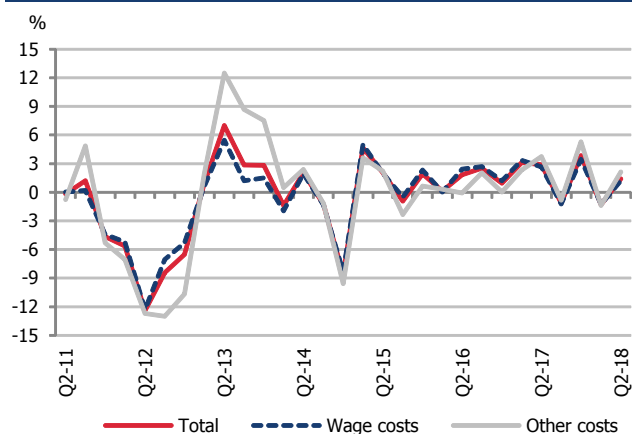
The LCI year-on-year rate of change was also explained by the increase of 0.2% in the average cost per employee and the decrease of 1.1% in the number of hours actually worked per employee. The decrease of the latter was common to all economic activities, while the increase of the former took place in all activities with the exception of the Public Administration, where a decrease was recorded.

**1. Labour Cost Index and components**

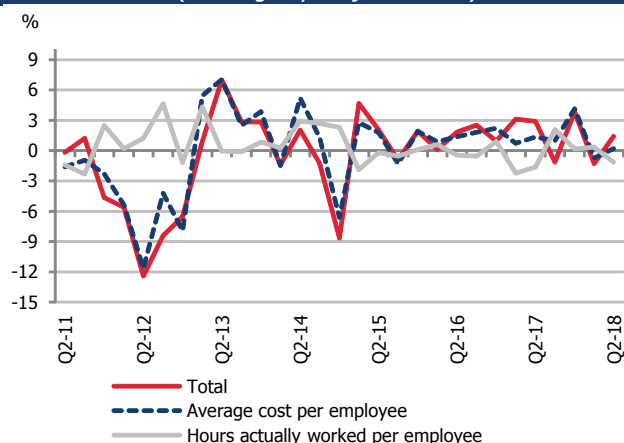
In the 2<sup>nd</sup> quarter of 2018, the LCI recorded a year-on-year increase of 1.4% due to increases of 1.2% in wage costs and of 2.1% in other labour costs, both per hour actually worked (Figure 1).<sup>1</sup>

The LCI year-on-year increase resulted from the combined effect of a 0.2% increase in the average cost per employee and a decrease of 1.1% in the number of hours actually worked per employee (Figure 2).

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



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



<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).

## 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 increased by 3.2%.

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 a year-on-year decrease of 0.7%.

### Sections B to N

In the 2<sup>nd</sup> quarter of 2018, when compared to the same quarter of 2017, in the activities from sections B to N:

- the wage costs increased by 3.0% and the other labour costs increased by 3.9% (Figure 3);
- the average labour cost per employee increased by 1.3% (Figure 4);
- the number of hours actually worked per employee decreased by 1.8% (Figure 4).

Among the activities from sections B to N, the LCI increased by 5.6% in industry (sections B to E), by 3.3% in construction (section F), and by 1.7% in services (G to N).

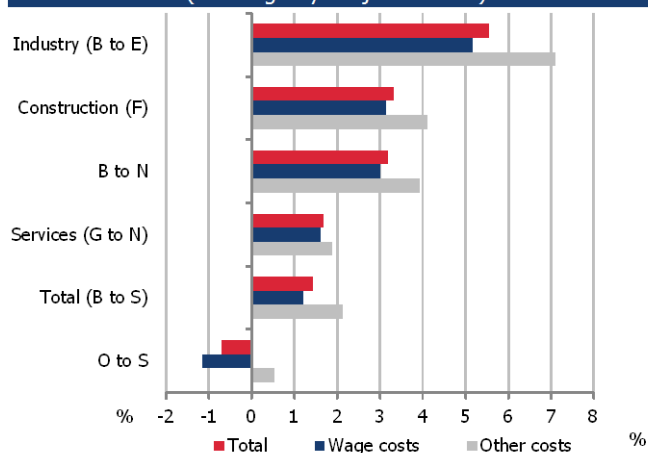
In Industry (5.6%):

- the wage costs increased by 5.2% (due to increases in base wage, in holiday bonuses and in end-of-year bonuses, as well as to a decrease of hours actually worked); the other labour costs increased by 7.1% (due to increases in the corresponding social security

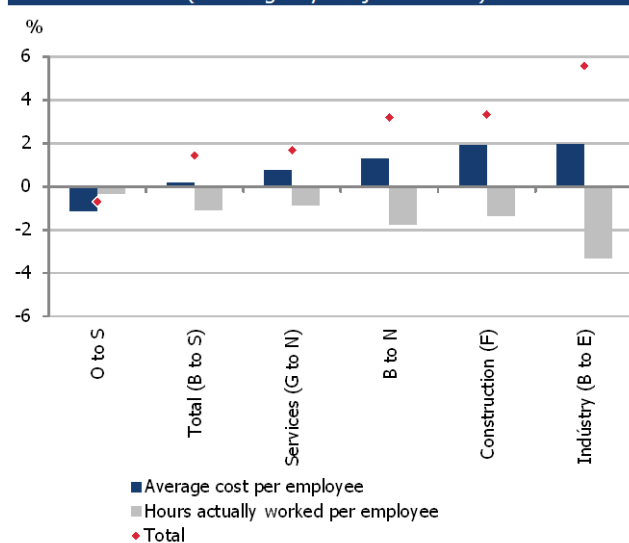
contributions and in severance payments and also to the decrease of the numbers of hours actually worked);

- the average cost per employee increased by 2.0%;
- the number of hours actually worked per employee decreased by 3.3%.

**Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 2<sup>nd</sup> quarter of 2018**  
(working days adjusted data)



**Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 2<sup>nd</sup> quarter of 2018**  
(working days adjusted data)



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

**In Construction (3.3%):**

- the wage costs increased by 3.1% and the other labour costs increased by 4.1%;
- the average cost per employee increased by 1.9%;
- the number of hours actually worked per employee decreased by 1.4%.

**In Services (1.7%):**

- the wage costs increased by 1.6% and the other labour costs increased by 1.9%;
- the average cost per employee increased by 0.7%;
- the number of hours actually worked per employee decreased by 0.9%.

**Sections O to S**

In the activities from sections O to S, the LCI recorded a decrease of 0.7%, in comparison with the same quarter of the previous year. In these activities:

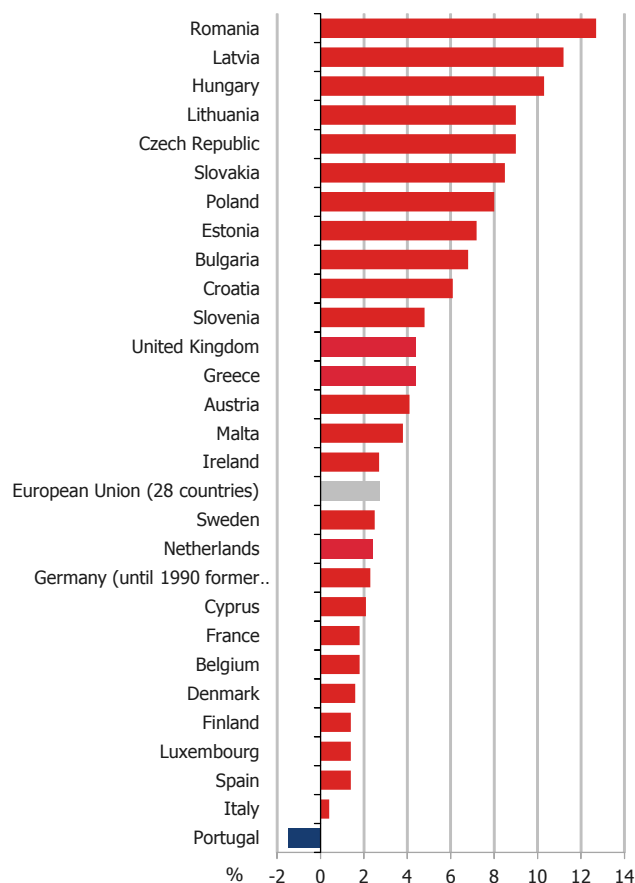
- the wage costs decreased by 1.1% and the other labour costs increased by 0.5% (both per hour actually worked).
- the average cost per employee decreased by 1.1%, which was partially explained, as in the previous quarter, by the change in the payment profile of the Christmas bonuses that in 2018 will be paid fully in November (in 2017, 50% of these bonuses were paid monthly and the remaining in November);
- the number of hours actually worked per employee decreased by 0.4%.

**3. Comparison with the European Union**

The latest available information by country on the LCI year-on-year change reports to the 1<sup>st</sup> quarter of 2018 and was published by Eurostat in the 15<sup>th</sup> June of 2018 (Figure 5).

The LCI year-on-year rate of change for the European Union (28 countries) was 2.7%, in the 1<sup>st</sup> quarter of 2018.

**Figure 5: LCI year-on-year rate of change by European Union Country (28) in the 1<sup>st</sup> quarter of 2018**  
(working days adjusted data)



In fifteen countries, the LCI rates of change were larger than the European Union average, with Romania recording the largest LCI increase (12.7%).

In Ireland, the LCI rate of change was the same of the European Union (2.7%).

In eleven other countries, the LCI recorded increases, albeit lower than the European Union average, from 0.4%, in Italy, to 2.5% in Sweden.

Portugal was the only country that registered a year-on-year decrease in the LCI, of 1.5%.<sup>3</sup>

---

<sup>3</sup> This value has now been revised to -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 days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q2-2017			Q3-2017			Q4-2017			Q1-2018			Q2-2018		
	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>2.9</b>	<b>2.6</b>	<b>3.7</b>	<b>-1.1</b>	<b>-1.2</b>	<b>-0.8</b>	<b>3.8</b>	<b>3.4</b>	<b>5.3</b>	<b>-1.3</b>	<b>-1.3</b>	<b>-1.4</b>	<b>1.4</b>	<b>1.2</b>	<b>2.1</b>
B to N	1.5	1.6	1.1	0.6	0.9	-0.3	0.5	0.7	-0.2	-2.3	-2.2	-2.9	3.2	3.0	3.9
Industry (B to E)	2.5	2.8	1.2	1.9	2.1	0.9	1.3	1.2	1.7	-1.1	-1.0	-1.4	5.6	5.2	7.1
Construction (F)	-0.3	0.2	-2.4	-1.5	-1.0	-3.4	0.6	0.7	0.0	-2.8	-2.6	-3.6	3.3	3.1	4.1
Services (G to N)	1.3	1.1	1.8	0.2	0.4	-0.5	0.1	0.4	-1.4	-3.0	-2.9	-3.7	1.7	1.6	1.9
O to S	4.6	4.0	6.2	-3.2	-3.8	-1.3	8.7	7.6	11.7	0.2	0.1	0.3	-0.7	-1.1	0.5

**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)	Q2-2017			Q3-2017			Q4-2017			Q1-2018			Q2-2018		
	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>4.6</b>	<b>4.3</b>	<b>5.4</b>	<b>0.4</b>	<b>0.3</b>	<b>0.7</b>	<b>5.6</b>	<b>5.2</b>	<b>7.0</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>-0.2</b>	<b>-0.4</b>	<b>0.5</b>
B to N	3.2	3.3	2.7	2.2	2.4	1.2	2.2	2.4	1.5	0.8	1.0	0.2	1.5	1.4	2.3
Industry (B to E)	4.2	4.5	2.8	3.5	3.7	2.5	3.0	2.9	3.4	2.1	2.2	1.8	3.8	3.5	5.4
Construction (F)	1.3	1.8	-0.8	0.1	0.5	-1.8	2.3	2.4	1.7	0.3	0.6	-0.5	1.7	1.5	2.4
Services (G to N)	2.9	2.8	3.5	1.8	2.0	1.1	1.7	2.1	0.2	0.1	0.3	-0.6	0.0	0.0	0.2
O to S	6.3	5.7	7.9	-1.7	-2.3	0.2	10.5	9.4	13.6	3.4	3.3	3.5	-2.3	-2.7	-1.1

Source: INE, Labour Cost Index - 2<sup>nd</sup> quarter of 2018.

**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 conditioning supply	M - Professional, scientific and technical activities
E - Water supply, sewerage, and waste management activities	N - Administrative and support service activities
F - Construction	O - Public administration, defence, and compulsory social security
G - Wholesale and retail trade; repair of motor vehicles, motorcycles, mopeds and scooters	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)	Q2-2017			Q3-2017			Q4-2017			Q1-2018			Q2-2018		
	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>2.9</b>	<b>1.4</b>	<b>-1.6</b>	<b>-1.1</b>	<b>1.0</b>	<b>2.1</b>	<b>3.8</b>	<b>4.1</b>	<b>0.2</b>	<b>-1.3</b>	<b>-0.7</b>	<b>0.4</b>	<b>1.4</b>	<b>0.2</b>	<b>-1.1</b>
B to N	1.5	2.2	0.7	0.6	1.4	0.9	0.5	1.7	1.2	-2.3	0.2	2.6	3.2	1.3	-1.8
Industry (B to E)	2.5	3.4	0.9	1.9	1.7	0.0	1.3	2.1	0.8	-1.1	0.7	1.8	5.6	2.0	-3.3
Construction (F)	-0.3	1.4	1.7	-1.5	1.4	2.9	0.6	2.4	1.8	-2.8	0.3	3.1	3.3	1.9	-1.4
Services (G to N)	1.3	1.5	0.3	0.2	1.2	1.0	0.1	1.3	1.2	-3.0	0.0	3.1	1.7	0.7	-0.9
O to S	4.6	0.4	-4.2	-3.2	0.3	3.8	8.7	7.7	-1.0	0.2	-2.1	-2.3	-0.7	-1.1	-0.4

**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)	Q2-2017			Q3-2017			Q4-2017			Q1-2018			Q2-2018		
	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>4.6</b>	<b>1.4</b>	<b>-3.2</b>	<b>0.4</b>	<b>1.0</b>	<b>0.5</b>	<b>5.6</b>	<b>4.1</b>	<b>-1.5</b>	<b>1.9</b>	<b>-0.7</b>	<b>-2.8</b>	<b>-0.2</b>	<b>0.2</b>	<b>0.5</b>
B to N	3.2	2.2	-1.0	2.2	1.4	-0.7	2.2	1.7	-0.5	0.8	0.2	-0.6	1.5	1.3	-0.2
Industry (B to E)	4.2	3.4	-0.7	3.5	1.7	-1.6	3.0	2.1	-0.8	2.1	0.7	-1.4	3.8	2.0	-1.7
Construction (F)	1.3	1.4	0.1	0.1	1.4	1.3	2.3	2.4	0.2	0.3	0.3	-0.1	1.7	1.9	0.2
Services (G to N)	2.9	1.5	-1.4	1.8	1.2	-0.6	1.7	1.3	-0.4	0.1	0.0	-0.1	0.0	0.7	0.8
O to S	6.3	0.4	-5.8	-1.7	0.3	2.2	10.5	7.7	-2.6	3.4	-2.1	-5.3	-2.3	-1.1	1.3

Source: INE, Labour Cost Index -2<sup>nd</sup> quarter of 2018.

**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	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	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](#) (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.

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.

*(to be continued)*

(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 1<sup>st</sup> quarter of 2018 in the Press Release "Labour Cost Index – 1<sup>st</sup> quarter of 2018", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 1 <sup>st</sup> quarter of 2018										
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
<b>Total (B to S)</b>	<b>-0.2</b>	<b>-0.2</b>	<b>0.0</b>	<b>-0.3</b>	<b>-0.1</b>	<b>-0.2</b>	<b>-0.3</b>	<b>0.0</b>	<b>-0.3</b>	<b>0.0</b>
B to N	0.4	0.4	0.4	0.4	0.0	0.4	0.4	0.5	0.4	0.0
Industry (B to E)	1.1	1.1	1.1	0.8	-0.3	1.1	1.1	1.1	0.8	-0.3
Construction (F)	0.5	0.4	0.7	0.4	0.0	0.5	0.4	0.7	0.4	0.0
Services (G to N)	-0.1	0.0	0.0	-0.1	0.0	0.0	-0.1	0.0	-0.1	0.0
O to S	-1.1	-1.3	-0.6	-1.0	0.0	-1.1	-1.3	-0.5	-1.0	0.0

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 2<sup>nd</sup> of August of 2018. The response rate was 91.7%.

**Next Press Release:** 14 November 2018.