

12 February 2020

Labour Cost Index 4th quarter of 2020

The Labour Cost Index increased by 8.6% in 2020, mainly as a result of the reduction of the hours worked

In 2020, the Labour Cost Index (LCI) increased by 8.6%, corresponding to increases of 9.2% in the wage costs and of 6.1% in the other costs. The average cost per employee increased by 2.0% and the number of hours actually worked per employee decreased by 5.8%.

In the 4th quarter of 2020, the LCI recorded a year-on-year increase of 6.6%, as a consequence of the increase of 2.8% in the average cost per employee and the reduction of 3.3% in the number of hours actually worked per employee. In the previous quarter the LCI rate of change had been 6.0%.

Despite the circumstances caused by the COVID-19 pandemic, Statistics Portugal calls for the best cooperation from enterprises, households and public bodies in responding to Statistics Portugal's requests. The quality of official statistics, particularly their ability to identify the impacts of the COVID-19 pandemic, crucially depends on this cooperation, for which Statistics Portugal thanks you in advance.

1. Labour Cost Index and components

In the 4th quarter of 2020, the LCI increased by 6.6%. The wage costs and the other costs, per hour actually worked, increased by 6.5% and by 7.0%, respectively. These rates of change were higher than those observed in the previous quarter (6.0%, 6.3% and 4.8%, correspondingly) (Figure 1).¹

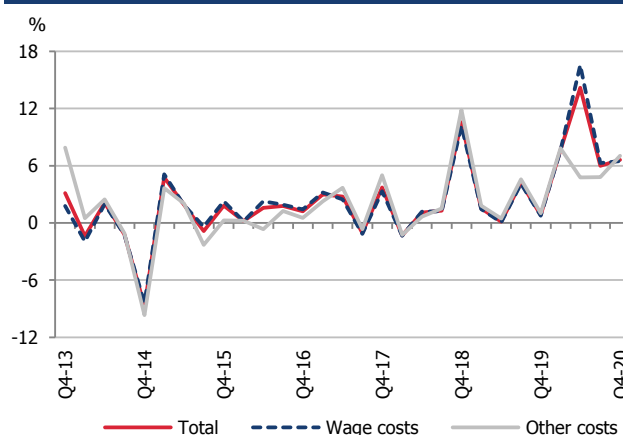
The average cost per employee increased by 2.8% (it had increased 2.7% in the preceding quarter) and the hours actually worked per employee decreased by 3.3% (it had decreased 2.9% in the previous quarter).

As in the 3rd quarter of 2020, the average cost per employee recorded an increase in all the economic activities (Figure 2).

The reduction of the number of hours actually worked per employee, as in the previous quarter, was common

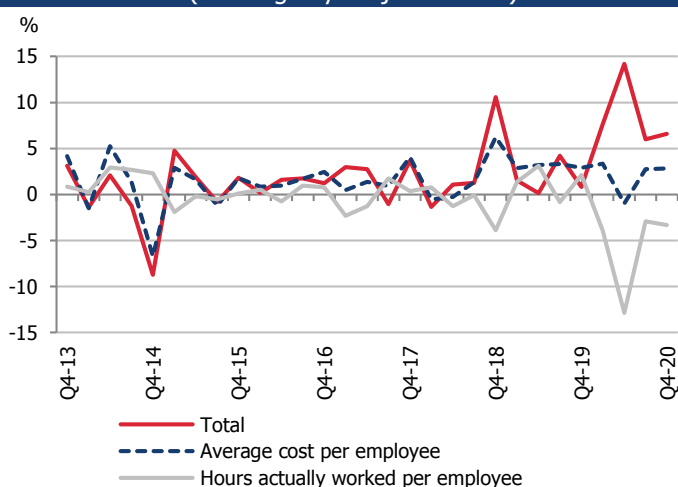
to the majority of the economic activities, becoming even more pronounced. Exceptions are the activities of the public sector (sections O to S), that recorded a less significant decrease and those of construction (section F), that registered an increase (Figure 2).

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



¹ 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.

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



As a consequence, the total cost, the wage costs and the non-wage costs (per hour actually worked) recorded higher increases than those observed in the preceding quarter, with exception to the activities of the Public Administration and construction, where the increases were lower.

The wage costs increased essentially due to the rise in the base wage, Christmas bonus and regular bonuses and allowances. The other costs increased mainly due to increases in the payment of the corresponding employers' social contributions.

In 2020, the LCI recorded an increase of 8.6%, corresponding to the growth of 9.2% in the wage costs and of 6.1% in the other costs. The average cost per employee increased by 2.0% and the number of hours actually worked per employee dropped by 5.8%.

In 2019, the LCI had recorded an increase of 1.6%, corresponding to the growth of 1.6% in the wage costs and of 1.9% in the other costs. The average cost per employee had increased by 3.1% and the hours actually worked per employee by 1.5%.

2. Sectors of economic activity

In the 4th quarter of 2020, for the subgroup of economic activities from sections B to N (which include, in general, the business economy or the private sector of the economy), the LCI increased by 8.1%.

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, the LCI recorded an annual increase of 4.1%.

In 2020, the LCI registered an increase of 7.9% in the activities of sections B to N (it had increased 1.1% in 2019) and an increase of 9.7% (2.6% in 2019) in the activities of sections O to S.

Sections B to N

In the 4th quarter of 2020, in the activities from sections B to N:

- the wage costs increased by 8.0% and the other labour costs increased by 8.6% (Figure 3);
- the average labour cost per employee increased by 3.3% (Figure 4);
- the number of hours actually worked per employee decreased by 4.2% (Figure 4).

Among the activities from sections B to N, the LCI increased by 6.0% in industry (sections B to E), by 1.6% in construction (section F), and by 9.9% in services (G to N).

In Industry (6.0%):

- the wage costs increased by 5.9% and the other labour costs increased by 6.4%;

- the average cost per employee increased by 3.0%;
- the number of hours actually worked per employee decreased by 2.8%.

- the number of hours actually worked per employee increased by 0.7%.

In Services (9.9%):

- the wage costs increased by 9.8% and the other labour costs increased by 10.5%;
- the average cost per employee increased by 3.5%;
- the number of hours actually worked per employee decreased by 5.5%.

In 2020, the LCI increased, compared to the previous year, by 7.8% in industry (sections B to E), 3.8% in construction (section F) and 8.4% in services (sections G to N). In 2019, the LCI had recorded increases of 1.2%, 2.2% and 0.9%, respectively, in those activities.

Sections O to S

In the 4th quarter of 2020, in the activities from sections O to S, the LCI recorded an increase of 4.1%. In these activities:

- the wage costs increased by 4.1% and the other labour costs increased by 4.3%;
- the average cost per employee increased by 2.1%;
- the number of hours actually worked per employee decreased by 1.9%.

3. Comparison with the European Union

The latest available information by country on the LCI year-on-year change reports to the 3rd quarter of 2020 and was published by Eurostat in the 16th December of 2020 (Figure 5).

Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 4th quarter of 2020
(working days adjusted data)

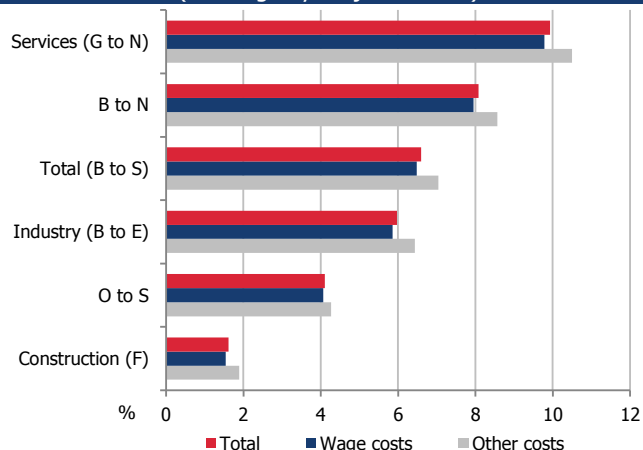
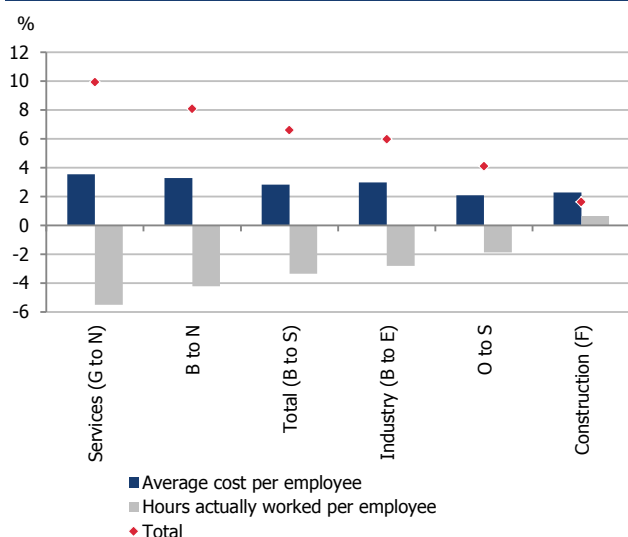


Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 4th quarter of 2020
(working days adjusted data)



In Construction (1.6%):

- the wage costs increased by 1.5% and the other labour costs increased by 1.9%;
- the average cost per employee increased by 2.3%;

The LCI year-on-year rate of change for the European Union (27 countries) was 1.8%, in the 3rd quarter of 2020.

Three countries, Denmark, Luxembourg and Slovenia, recorded the same rate of change as the European Union.

In eleven countries, the LCI rates of change were larger than the European Union average, with Slovakia recording the largest LCI increase (6.0%).

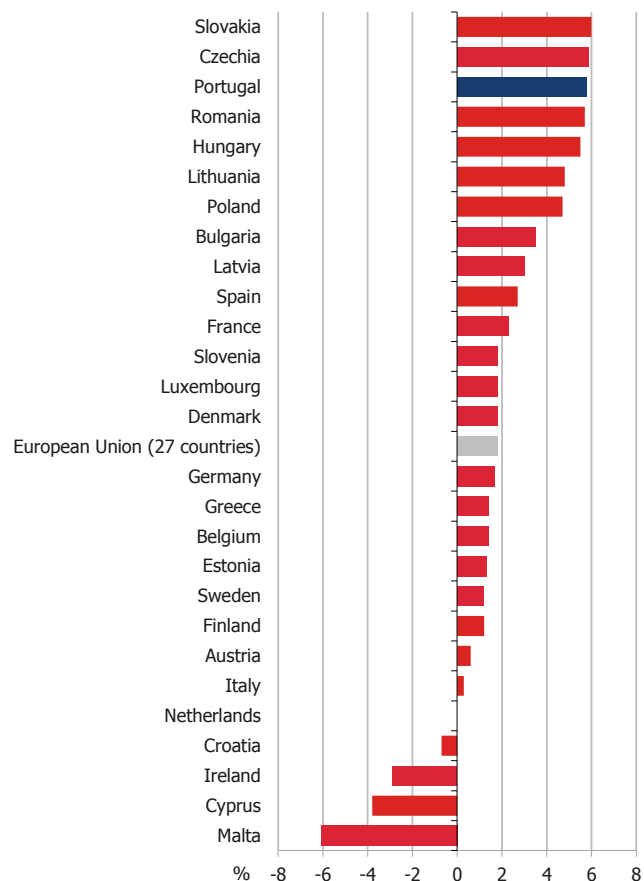
In eight countries, the LCI recorded lower increases than the European Union average, from 0.3%, in Italy, to 1.7% in Germany.

In the Netherlands, the year-on-year rate of change was null.

Portugal recorded a year-on-year increase larger than the European Union average, of 5.8%.

Four countries, Malta, Cyprus, Ireland and Croatia, recorded year-on-year decreases of the LCI, between 6.1% in Malta and 0.7% in Croatia.

Figure 5: LCI year-on-year rate of change by European Union Country (27) in the 3rd quarter of 2020 (working days adjusted data)



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

Economic activity (sections from Nace-Rev. 2)	Q1-2020			Q2-2020			Q3-2020			Q4-2020			2019			2020		
	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	Wage costs	Other costs
Total (B to S)	7.6	7.6	7.8	14.2	16.5	4.8	6.0	6.3	4.8	6.6	6.5	7.0	1.6	1.6	1.9	8.6	9.2	6.1
B to N	6.6	6.5	6.9	11.5	14.9	-1.5	5.5	5.9	3.7	8.1	8.0	8.6	1.1	1.0	1.5	7.9	8.8	4.5
Industry (B to E)	7.5	7.4	7.6	14.5	17.9	1.1	3.9	4.4	2.3	6.0	5.9	6.4	1.2	1.1	1.6	7.8	8.7	4.3
Construction (F)	6.1	6.1	6.3	3.7	4.7	0.2	4.0	4.1	3.9	1.6	1.5	1.9	2.2	2.1	2.5	3.8	4.0	3.0
Services (G to N)	6.1	6.0	6.6	10.8	14.4	-3.1	6.5	7.0	4.5	9.9	9.8	10.5	0.9	0.8	1.4	8.4	9.4	4.8
O to S	9.4	9.4	9.5	18.7	19.3	16.2	6.8	6.8	6.8	4.1	4.1	4.3	2.6	2.5	2.7	9.7	9.8	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)**

Economic activity (sections from Nace-Rev. 2)	Q1-2020			Q2-2020			Q3-2020			Q4-2020			2019			2020		
	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	Wage costs	Other costs
Total (B to S)	5.9	5.9	6.1	12.3	14.6	3.1	4.4	4.7	3.2	10.0	9.9	10.5	1.6	1.6	1.9	8.3	8.9	5.8
B to N	4.9	4.8	5.2	9.7	13.0	-3.1	3.9	4.3	2.2	11.6	11.4	12.1	1.1	1.0	1.5	7.6	8.5	4.2
Industry (B to E)	5.8	5.7	5.9	12.6	16.0	-0.5	2.4	2.8	0.7	9.4	9.3	9.9	1.2	1.1	1.6	7.5	8.4	4.0
Construction (F)	4.4	4.4	4.6	2.0	3.0	-1.4	2.5	2.5	2.4	4.9	4.8	5.2	2.1	2.1	2.5	3.5	3.7	2.7
Services (G to N)	4.5	4.3	4.9	9.0	12.5	-4.7	4.9	5.4	2.9	13.5	13.3	14.1	0.9	0.8	1.4	8.2	9.1	4.5
O to S	7.7	7.7	7.7	16.7	17.3	14.3	5.2	5.2	5.2	7.5	7.4	7.6	2.6	2.5	2.7	9.3	9.5	8.7

Source: INE, Labour Cost Index - 4th quarter of 2020.

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, waste management and remediation 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 and motor cycles | 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)**

Economic activity (sections from Nace-Rev. 2)	Q1-2020			Q2-2020			Q3-2020			Q4-2020			2019			2020		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	7.6	3.4	-3.9	14.2	-1.0	-12.9	6.0	2.7	-2.9	6.6	2.8	-3.3	1.6	3.1	1.5	8.6	2.0	-5.8
B to N	6.6	3.4	-2.9	11.5	-3.1	-12.5	5.5	2.4	-2.9	8.1	3.3	-4.2	1.1	3.3	2.2	7.9	1.5	-5.6
Industry (B to E)	7.5	3.5	-3.7	14.5	-3.9	-15.8	3.9	2.2	-1.7	6.0	3.0	-2.8	1.2	3.5	2.3	7.8	1.2	-6.1
Construction (F)	6.1	3.3	-2.6	3.7	-0.2	-3.8	4.0	3.0	-1.0	1.6	2.3	0.7	2.2	2.8	0.7	3.8	2.1	-1.7
Services (G to N)	6.1	3.4	-2.5	10.8	-3.0	-11.7	6.5	2.4	-3.8	9.9	3.5	-5.5	0.9	3.2	2.3	8.4	1.6	-5.9
O to S	9.4	3.2	-5.6	18.7	2.6	-13.4	6.8	3.3	-2.9	4.1	2.1	-1.9	2.6	2.7	0.1	9.7	2.8	-6.0

**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)**

Economic activity (sections from Nace-Rev. 2)	Q1-2020			Q2-2020			Q3-2020			Q4-2020			2019			2020		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	5.9	3.4	-2.4	12.3	-1.0	-11.4	4.4	2.7	-1.4	10.0	2.8	-6.4	1.6	3.1	1.4	8.3	2.0	-5.4
B to N	4.9	3.4	-1.3	9.7	-3.1	-11.1	3.9	2.4	-1.4	11.6	3.3	-7.2	1.1	3.3	2.2	7.6	1.5	-5.2
Industry (B to E)	5.8	3.5	-2.2	12.6	-3.9	-14.4	2.4	2.2	-0.1	9.4	3.0	-5.9	1.2	3.5	2.2	7.5	1.2	-5.7
Construction (F)	4.4	3.3	-1.1	2.0	-0.2	-2.2	2.5	3.0	0.5	4.9	2.3	-2.5	2.1	2.8	0.6	3.5	2.1	-1.3
Services (G to N)	4.5	3.4	-0.9	9.0	-3.0	-10.3	4.9	2.4	-2.3	13.5	3.5	-8.5	0.9	3.2	2.3	8.2	1.6	-5.5
O to S	7.7	3.2	-4.1	16.7	2.6	-12.0	5.2	3.3	-1.4	7.5	2.1	-4.9	2.6	2.7	0.1	9.3	2.8	-5.7

Source: INE, Labour Cost Index - 4th quarter of 2020.

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 – 4th quarter of 2020

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TECHNICAL NOTE

With the publication of the results for the 1st quarter of 2019, Statistics Portugal started the dissemination of a new series of the Labour Cost Index (LCI), with the base year in 2016, in line with Eurostat's procedure for the Labour Cost Index, whenever new data of the (quadrennial) Labour Cost Survey become available.

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 actual sample of 3 800 entities), which declared earnings for a total of 4.2 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the above mentioned sample 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.

This change has impact in the indices released since the 1st quarter of 2019.

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

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) contribute to explaining their developments.

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
- 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)

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.

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.

(to be continued)

(continuation)

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. Raw series, not adjusted for working day effects, are available in the annex tables and at the Official Statistics website.

Revisions

The data published in this release concerning the last quarters are subject to revisions. These revisions result from the inclusion of information for the last quarter sent lately by some enterprises of the sample survey on hours worked and from the update of information obtained through administrative sources, namely by data from the *Declaração Mensal de Remunerações* reported on a monthly basis by the enterprises to the Social Security.

Additionally, the LCI series have been revised as a result of the detection of a mistake in the "other costs" component, since the 1st quarter of 2019.

The impact of those revisions, measured by the difference between the year-on-year rates of change published today and those published for the 3rd quarter of 2020 in the Press Release "Labour Cost Index – 3rd quarter of 2020", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 3rd quarter of 2020

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	Hours actually worked		Wage costs	Other costs	Average cost	Hours actually worked
	Per hour actually worked		Per employee		Per hour actually worked		Per employee			
	Working days adjusted data					Non working days adjusted data				
Total (B to S)	0.0	0.1	-0.1	0.0	0.0	0.0	0.1	-0.1	0.0	0.1
B to N	-0.1	0.0	-0.6	-0.1	0.1	-0.1	0.0	-0.5	-0.1	0.1
Industry (B to E)	0.1	0.2	0.2	0.1	0.0	0.2	0.2	0.1	0.1	0.0
Construction (F)	0.8	0.9	0.6	-0.1	-0.9	0.9	0.9	0.7	-0.1	-0.9
Services (G to N)	-0.4	-0.1	-1.4	-0.2	0.2	-0.4	-0.1	-1.4	-0.2	0.2
O to S	0.3	0.1	1.0	0.2	0.0	0.3	0.1	1.0	0.2	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 1st of February of 2020. The response rate of the LCI survey on hours worked was 89.8%.

Next Press Release: 14 May 2021.