



12 August 2022  
LABOUR COST INDEX  
2<sup>nd</sup> quarter of 2022

## THE LABOUR COST INDEX INCREASED BY 5.7% IN THE 2<sup>nd</sup> QUARTER OF 2022

In the 2<sup>nd</sup> quarter of 2022, the Labour Cost Index (LCI) recorded a year-on-year increase of 5.7%. In the previous quarter, it had increased 1.4%.

The wage costs (per hour actually worked) increased by 5.6%, and the other labour costs (also per hour actually worked) increased by 6.3%, compared with the same period of the previous year.

The year-on-year development of the LCI resulted from the combined effect of the increase of 4.0% in the average cost per employee and the reduction of 1.5% in the number of hours actually worked per employee. The increase of the former component took place in all the economic activities, with the highest variations being recorded in construction and in services (both with 5.1%) and the lowest being observed in the Public Administration (2.4%). The hours actually worked per employee recorded decreases in all the economic activities, with the exception of services, where the rate of change remained unchanged. The largest decreases were observed in industry (2.6%) and in the Public Administration (2.5%). As a consequence, the LCI increased in all the economic activities.

### 1. Labour Cost Index and components

In the 2<sup>nd</sup> quarter of 2022, the LCI, that measures the labour costs per hour actually worked, increased by 5.7% compared with the same quarter of 2021 (it had increased by 1.4% in the preceding quarter)<sup>1</sup>.

The wage costs (per hour actually worked) increased by 5.6% (0.7% in the previous quarter) and the other labour costs (also per hour actually worked) increased by 6.3% (4.2% in the previous quarter) (Figure 1)<sup>2</sup>.

In the 2<sup>nd</sup> quarter of 2022, the wage costs recorded more pronounced increases in industry (7.4%) and in construction (7.1%), while in services and in the Public Administration lower increases were observed, of 5.1% and 5.0%, respectively. In the preceding quarter, except for the Public Administration, the wage costs had registered lower increases in all the economic activities.

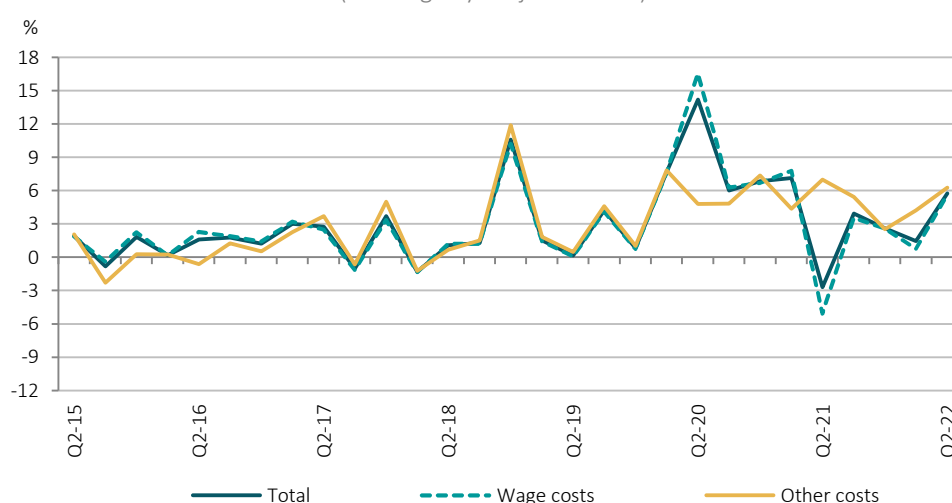
<sup>1</sup> It should be noted that the wage costs considered in the LCI computation include those that were partially supported by Social Security in the scope of the employment protection measures, with the implementation, in particular, of the simplified layoff regime in the pandemic context. These amounts cannot be identified on the primary data used to calculate the LCI. Therefore, although from the economy perspective the LCI displays the behaviour of the hourly labour costs, in the companies' perspective these costs tend to be overestimated during this regime period.

<sup>2</sup> The data analyzed in this press release are working days adjusted. The raw data are available in the annex tables and at the Official Statistics Portal.



The non-wage costs recorded higher variations than those observed in the wage costs in all the economic activities, except for construction, where these costs recorded the same rate of change. As in the previous quarter, the most accentuated increase of the other costs was a result of the recovery of the payment of social contributions by the enterprises that in the same quarter of the previous year had joined the simplified layoff regime or the extraordinary support for progressive resumption of activity.

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



**Source:** Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

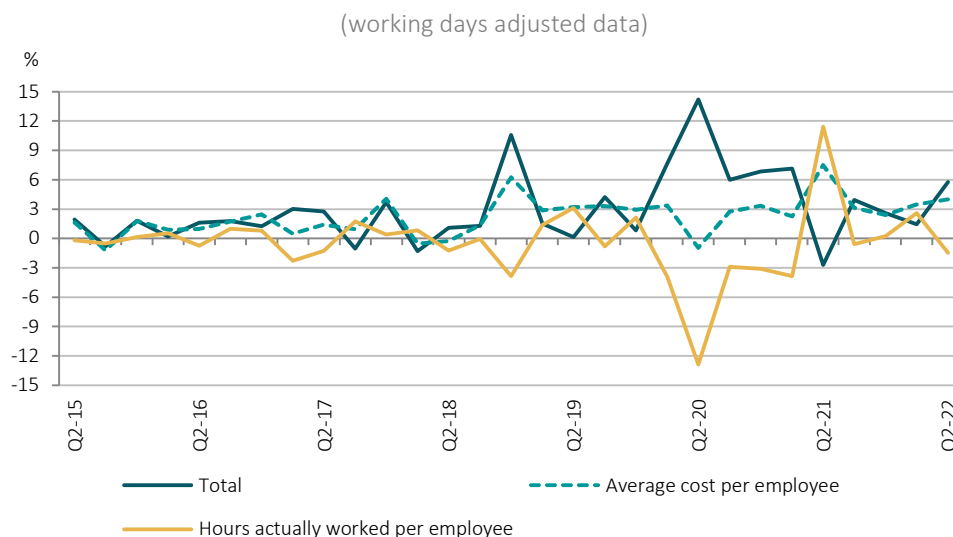
The increase of the LCI was explained by the combined effect of the growth of 4.0% in the average cost per employee (it had increased by 3.5% in the preceding quarter) and the reduction of 1.5% in the number of hours actually worked (it had increased by 2.6% in the previous quarter) (Figure 2).

The average cost per employee recorded a more pronounced increase than that observed in the preceding quarter in all the economic activities. The highest variations were registered in construction and in services (both with 5.1%) and the lowest in the Public Administration (2.4%). The increases recorded in the Public Administration have been lower than those in the remaining activities since the 1<sup>st</sup> quarter of 2021.

Except for services, the number of hours actually worked per employee decreased in all the economic activities, in particular in industry (-2.6%) and in the Public Administration (-2.5%).

In the same quarter of the previous year, a strong increase of the number of hours actually worked per employee was recorded in all the economic activities, except for construction, essentially explained by the total or partial reopening of the companies that were closed, set by legislative procedures, or even due to the reduction of the normal working period, as a result of the drop in turnover.

Figure 2. LCI year-on-year rate of change by source of variation



Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

## 2. Sectors of economic activity

In the 2<sup>nd</sup> quarter of 2022, for the subgroup of the economic activities belonging to sections B to N (which include, in general, the business economy of the private sector of the economy), the LCI increased by 6.1%.

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 a year-on-year increase of 5.1%.

### Sections B to N

In the 2<sup>nd</sup> quarter of 2022, in the activities from sections B to N, compared with the same quarter of 2021, it was observed that:

- the wage costs increased by 5.9% and the other labour costs increased by 6.7% (Figure 3);
- the average labour cost per employee increased by 4.9% (Figure 4);
- the number of hours actually worked per employee decreased by 1.0% (Figure 4).

Among the activities from sections B to N, the LCI increased by 7.4% in industry (sections B to E), by 7.1% in construction (section F), and by 5.3% in services (sections G to N).



In Industry (7.4%):

- the wage costs increased by 7.4% and the other labour costs increased by 7.6%;
- the average cost per employee increased by 4.4%;
- the number of hours actually worked per employee decreased by 2.6%.

In Construction (7.1%):

- the wage costs and the other labour costs increased by 7.1%;
- the average cost per employee increased by 5.1%;
- the number of hours actually worked per employee decreased by 1.9%.

In Services (5.3%):

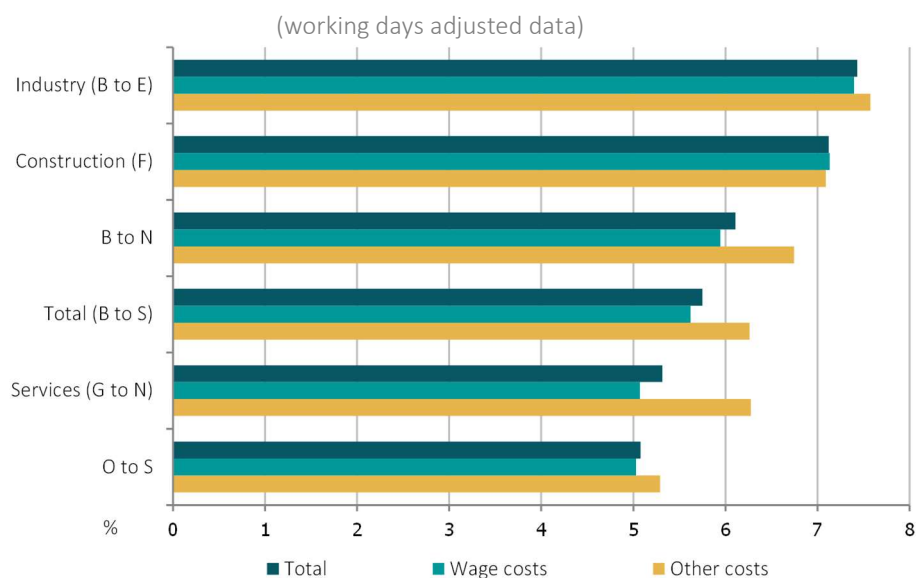
- the wage costs increased by 5.1% and the other labour costs increased by 6.3%;
- the average cost per employee increased by 5.1%;
- the number of hours actually worked per employee remained unchanged.

### Sections O to S

In the 2<sup>nd</sup> quarter of 2022, in the activities from sections O to S, the LCI recorded a decrease of 5.1%. In these activities:

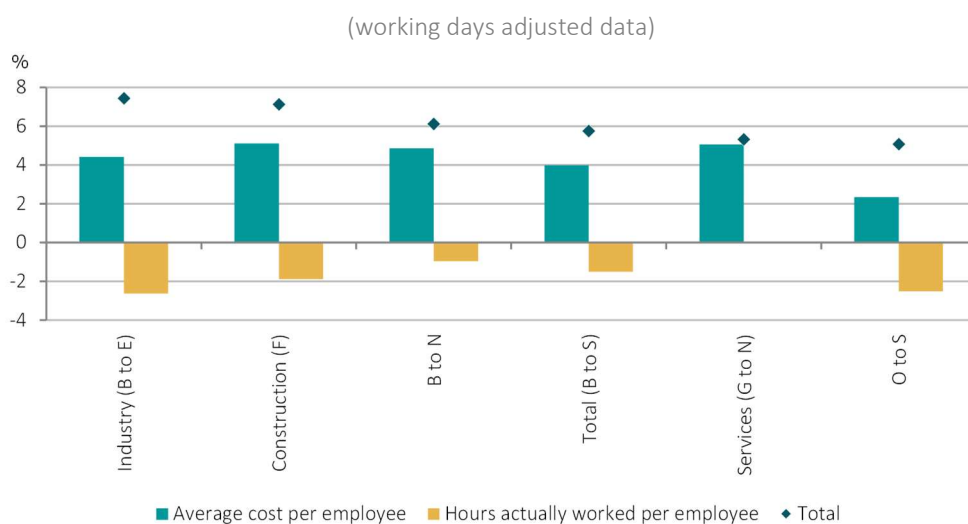
- the wage costs decreased by 5.0% and the other labour costs increased by 5.3%;
- the average cost per employee increased by 2.4%;
- the number of hours actually worked per employee increased by 2.5%.

Figure 3. LCI year-on-year rate of change by index component and economic activity in the 2<sup>nd</sup> quarter of 2022



Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

Figure 4. LCI year-on-year rate of change by index source of variation and economic activity in the 2<sup>nd</sup> quarter of 2022



Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.



### 3. Comparison with the European Union

The latest available information by country on the LCI year-on-year rate of change reports to the 1<sup>st</sup> quarter of 2022 and was published by Eurostat on the 16<sup>th</sup> of June of 2022 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 4.2%, in the 1<sup>st</sup> quarter of 2022.

Seventeen countries recorded LCI rates of change larger than the European Union average, with Hungary recording the largest LCI increase (20.1%).

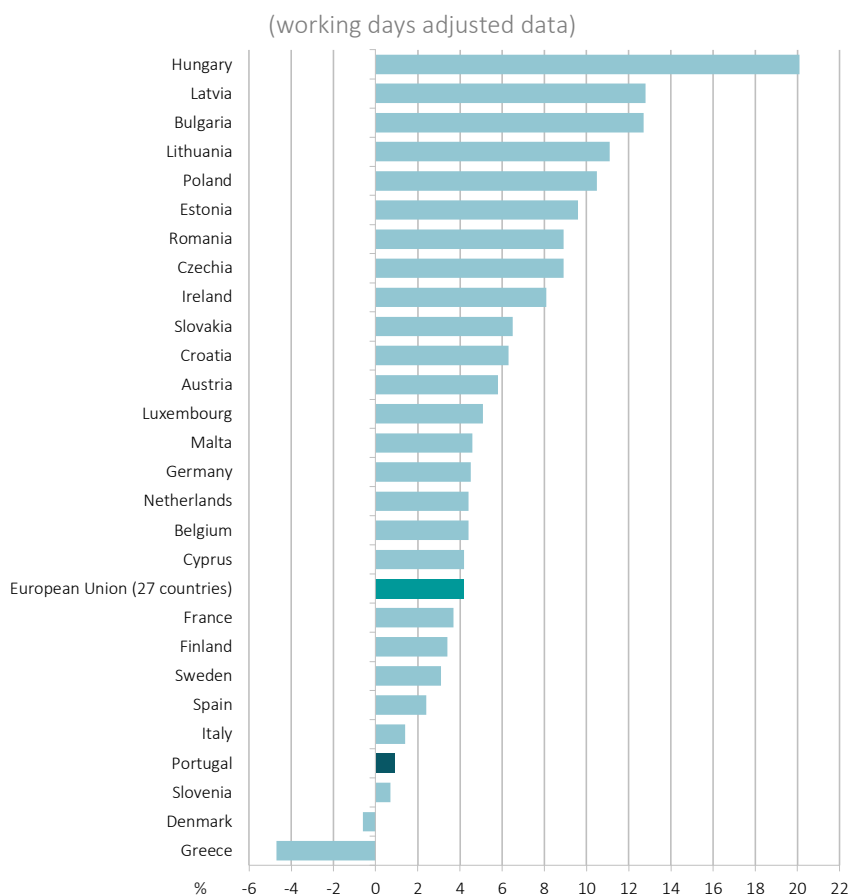
Cyprus recorded a year-on-year increase of 4.2%, the same as the European Union.

In seven countries, the LCI recorded a lower increase than the European Union average, between 0.7% in Slovenia, and 3.7% in France.

Greece and Denmark observed year-on-year decreases of the LCI, of 4.7% and 0.6%, respectively.

For Portugal, Eurostat estimated a year-on-year increase, of 0.9%.

**Figure 5. LCI year-on-year rate of change by European Union Country (27) in the 1<sup>st</sup> quarter of 2022**



**Source:** Statistics Portugal, Labour Cost Index – 1<sup>st</sup> quarter of 2022, Eurostat – 1<sup>st</sup> quarter of 2022.





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

Economic activity (sections from Nace-Rev. 2)	Q2-2021			Q3-2021			Q4-2021			Q1-2022			Q2-2022		
	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>-2.7</b>	<b>-5.1</b>	<b>7.0</b>	<b>3.9</b>	<b>3.5</b>	<b>5.4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>1.4</b>	<b>0.7</b>	<b>4.2</b>	<b>5.7</b>	<b>5.6</b>	<b>6.3</b>
B to N	0.9	-2.4	14.5	2.9	2.3	5.0	-0.7	-0.7	-0.6	3.1	2.2	6.3	6.1	5.9	6.7
Industry (B to E)	-2.8	-6.0	9.8	5.2	4.7	7.2	1.8	1.9	1.5	2.3	2.1	2.8	7.4	7.4	7.6
Construction (F)	10.2	9.1	14.3	3.7	3.6	3.9	6.9	7.0	6.7	6.3	6.2	6.6	7.1	7.1	7.1
Services (G to N)	1.8	-2.0	16.8	1.6	1.0	4.1	-2.8	-2.8	-2.5	3.0	1.7	8.1	5.3	5.1	6.3
O to S	-9.2	-9.6	-7.1	5.7	5.7	6.1	8.3	8.3	8.3	-1.6	-1.9	0.0	5.1	5.0	5.3

Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

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

Economic activity (sections from Nace-Rev. 2)	Q2-2021			Q3-2021			Q4-2021			Q1-2022			Q2-2022		
	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>-4.7</b>	<b>-6.6</b>	<b>5.2</b>	<b>3.9</b>	<b>3.5</b>	<b>5.4</b>	<b>2.6</b>	<b>2.6</b>	<b>2.5</b>	<b>-0.2</b>	<b>-0.8</b>	<b>2.6</b>	<b>7.5</b>	<b>7.4</b>	<b>8.0</b>
B to N	-1.3	-4.0	12.7	2.9	2.3	5.0	-0.7	-0.7	-0.6	1.4	0.6	4.7	7.8	7.7	8.5
Industry (B to E)	-4.7	-7.5	8.1	5.2	4.7	7.2	1.8	1.9	1.5	0.7	0.5	1.2	9.2	9.2	9.3
Construction (F)	8.4	7.4	12.4	3.7	3.6	3.9	6.9	7.0	6.7	4.7	4.6	4.9	8.9	8.9	8.8
Services (G to N)	-0.7	-3.6	15.0	1.7	1.0	4.1	-2.8	-2.8	-2.5	1.4	0.2	6.4	7.0	6.8	8.0
O to S	-10.7	-11.1	-8.6	5.7	5.7	6.1	8.3	8.3	8.3	-3.1	-3.5	-1.6	6.8	6.8	7.0

Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

**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



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

Economic activity (sections from Nace-Rev. 2)	Q2-2021			Q3-2021			Q4-2021			Q1-2022			Q2-2022		
	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>	-2.7	7.5	11.4	3.9	3.1	-0.6	2.6	2.4	0.2	1.4	3.5	2.6	5.7	4.0	-1.5
B to N	0.9	10.2	10.4	2.9	4.2	1.4	-0.7	3.0	4.0	3.1	4.2	1.8	6.1	4.9	-1.0
Industry (B to E)	-2.8	11.2	14.9	5.2	4.7	-0.4	1.8	3.6	1.7	2.3	3.0	0.7	7.4	4.4	-2.6
Construction (F)	10.2	6.8	-3.1	3.7	3.5	-0.2	6.9	4.7	-2.1	6.3	4.7	-1.5	7.1	5.1	-1.9
Services (G to N)	1.8	10.1	9.6	1.6	4.1	2.4	-2.8	2.6	5.8	3.0	4.8	2.8	5.3	5.1	0.0
O to S	-9.2	2.7	13.3	5.7	1.2	-4.1	8.3	1.2	-6.5	-1.6	2.1	4.0	5.1	2.4	-2.5

Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

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

Economic activity (sections from Nace-Rev. 2)	Q2-2021			Q3-2021			Q4-2021			Q1-2022			Q2-2022		
	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>	-4.7	7.5	13.3	3.9	3.1	-0.6	2.6	2.4	0.2	-0.2	3.5	4.2	7.5	4.0	-3.1
B to N	-1.3	10.2	12.2	2.9	4.2	1.4	-0.7	3.0	4.0	1.4	4.2	3.4	7.8	4.9	-2.6
Industry (B to E)	-4.7	11.2	16.8	5.2	4.7	-0.4	1.8	3.6	1.7	0.7	3.0	2.3	9.2	4.4	-4.2
Construction (F)	8.4	6.8	-1.5	3.7	3.5	-0.2	6.9	4.7	-2.1	4.7	4.7	0.0	8.9	5.1	-3.5
Services (G to N)	-0.7	10.1	11.4	1.7	4.1	2.4	-2.8	2.6	5.8	1.4	4.8	4.5	7.0	5.1	-1.6
O to S	-10.7	2.7	15.1	5.7	1.2	-4.1	8.3	1.2	-6.5	-3.1	2.1	5.6	6.8	2.4	-4.1

Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

Note: The name of the activities can be found in the previous page.





## TECHNICAL NOTE

With the publication of the results for the 1<sup>st</sup> 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 1<sup>st</sup> 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 around 4 100 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 LCI 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.

The back series for all indices, from the 1<sup>st</sup> 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) contribute 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.

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.

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 analyzed 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 by the enterprises to the Social Security.

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 2022 in the Press Release “Labour Cost Index – 1<sup>st</sup> quarter of 2022”, 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 2022

Economic activity (sections from Nace- Rev. 2)	Working days adjusted data					Non working days adjusted 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	
	%									
Total (B to S)	0.3	0.3	0.4	0.4	0.0	0.3	0.4	0.4	0.4	0.0
B to N	0.4	0.4	0.4	0.3	0.0	0.3	0.4	0.4	0.3	0.0
Industry (B to E)	0.3	0.2	0.3	0.5	0.2	0.3	0.2	0.3	0.5	0.2
Construction (F)	-0.2	-0.3	-0.2	0.0	0.2	-0.2	-0.2	-0.2	0.0	0.2
Services (G to N)	0.5	0.5	0.5	0.4	-0.1	0.5	0.5	0.5	0.4	-0.1
O to S	0.3	0.3	0.4	0.3	0.0	0.3	0.3	0.3	0.3	0.0

Source: Statistics Portugal, Labour Cost Index – 2<sup>nd</sup> quarter of 2022.

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 29<sup>th</sup> of July of 2022. The response rate of the LCI survey on hours worked was 91.8%.

### 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

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**Next quarterly press release** -14<sup>th</sup> November of 2022

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