



12 May 2023
LABOUR COST INDEX
1st quarter of 2023

THE LABOUR COST INDEX INCREASED BY 6.2% IN THE 1st QUARTER OF 2023 AS A RESULT MAINLY OF INCREASES IN NON-WAGE COSTS PER HOUR ACTUALLY WORKED (7.3%) AND IN AVERAGE COSTS PER EMPLOYEE (7.9%)

In the 1st quarter of 2023, the Labour Cost Index (LCI) recorded a year-on-year increase of 6.2%. In the previous quarter, it had increased 1.4%.

The wage costs (per hour actually worked) increased by 5.9%, and the other labour costs (also per hour actually worked) increased by 7.3%, compared with the same period of the previous year.

The year-on-year change of the LCI resulted also from the increase of 7.9% in the average cost per employee and the 1.5% rise in the number of hours actually worked per employee. The increase of the first component was common to all economic activities, with higher variations than those observed in the preceding quarter. The lowest increase was registered in the Public Administration (6.6%) and the largest was in Construction (10.3%). The hours actually worked per employee also increased in all economic activities, except for the Public Administration, where they decreased 1.1%. The highest increase was observed in Services (3.4%). As a result of these variations, the LCI increased in all economic activities, with the largest increase being recorded in the Public Administration.

With the publication of the results for the 1st quarter of 2023, Statistics Portugal updates the base year of the Labour Cost Index (LCI) to 2020 (2020=100), in accordance with the procedure adopted by Eurostat for the Labour Cost Index, whenever more up-to-date data from the (quadrennial) Labour Cost Survey¹ become available. The back series for all indices, since the 1st quarter of 2008, are available at the Official Statistics website.

1. Labour Cost Index and components

In the 1st quarter of 2023, the LCI, which measures the labour costs per hour actually worked, increased by 6.2% compared with the same quarter of 2022 (it had increased by 1.4% in the preceding quarter).²

¹ For more information about this procedure, see the attached Technical Note.

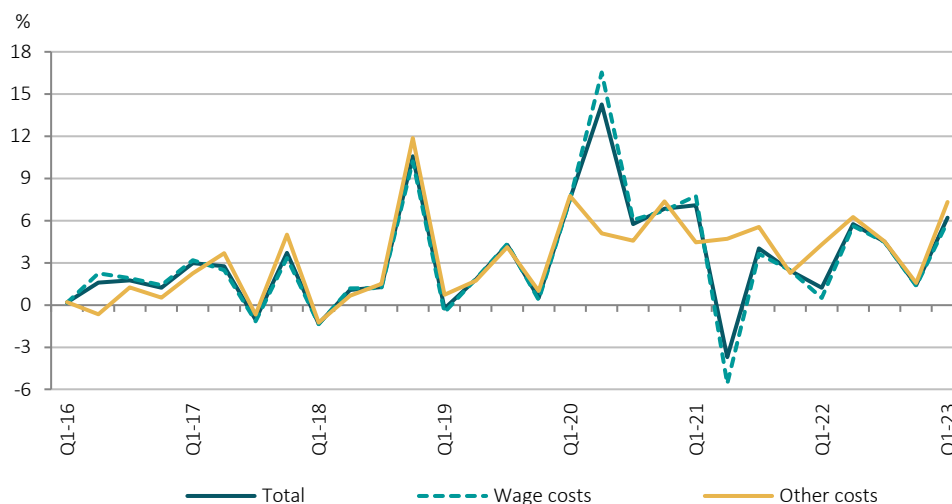
² The wage costs considered in the LCI computation include those that were partially supported by Social Security in the scope of the employment protection measures, with the implementation, in particular, of the simplified layoff regime in the pandemic context. These amounts cannot be identified in the primary data used to calculate the LCI. Therefore, although from the economy perspective the LCI reflects the behaviour of the hourly labour costs, from the enterprises' perspective these costs tend to be overestimated during the period these measures were in place.



The wage costs (per hour actually worked) increased by 5.9% (1.4% in the previous quarter) and the other labour costs (also per hour actually worked) increased by 7.3% (1.6% in the previous quarter) (Figure 1)³.

Figure 1. LCI year-on-year rate of change by components

(working days adjusted data)



Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

In the 1st quarter of 2023, the wage costs recorded increases between 4.8%, in Services, and 7.4%, in the Public Administration. In the preceding quarter, except for the Public Administration, where they decreased, all economic activities had recorded lower increases than those registered in this quarter.

Non-wage costs, similarly to wage costs, recorded higher increases than those observed in the previous quarter, except for the Public Administration, which had registered a decrease and now recorded an increase of 9.6%.

The more pronounced increase of the wage costs and the non-wage costs in the Public Administration was due to the decrease, of 1.1%, in the number of hours actually worked per employee.

Non-wage costs recorded higher variations than the wage costs in all economic activities, which may be explained by the normalisation of the payment of the social contributions by the enterprises that, during the COVID-19 pandemic, joined the simplified layoff regime, the extraordinary support for progressive resumption of activity, or the new business standardisation incentive, being totally or partially exempted from the payment of the employer contributions. As of the 2nd quarter of 2021, the payment of employer contributions was progressively⁴ resumed and, in the 1st quarter of 2022, a group of employers were still benefiting from these measures, which is reflected in the year-on-year changes analysed.

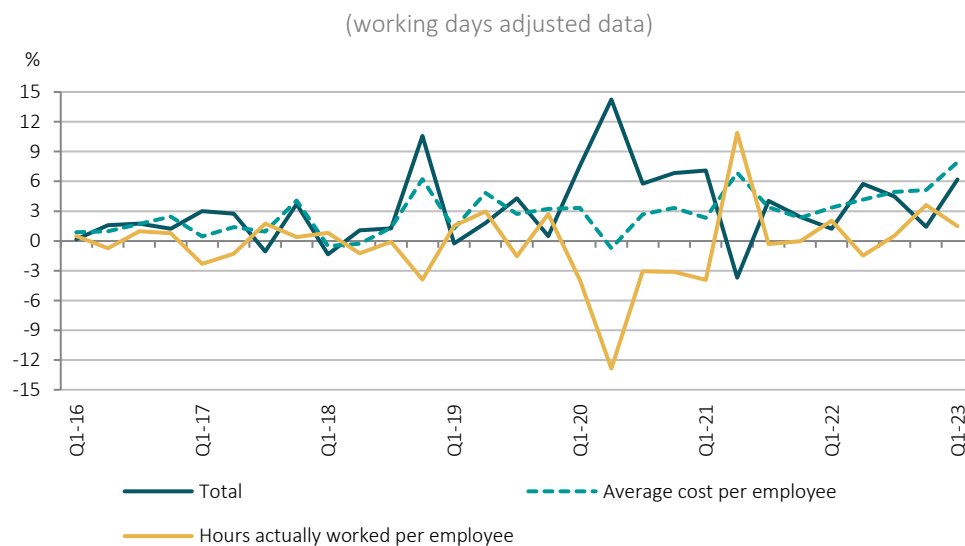
³ The data analyzed in this press release are adjusted for working days. The raw data are available in the annex tables and at the Official Statistics Portal.

⁴ For those employers who, in the context of the COVID-19 pandemic, were totally or partially subject to the duty of close, set by legislative or administrative determination from a government source.



The LCI increase was also explained by the growth of 7.9% in the average cost per employee (it had increased by 5.1% in the preceding quarter) and the increase of 1.5% in the number of hours actually worked per employee (it had increased by 3.6% in the previous quarter) (Figure 2).

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



Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

The average cost per employee recorded a larger increase than the one observed in the preceding quarter in all economic activities, with the highest increase being observed in Construction (10.3%) and the lowest in the Public Administration (6.6%). The increases in the Public Administration have been lower than those in the other activities since the 1st quarter of 2021.

The number of hours actually worked per employee increased in all economic activities, except for the Public Administration, where it decreased 1.1%. The highest increase was observed in Services (3.4%) and the lowest in Industry (2.2%).

2. Sectors of economic activity

In the 1st quarter of 2023, in the subgroup of economic activities belonging to sections B to N (which broadly cover the private sector of the economy), the LCI increased by 5.6%.

In the remaining economic activities (sections O to S), which include mostly (but not exclusively) the public sector of the economy, the LCI recorded a year-on-year increase of 7.8%.



Sections B to N

In the 1st quarter of 2023, in the activities from sections B to N, compared with the same quarter of 2022, it was observed that:

- the wage costs increased by 5.3% and the other labour costs increased by 6.5% (Figure 3);
- the average labour cost per employee increased by 8.7% (Figure 4);
- the number of hours actually worked per employee increased by 3.0% (Figure 4).

Among the activities from sections B to N, the LCI increased by 6.5% in Industry (sections B to E), by 7.2% in Construction (section F), and by 4.8% in Services (sections G to N).

In Industry (6.5%):

- the wage costs increased by 6.4% and the other labour costs increased by 7.1%;
- the average cost per employee increased by 8.8%;
- the number of hours actually worked per employee increased by 2.2%.

In Construction (7.2%):

- the wage costs increased by 5.4% and the other labour costs increased by 13.7%;
- the average cost per employee increased by 10.3%;
- the number of hours actually worked per employee increased by 3.0%.

In Services (4.8%):

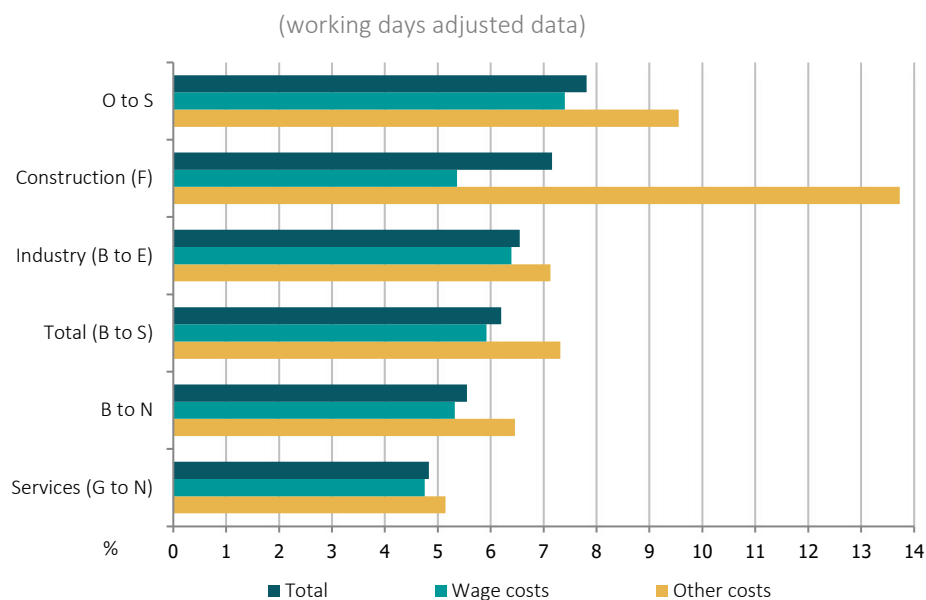
- the wage costs increased by 4.8% and the other labour costs increased by 5.1%;
- the average cost per employee increased by 8.4%;
- the number of hours actually worked per employee increased by 3.4%.

Sections O to S

In the 1st quarter of 2023, in the activities from sections O to S, the LCI recorded an increase of 7.8%. In these activities:

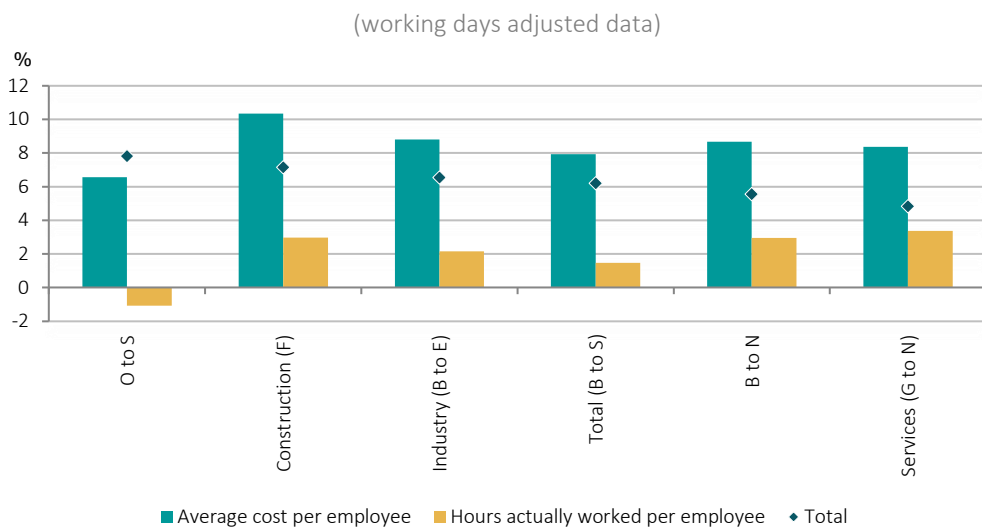
- the wage costs increased 7.4% and the other labour costs increased by 9.6%;
- the average cost per employee increased by 6.6%;
- the number of hours actually worked per employee decreased by 1.1%.

Figure 3. LCI year-on-year rate of change by index component and economic activity in the 1st quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

Figure 4. LCI year-on-year rate of change by index source of variation and economic activity in the 1st quarter of 2023



Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.



3. Comparison with the European Union

The latest available information by country on the LCI year-on-year rate of change reports to the 4th quarter of 2022 and was published by Eurostat on the 17th of March of 2023 (Figure 5).

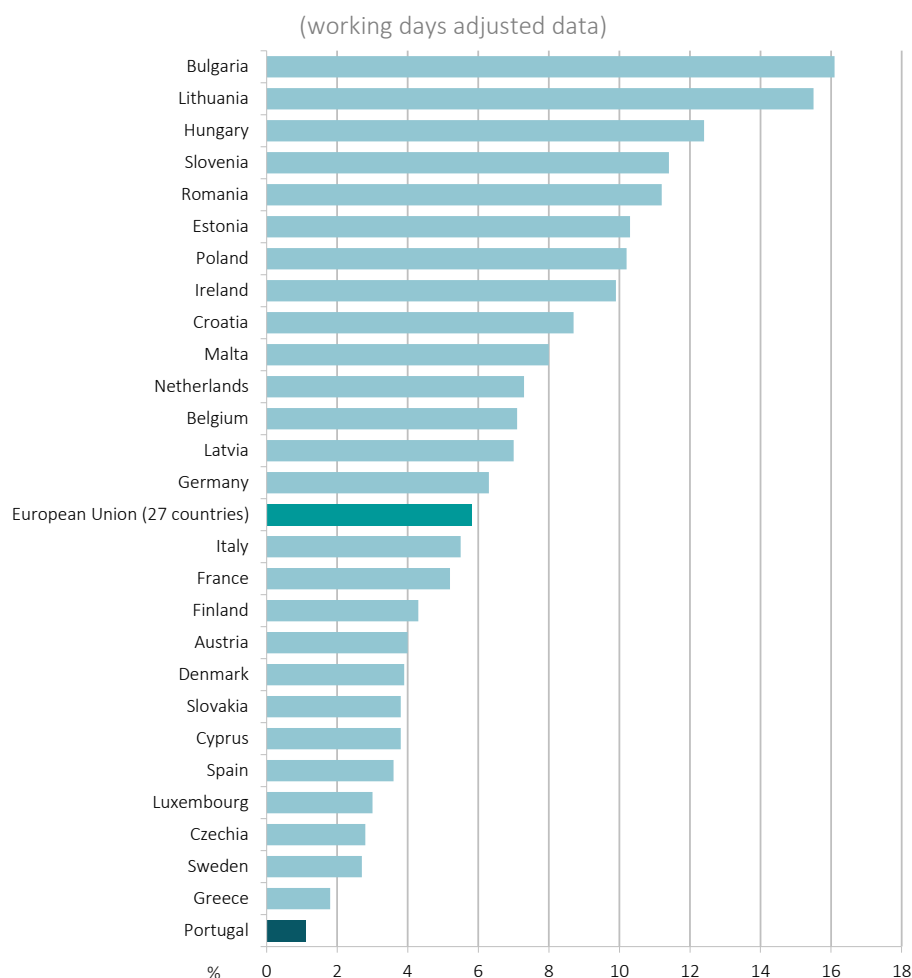
The LCI year-on-year rate of change for the European Union (27 countries) was 5.8%, in the 4th quarter of 2022.

Fourteen countries recorded LCI rates of change larger than the European Union average, with Bulgaria recording the largest LCI increase (16.1%).

In thirteen countries, the LCI recorded a lower increase than the European Union average, between 1.1% in Portugal, and 5.5% in Italy.

In the 4th quarter of 2022, Portugal recorded the lowest year-on-year change (1.1%) among the 27 countries of the European Union.

Figure 5. LCI year-on-year rate of change by European Union Country (27) in the 4th quarter of 2022



Source: Eurostat, Labour Cost Index – 4th 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)	Q1-2022			Q2-2022			Q3-2022			Q4-2022			Q1-2023		
	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)	1.2	0.5	4.3	5.8	5.6	6.3	4.5	4.5	4.5	1.4	1.4	1.6	6.2	5.9	7.3
B to N	2.6	1.7	6.2	6.1	5.9	6.7	4.6	4.6	4.7	3.3	3.3	3.3	5.6	5.3	6.5
Industry (B to E)	2.3	2.2	2.8	7.2	7.2	7.4	5.9	5.9	5.8	2.8	2.9	2.8	6.5	6.4	7.1
Construction (F)	6.3	6.2	6.6	7.0	7.0	7.0	4.7	4.7	4.7	2.0	2.0	2.0	7.2	5.4	13.7
Services (G to N)	2.3	1.0	7.8	5.5	5.2	6.4	3.8	3.7	3.9	3.7	3.6	3.8	4.8	4.8	5.1
O to S	-1.9	-2.2	-0.2	5.3	5.2	5.5	4.4	4.4	4.4	-1.8	-1.9	-1.8	7.8	7.4	9.6

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

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

Economic activity (sections from Nace-Rev. 2)	Q1-2022			Q2-2022			Q3-2022			Q4-2022			Q1-2023		
	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)	-0.3	-1.1	2.7	7.5	7.4	8.0	6.1	6.1	6.1	3.1	3.0	3.2	4.6	4.3	5.7
B to N	1.0	0.1	4.5	7.8	7.6	8.5	6.2	6.2	6.3	5.0	5.0	5.0	3.9	3.7	4.8
Industry (B to E)	0.7	0.6	1.2	9.0	8.9	9.1	7.5	7.5	7.4	4.5	4.5	4.5	4.9	4.8	5.5
Construction (F)	4.7	4.6	4.9	8.8	8.8	8.7	6.3	6.3	6.3	3.7	3.7	3.6	5.5	3.7	12.0
Services (G to N)	0.7	-0.6	6.1	7.2	6.9	8.2	5.4	5.3	5.5	5.4	5.3	5.5	3.2	3.1	3.5
O to S	-3.4	-3.8	-1.7	7.0	6.9	7.2	6.0	6.0	6.0	-0.2	-0.3	-0.2	6.2	5.8	7.9

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

Sections from Nace-Rev. 2

- | | | |
|---|---|--|
| B - Mining and quarrying | H - Transport and storage | N - Administrative and support service activities |
| C - Manufacturing | I - Accommodation and food service activities | O - Public administration, defence, and compulsory social security |
| D - Electricity, gas, steam and air conditions supply | J - Information and communication | P - Education |
| E - Water supply, sewerage, waste management and remediation activities | K - Financial and insurance activities | Q - Human health and social work activities |
| F - Construction | L - Real estate activities | R - Arts, entertainment and recreation |
| G - Wholesale and retail trade; repair of motor vehicles and motor cycles | M - Professional, scientific and technical activities | 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)	Q1-2022			Q2-2022			Q3-2022			Q4-2022			Q1-2023		
	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)	1.2	3.4	2.0	5.8	4.2	-1.5	4.5	4.9	0.5	1.4	5.1	3.6	6.2	7.9	1.5
B to N	2.6	4.0	1.2	6.1	5.1	-0.8	4.6	5.5	1.1	3.3	5.7	2.5	5.6	8.7	3.0
Industry (B to E)	2.3	2.9	0.6	7.2	4.7	-2.2	5.9	5.2	-0.6	2.8	5.2	2.4	6.5	8.8	2.2
Construction (F)	6.3	4.7	-1.5	7.0	5.1	-1.7	4.7	5.2	0.5	2.0	4.7	2.7	7.2	10.3	3.0
Services (G to N)	2.3	4.5	1.7	5.5	5.4	0.0	3.8	5.7	2.0	3.7	6.1	2.5	4.8	8.4	3.4
O to S	-1.9	2.0	3.7	5.3	2.7	-2.5	4.4	3.6	-0.8	-1.8	4.0	5.7	7.8	6.6	-1.1

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

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

Economic activity (sections from Nace-Rev. 2)	Q1-2022			Q2-2022			Q3-2022			Q4-2022			Q1-2023		
	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)	-0.3	3.4	3.7	7.5	4.2	-3.1	6.1	4.9	-1.0	3.1	5.1	1.9	4.6	7.9	3.1
B to N	1.0	4.0	2.8	7.8	5.1	-2.4	6.2	5.5	-0.5	5.0	5.7	0.8	3.9	8.7	4.6
Industry (B to E)	0.7	2.9	2.2	9.0	4.7	-3.7	7.5	5.2	-2.1	4.5	5.2	0.8	4.9	8.8	3.7
Construction (F)	4.7	4.7	0.0	8.8	5.1	-3.3	6.3	5.2	-1.0	3.7	4.7	1.0	5.5	10.3	4.6
Services (G to N)	0.7	4.5	3.3	7.2	5.4	-1.6	5.4	5.7	0.5	5.4	6.1	0.8	3.2	8.4	5.0
O to S	-3.4	2.0	5.3	7.0	2.7	-4.1	6.0	3.6	-2.3	-0.2	4.0	4.0	6.2	6.6	0.5

Source: Statistics Portugal, Labour Cost Index – 1st quarter of 2023.

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



TECHNICAL NOTE

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 sample of around 3 800 entities), which declared earnings for a total of 4.2 million workers. In 2023, the information gathered from administrative sources corresponds to the universe of approximately 437 thousand entities which declared earnings to Social Security and to *Caixa Geral de Aposentações*, for a total of around 4.5 million workers. The information on hours actually worked continues to be obtained by direct inquiry from the entities that belong to the LCI sample (4 270 entities in 2023), 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.

With the publication of the results for the 1st quarter of 2023, the Labour Cost Index (LCI) series were rebased to the year 2020 (2020=100), in line with Eurostat's procedure for the Labour Cost Index, whenever more up-to-date data of the (quadrennial) Labour Cost Survey become available. This procedure does not change, by definition, the year-on-year changes already published. However, this opportunity was taken to fully adjust the method for calculating the indices to the methodology adopted by Eurostat, resulting in small differences from the figures previously published.

The back series for all indices, from the 1st 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 consulting 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 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 website.

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 28th of April of 2023. The response rate of the LCI survey on hours worked was 92%.

REVISIONS

The Data published in this Press Release concerning the last quarters were subject to the usual revisions. These revisions are the result of the inclusion of information relating to the previous quarter sent late by some enterprises of the sample survey on hours worked and from the update of information obtained through administrative sources, namely data from the *Declaração Mensal de Remunerações* reported by enterprises to Social Security.



INSTITUTO NACIONAL DE ESTADÍSTICA
STATISTICS PORTUGAL

press release

DIÍSTAQUE

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

Next quarterly press release -11th August of 2023
