



12 November 2021
LABOUR COST INDEX
3rd quarter of 2021

THE LABOUR COST INDEX INCREASED BY 3.8% IN THE 3rd QUARTER OF 2021

The Labour Cost Index (LCI) working days adjusted increased by 3.8% in the 3rd quarter of 2021. In the previous quarter it had decreased by 2.7%.

The wage costs (per hour actually worked) increased by 3.4% and the other labour costs (also per hour actually worked) increased by 5.3%, compared with the same period of the previous year. For the increase of the other costs in the 3rd quarter of 2021 contributed the growth in the employers' contributions due to the progressive reduction of the enterprises that joined the simplified layoff regime in the private sector of the economy and the decrease of the hours actually worked per employee in the Public Administration.

The development of the LCI was also a result of the combined effect of the increase of 3.0% in the average cost per employee and the reduction of 0.7% in the number of hours actually worked per employee. The increase of the former component took place in all the economic activities and was much smaller than the increases observed in the previous quarter. The lower rate of change was observed in the public sector (1.1%). The reduction of the number of hours actually worked per employee was recorded in the majority of the activities, except for services, with a very accentuated decrease in the Public Administration (4.1%).

1. Labour Cost Index and components

In the 3rd quarter of 2021, the LCI, that measures the labour costs per hour actually worked, increased by 3.8% compared with the same quarter of the previous year (it had decreased 2.7% in the preceding quarter)¹.

The wage costs (per hour actually worked) increased by 3.4% (they had decreased by 5.1% in the previous quarter), and the other labour costs (also per hour actually worked) increased by 5.3% (they had increased by 7.0% in the previous quarter) (Figure 1)².

The wage costs increased essentially due to rises in the base wage, holiday bonus and regular bonuses and allowances. The increase in the other costs was mainly a result of the growth in the employers' contributions due to the reduction of the number of enterprises that joined the simplified layoff regime.

¹ 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.

² 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.



In the 3rd quarter of 2021, the wage costs recorded increases in all the activities. In the preceding quarter, decreases had been recorded in the majority of the activities, except for construction (section F), where the wage costs increased.

The non-wage costs observed smaller increases than those in the previous quarter, where most of the activities had registered substantial increases, with the exception of the public sector, where they had decreased.

From another perspective, the increase of the LCI was explained by the combined effect of the growth in the average cost per employee and the reduction in the number of hours actually worked per employee.

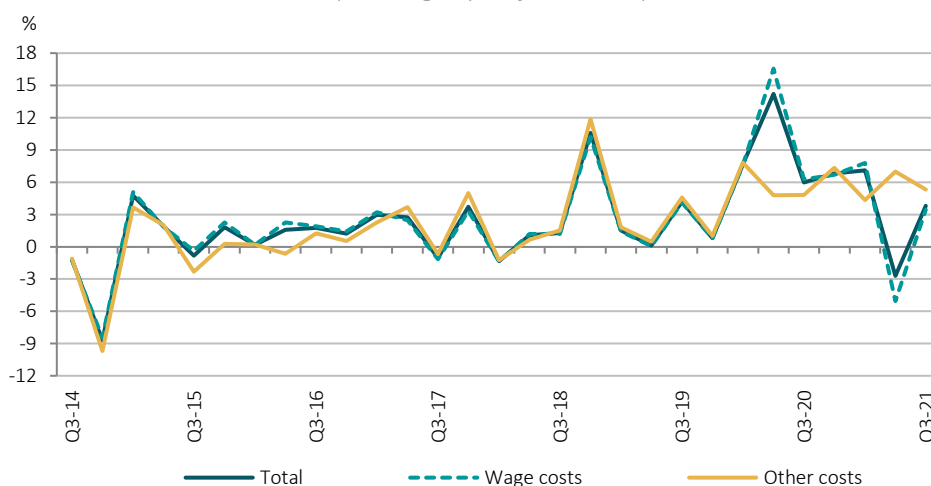
The average cost per employee increased by 3.0% (it had increased by 7.5% in the preceding quarter), and the hours actually worked per employee dropped by 0.7% (it had increased by 11.4% in the previous quarter) (Figure 2).

The average cost per employee rose in all the economic activities, although less pronounced than the observed in the previous quarters. The increases recorded in the activities from the public sector have been lower than those in the remaining activities since the 1st quarter of 2021.

The decline of the number of hours actually worked per employee was observed in most of the economic activities, with the exception of services, where it increased. For this evolution, contributed the reduction of the hours actually worked in the public sector (4.1%). In the 2nd quarter of 2021, the majority of the activities registered a pronounced increase, with the exception of construction, where it decreased.

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

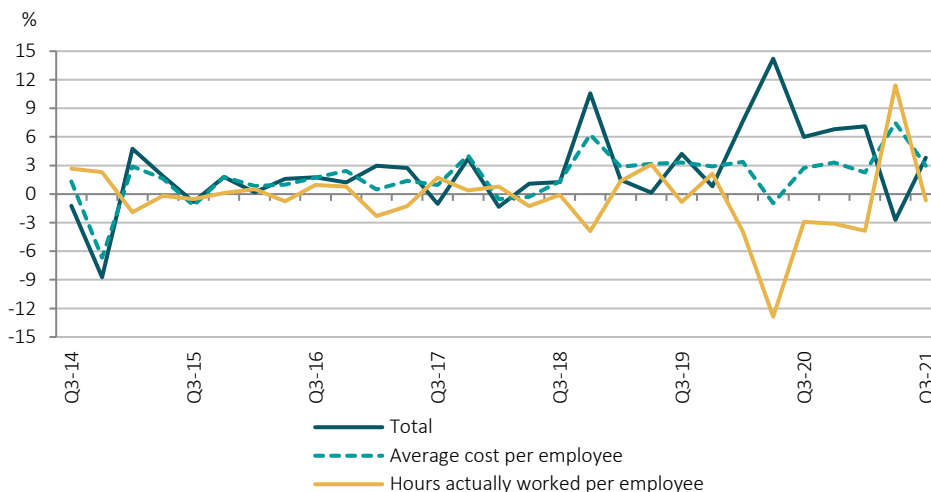
(working days adjusted data)



Source: Statistics Portugal, Labour Cost Index – 3th quarter of 2021.



Figure 2. LCI year-on-year rate of change by source of variation
(working days adjusted data)



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

2. Sectors of economic activity

In the 3rd quarter of 2021, for the subgroup of the economic activities from sections B to N (which include, in general, the business economy of the private sector of the economy), the LCI increased by 2.8%.

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 5.7%.

Sections B to N

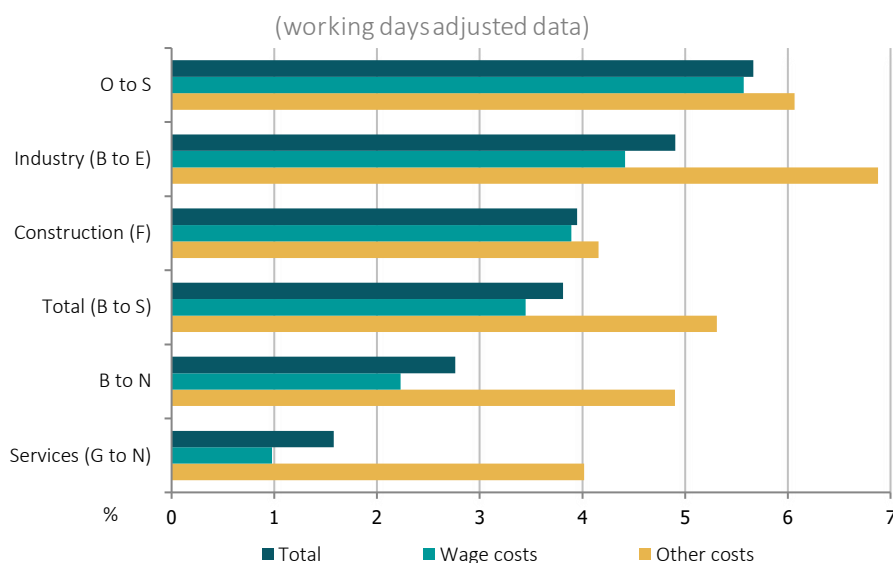
In the 3rd quarter of 2021, in the activities from sections B to N, compared with the same quarter of 2020, it was observed that:

- the wage costs increased by 2.2% and the other labour costs increased by 4.9% (Figure 3);
- the average labour cost per employee increased by 4.0% (Figure 4);
- the number of hours actually worked per employee increased by 1.3% (Figure 4).

Among the activities from sections B to N, the LCI increased by 4.9% in industry (sections B to E), by 3.9% in construction (section F), and by 1.6% in services (sections G to N).

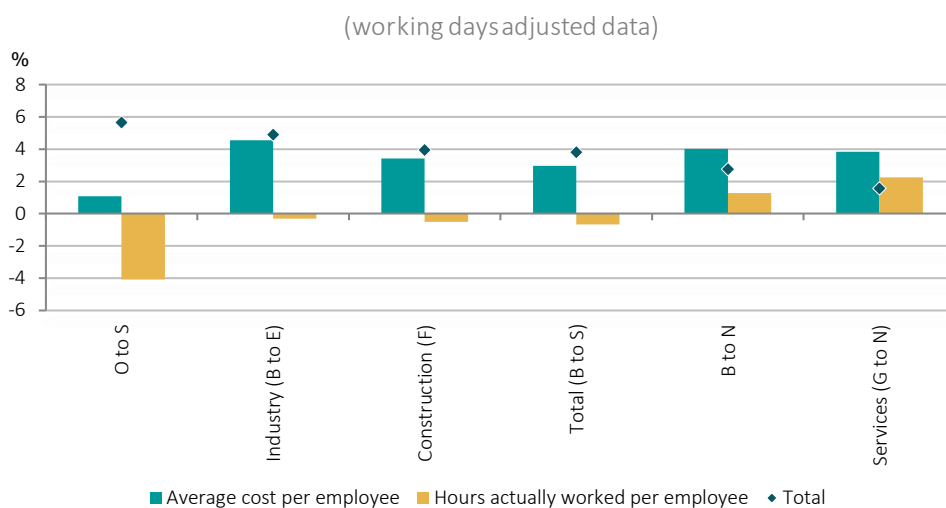


Figure 3. LCI year-on-year rate of change by index component and economic activity in the 3rd quarter of 2021



Source: Statistics Portugal, Labour Cost Index – 3th quarter of 2021.

Figure 4. LCI year-on-year rate of change by index source of variation and economic activity in the 3rd quarter of 2021



Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

In Industry (4.9%):

- the wage costs increased by 4.4% and the other labour costs increased by 6.9%;
- the average cost per employee increased by 4.6%;
- the number of hours actually worked per employee decreased by 0.3%.



In Construction (3.9%):

- the wage costs increased by 3.9% and the other labour costs increased by 4.2%;
- the average cost per employee increased by 3.4%;
- the number of hours actually worked per employee decreased by 0.5%.

In Services (1.6%):

- the wage costs increased by 1.0% and the other labour costs increased by 4.0%;
- the average cost per employee increased by 3.8%;
- the number of hours actually worked per employee increased by 2.3%.

Secções O a S

In the 3rd quarter of 2021, in the activities from sections O to S, the LCI recorded an increase of 5.7%. In these activities:

- the wage costs increased by 5.6% and the other labour costs increased by 6.1%;
- the average cost per employee increased by 1.1%;
- the number of hours actually worked per employee decreased by 4.1%.

3. Comparison with the European Union

The latest available information by country on the LCI year-on-year rate of change reports to the 2nd quarter of 2021 and was published by Eurostat in the 15th September of 2021 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 0.5%, in the 2nd quarter of 2021.

In twenty countries, the LCI rates of change were larger than the European Union average, with Cyprus recording the largest LCI increase (14.3%).

Only in one country (France), the LCI recorded a lower increase than the European Union average (0.1%).

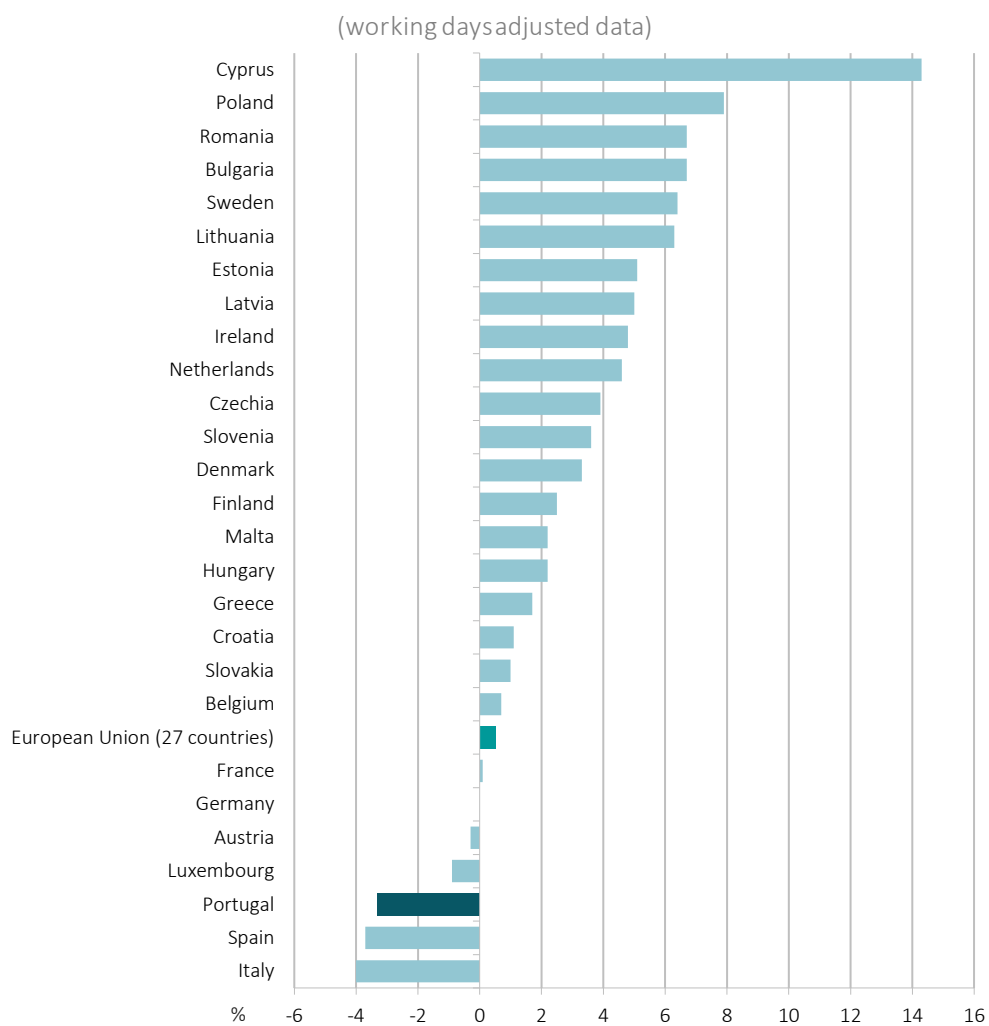
In Germany, the year-on-year rate of change was null.

Five countries recorded year-on-year decreases of the LCI, between 4.0% in Italy and 0.3% in Austria.

Portugal recorded a year-on-year decrease, of 3.3%.



Figure 5. LCI year-on-year rate of change by European Union Country (27) in the 2nd quarter of 2021



Source: Statistics Portugal, Labour Cost Index – 2nd quarter of 2021, Eurostat – 2nd quarter of 2021.



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)	Q3-2020			Q4-2020			Q1-2021			Q2-2021			Q3-2021		
	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)	6.0	6.3	4.8	6.8	6.7	7.3	7.1	7.8	4.4	-2.7	-5.1	7.0	3.8	3.4	5.3
B to N	5.5	5.9	3.7	8.1	8.0	8.7	9.1	10.0	5.5	0.9	-2.4	14.5	2.8	2.2	4.9
Industry (B to E)	3.9	4.4	2.3	6.1	6.0	6.7	9.1	9.2	8.7	-2.8	-6.0	9.8	4.9	4.4	6.9
Construction (F)	4.0	4.1	3.9	0.7	0.7	1.0	6.8	6.8	6.8	10.2	9.1	14.3	3.9	3.9	4.2
Services (G to N)	6.5	7.0	4.5	10.0	9.8	10.7	9.3	10.7	3.8	1.8	-2.0	16.8	1.6	1.0	4.0
O to S	6.8	6.8	6.8	4.6	4.6	4.8	3.6	4.0	2.1	-9.2	-9.6	-7.1	5.7	5.6	6.1

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

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)	Q3-2020			Q4-2020			Q1-2021			Q2-2021			Q3-2021		
	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)	4.4	4.7	3.2	10.3	10.1	10.8	7.0	7.8	4.4	-4.7	-6.6	5.2	3.8	3.4	5.3
B to N	3.9	4.3	2.2	11.6	11.4	12.2	9.0	10.0	5.5	-1.3	-4.0	12.7	2.8	2.2	4.9
Industry (B to E)	2.4	2.8	0.7	9.6	9.4	10.2	9.1	9.2	8.7	-4.7	-7.5	8.1	4.9	4.4	6.9
Construction (F)	2.5	2.5	2.4	4.0	3.9	4.3	6.8	6.8	6.8	8.4	7.4	12.4	3.9	3.9	4.2
Services (G to N)	4.9	5.4	2.9	13.5	13.4	14.3	9.2	10.7	3.8	-0.7	-3.6	15.0	1.6	1.0	4.0
O to S	5.2	5.2	5.2	8.0	8.0	8.2	3.6	4.0	2.1	-10.7	-11.1	-8.6	5.7	5.6	6.1

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

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 |

LABOUR COST INDEX – 3rd quarter of 2021



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)	Q3-2020			Q4-2020			Q1-2021			Q2-2021			Q3-2021		
	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)	6.0	2.7	-2.9	6.8	3.3	-3.1	7.1	2.3	-3.9	-2.7	7.5	11.4	3.8	3.0	-0.7
B to N	5.5	2.4	-2.9	8.1	3.7	-3.9	9.1	2.4	-5.4	0.9	10.2	10.4	2.8	4.0	1.3
Industry (B to E)	3.9	2.2	-1.7	6.1	3.5	-2.5	9.1	3.6	-5.0	-2.8	11.2	14.9	4.9	4.6	-0.3
Construction (F)	4.0	3.0	-1.0	0.7	2.1	1.4	6.8	2.4	-4.1	10.2	6.8	-3.1	3.9	3.4	-0.5
Services (G to N)	6.5	2.4	-3.8	10.0	4.0	-5.2	9.3	1.9	-5.8	1.8	10.1	9.6	1.6	3.8	2.3
O to S	6.8	3.3	-2.9	4.6	2.7	-1.8	3.6	1.9	-1.1	-9.2	2.7	13.3	5.7	1.1	-4.1

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

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)	Q3-2020			Q4-2020			Q1-2021			Q2-2021			Q3-2021		
	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)	4.4	2.7	-1.4	10.3	3.3	-6.1	7.0	2.3	-3.9	-4.7	7.5	13.3	3.8	3.0	-0.7
B to N	3.9	2.4	-1.4	11.6	3.7	-6.9	9.0	2.4	-5.4	-1.3	10.2	12.2	2.8	4.0	1.3
Industry (B to E)	2.4	2.2	-0.1	9.6	3.5	-5.5	9.1	3.6	-5.0	-4.7	11.2	16.8	4.9	4.6	-0.3
Construction (F)	2.5	3.0	0.5	4.0	2.1	-1.8	6.8	2.4	-4.1	8.4	6.8	-1.5	3.9	3.4	-0.5
Services (G to N)	4.9	2.4	-2.3	13.5	4.0	-8.2	9.2	1.9	-5.8	-0.7	10.1	11.4	1.6	3.8	2.3
O to S	5.2	3.3	-1.4	8.0	2.7	-4.9	3.6	1.9	-1.1	-10.7	2.7	15.1	5.7	1.1	-4.1

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

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 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 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 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.



INSTITUTO NACIONAL DE ESTATÍSTICA
STATISTICS PORTUGAL

press release

DIÍSTAQUE

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 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 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 2nd quarter of 2021 in the Press Release “Labour Cost Index – 2nd quarter of 2021”, is available in the following table:



Revision of the LCI year-on-year rates of change published in the 2nd quarter of 2021

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)	-0.3	-0.4	-0.2	0.2	0.6	-0.4	-0.4	-0.3	0.2	0.7
B to N	-0.7	-0.6	-0.5	0.2	1.0	-0.6	-0.6	-0.5	0.2	1.0
Industry (B to E)	-1.2	-1.3	-1.3	0.3	1.8	-1.2	-1.3	-1.2	0.3	1.9
Construction (F)	0.6	0.5	0.7	0.1	-0.5	0.6	0.6	0.6	0.1	-0.5
Services (G to N)	-0.4	-0.5	-0.3	0.2	0.6	-0.5	-0.5	-0.2	0.2	0.6
O to S	0.1	0.2	0.2	0.2	0.0	0.1	0.1	0.2	0.2	0.0

Source: Statistics Portugal, Labour Cost Index – 3rd quarter of 2021.

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 29th of October of 2021. The response rate of the LCI survey on hours worked was 90.4%.

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 -14th February of 2022
