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EU LABOUR COSTS 1999

Ana Nobre

The labour costs are the total costs incurred by the employer in the employment of labour.

Labour costs considerably influence the choices of political, economic and social decision-makers, as they account for some two-thirds of the production costs of goods and services. Moreover, knowledge of labour cost levels is an essential tool in the strategic planning of investment, production, employment policy or wage levels in collective bargaining.

The disparities between European countries continue to be important as regards labour costs. The comments made here are based on figures in table page 3, which are not complete for all countries.

In the EU hourly labour costs in "industry and services" varied between 7 and 27 euro in 1999

Austria, Denmark and Germany are the most expensive countries for hourly costs in "industry and services", at around 27 euro.

The lowest labour costs have been observed in Portugal for years. The Portuguese labour costs represent 1/3 of EU average and 1/4 of the labour costs in most expensive EU Member States.

The European Union cost average in 1999 was about 21.5 euro in "industry and services" with Netherlands and Finland closest to the average. In the USA the average level reached 17.8 euro, and in Japan 21.9 euro.

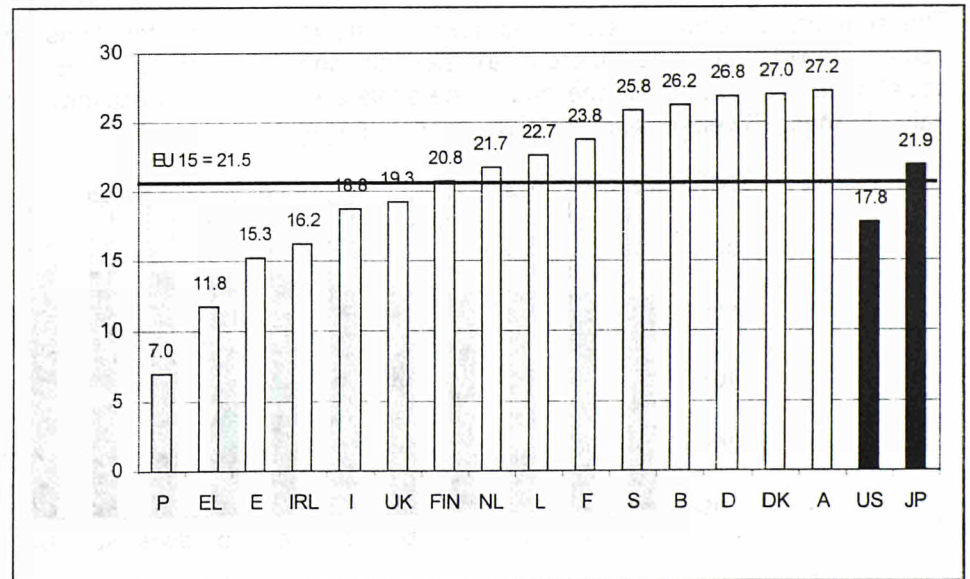
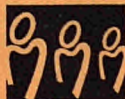


Figure 1: Hourly labour costs in "industry and services" in 1999 (in euro)

EL: industry

A: Eurostat estimates



Highest costs in the group "financial intermediation and real estate"

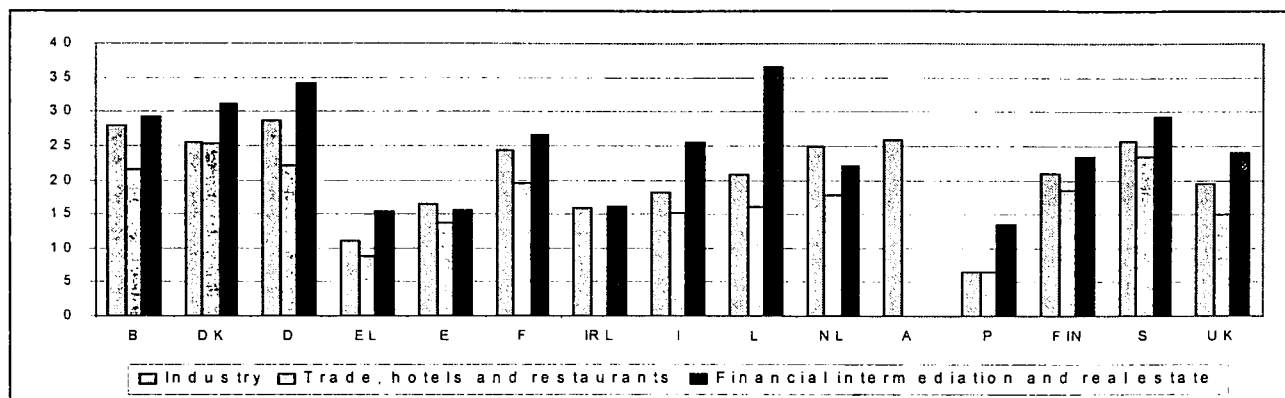


Figure 2: Hourly labour costs by activities in 1999 (in euro)

Among the 3 selected activities, the group "Financial intermediation and real estate, renting and business activities" recorded the highest level of hourly costs in nearly all countries except in Spain and the Netherlands. Portugal and Luxembourg recorded the largest hourly costs gap between the group "industry" and "trade, hotels and restaurants" and "financial intermediation". In Luxembourg in 1999 the hourly labour cost in financial intermediation was 36.7 euro

while in industry it was 22,8 euro. In Portugal, in 1998, the corresponding figures were 13,5 euro and 6,5 euro.

In Denmark, "industry" and "trade and hotels and restaurants" reported almost the same levels in 1999. Generally, in the other countries the hourly labour costs levels in "industry" are higher than in "trade and hotels and restaurants".

Direct costs amount to three-quarters of total costs

Direct costs are wages and salaries (in cash and in kind) ; they include payments to employees saving schemes and payments for days not worked. They exclude employers' social contributions and other marginal costs. As an average for European Union "industry and services" direct costs amount to 75% of the labour costs in 1999.

The structure of labour costs varies from country to country, mainly reflecting different tax, pension and social security systems. At one end of the scale are, Italy, France, Sweden and Belgium where social

security contributions and other indirect costs represent 28% to 35% of total labour costs (depending of the activities) . At the other extreme are Denmark (where individuals' social protection is mainly financed through income tax; this leads to indirect costs of only 5% to 8%), Luxembourg, Ireland and United Kingdom (indirect labour costs corresponding to less than 20%). Employers' social contributions represent 17.8% and 15.5% of total costs in United States and Japan respectively (depending of the activities)

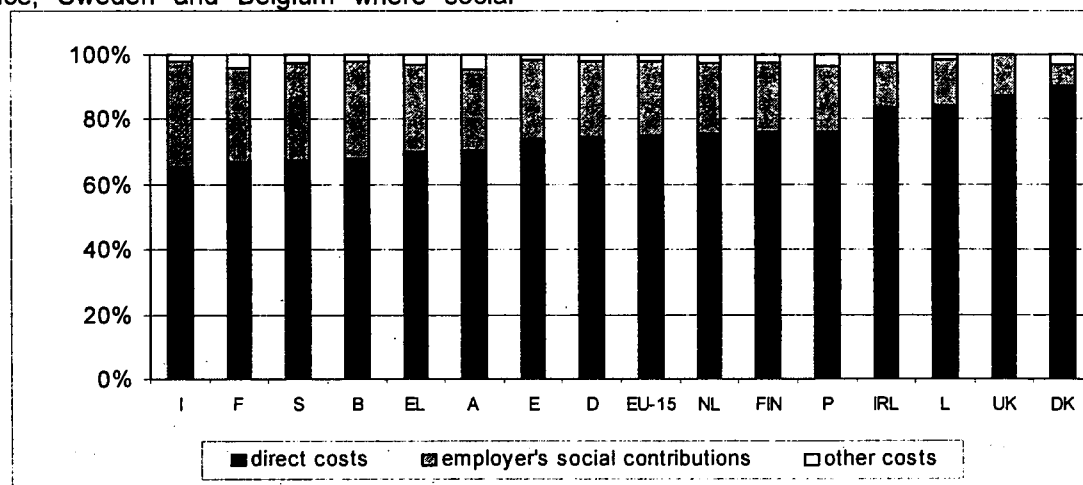


Figure 3: Composition of labour costs - 1999 (%)

Hourly labour costs (in euro – current exchange rates) and composition of labour costs (%) – 1999

	B	DK	D	EL	E	F	IRL	I	L	NL	A	P	FIN	S	UK
Industry and services (sections C to K)															
Hourly labour cost (euro)	26.2	27.0	26.8	:	15.3	23.8	16.2	18.8	22.7	21.7	27.2	7.0	20.8	25.8	19.1
Direct cost (%)	68.3	90.4	74.7	:	74.0	67.1	84.0	65.5	84.1	75.6	70.4	76.2	75.9	67.4	87.1
Direct remuneration (%)	57.5	75.9	63.2	:	73.8	57.8	73.8	60.7	71.8	65.9	61.2	69.9	64.5	60.4	74.1
Indirect cost (%)	31.7	9.6	25.3	:	26.0	32.9	16.0	34.5	15.9	24.4	29.6	23.8	24.1	32.6	12.1
Social security (%)	29.9	6.4	23.1	:	24.4	28.6	13.4	32.7	14.5	22.1	25.3	20.4	21.8	29.8	12.1
Total industry (sections C to F)															
Hourly labour cost (euro)	:	25.7	27.5	11.8	15.8	24.1	:	:	20.9	:	:	6.3	20.9	25.5	:
Direct cost (%)	:	92.0	74.5	69.8	73.6	66.9	:	:	84.1	:	:	75.3	75.5	67.4	:
Direct remuneration (%)	:	77.5	63.0	:	73.5	57.2	:	:	71.8	:	:	69.1	64.2	60.4	:
Indirect cost (%)	:	8.1	25.5	30.2	26.4	33.1	:	:	15.9	:	:	24.8	24.5	32.6	:
Social security (%)	:	6.1	23.5	27.1	25.0	29.2	:	:	15.3	:	:	20.8	22.2	29.9	:
Industry (sections C+D+E)															
Hourly labour cost (euro)	27.9	25.6	28.8	11.1	16.5	24.5	16.0	18.3	:	24.9	25.9	6.5	21.0	25.8	19.1
Direct cost (%)	68.3	92.2	74.6	69.8	73.3	66.7	83.7	65.0	:	74.5	70.4	75.0	75.5	67.2	86.1
Direct remuneration (%)	56.4	77.7	63.1	57.6	73.2	57.4	73.4	59.3	:	64.7	61.2	68.8	64.2	73.1	73.1
Indirect cost (%)	31.8	7.8	25.4	30.2	26.7	33.3	16.3	35.0	:	25.6	29.6	25.1	24.5	32.8	13.1
Social security (%)	29.8	6.3	23.6	27.1	25.4	29.2	13.4	32.8	:	23.2	25.3	20.9	22.2	30.0	13.1
Manufacturing industry (section D)															
Hourly labour cost (euro)	27.4	25.4	28.4	9.9	16.2	23.7	15.6	17.9	22.8	24.4	25.1	6.2	20.9	25.6	19.1
Direct cost (%)	69.1	92.3	75.1	68.4	73.5	67.7	84.0	65.2	84.7	74.5	71.3	75.5	75.6	67.3	86.1
Direct remuneration (%)	56.4	77.8	63.6	:	73.4	58.2	73.7	59.2	72.3	64.8	62.1	69.4	64.3	60.4	73.1
Indirect cost (%)	30.9	7.7	24.9	31.6	26.5	32.3	16.0	34.8	15.3	25.5	28.7	24.5	24.4	32.7	13.1
Social security (%)	28.9	6.2	23.1	29.1	25.2	28.6	13.0	32.6	14.6	23.3	24.3	20.5	22.2	30.0	13.1
Electricity, gas and water supply (section E)															
Hourly labour cost (euro)	:	:	34.7	16.5	26.8	:	:	29.8	38.1	:	39.0	12.8	:	28.5	:
Direct cost (%)	:	:	67.8	72.2	71.5	:	:	62.6	77.0	:	61.6	68.3	:	65.6	:
Direct remuneration (%)	:	:	57.0	:	70.8	:	:	61.1	65.8	:	53.1	61.8	:	59.1	:
Indirect cost (%)	:	:	32.2	27.8	28.5	:	:	37.4	23.0	:	38.4	31.8	:	34.4	:
Social security (%)	:	:	29.4	25.6	26.8	:	:	35.4	21.3	:	34.9	26.2	:	29.7	:
Construction (section F)															
Hourly labour cost (euro)	23.9	26.2	21.8	:	13.4	20.5	18.6	17.3	16.2	21.4	:	5.8	19.8	23.5	19.1
Direct cost (%)	63.2	90.6	74.2	:	75.2	68.2	80.2	65.0	84.4	76.2	:	76.9	76.3	69.1	86.1
Direct remuneration (%)	51.1	76.8	62.9	:	75.0	56.4	72.3	59.3	72.7	64.7	:	70.7	64.3	60.9	74.1
Indirect cost (%)	36.8	9.4	25.8	:	24.8	31.8	19.9	35.0	15.6	23.8	:	23.1	23.7	31.0	13.1
Social security (%)	35.4	5.1	23.0	:	23.4	28.9	17.1	33.2	15.2	21.3	:	20.0	22.3	29.4	13.1
Services (sections G to K)															
Hourly labour cost (euro)	:	:	25.4	:	14.8	:	:	21.2	24.7	20.1	:	8.3	20.6	26.3	:
Direct cost (%)	:	:	75.1	:	74.4	:	:	66.4	83.5	76.2	:	77.6	:	67.5	:
Direct remuneration (%)	:	:	63.8	:	74.0	:	:	63.5	71.4	66.9	:	71.1	:	60.5	:
Indirect cost (%)	:	:	24.9	:	25.7	:	:	33.7	16.5	23.8	:	22.4	:	32.5	:
Social security (%)	:	:	22.0	:	23.8	:	:	32.5	14.3	21.4	:	19.9	:	29.7	:
Wholesale and retail trade (G), hotels and restaurants (H) and transports and communications (I)															
Hourly labour cost (euro)	21.6	25.4	22.2	8.9	13.7	19.6	:	15.3	16.1	17.9	:	6.5	18.6	23.5	15.1
Direct cost (%)	71.4	91.4	77.2	72.5	73.7	68.8	:	66.3	85.9	76.9	:	77.0	76.8	68.4	86.1
Direct remuneration (%)	62.4	76.8	65.8	:	73.5	59.8	:	61.2	74.2	68.1	:	70.7	66.5	75.1	75.1
Indirect cost (%)	28.6	8.7	22.8	27.5	26.3	31.2	:	33.7	14.1	23.1	:	23.0	23.2	31.6	13.1
Social security (%)	27.2	5.5	20.5	25.4	24.2	28	:	32.2	13.1	21.3	:	20.2	20.9	29.4	11.1
Financial intermediation (J) and real estate, renting and business activities (K)															
Hourly labour cost (euro)	29.3	31.1	34.3	15.3	15.5	26.7	16.2	25.5	:	22.1	:	13.5	23.4	29.4	24.1
Direct cost (%)	67.8	86.5	71.2	70.9	75.3	66.1	83.1	66.4	:	75.7	:	78.2	75.8	66.7	87.1
Direct remuneration (%)	58.3	71.9	60.1	52.9	74.7	57.5	72.1	64.7	:	66.0	:	71.1	64.1	74.1	74.1
Indirect cost (%)	32.2	13.5	28.8	29.1	24.8	33.9	17.0	33.6	:	24.3	:	21.8	24.2	33.3	12.1
Social security (%)	30.0	7.9	24.9	27.2	23.3	28	14.0	32.7	:	21.5	:	19.5	21.2	29.9	12.1

Direct costs are mainly direct remuneration, payments to employees saving schemes, payments for days not worked and benefits in kind.
Direct remuneration are wages and salaries (in cash and in kind), irregular bonuses (before deduction of taxes and social security contributions payable by employees) and gratuities.
Indirect costs include the Social security expenses the employer must pay, vocational training expenditure, taxes, etc.

Hourly labour costs 1998/1999

1999 data for Germany, Spain, Luxembourg, Austria (except for C_K), Finland and Sweden: data provided by the M.S.

1999 data for Belgium, Denmark, France, Ireland, Italy, Netherlands, Austria (only for C_K) and United Kingdom: estimates carried out by Eurostat, using quarterly labour costs indices (LCI)

1998 data for Greece, Portugal and for France for the activities G+H+I and J+K: data provided by the M.S.

Structure of costs- all data provided by the M.S.

1996 for Denmark, Spain, France, Ireland, Netherlands and United Kingdom

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Nace Rev.1 C-G and J instead of C_K

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Further information:

➤ Reference publications

Title European Social Statistics – Labour costs, series 1988-1999
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