

14 May 2021

Labour Cost Index

1st quarter of 2021

The Labour Cost Index increased by 7.0% in the 1st quarter of 2021, mainly as a result of the reduction in the number of hours worked

The Labour Cost Index (LCI) working days adjusted increased by 7.0% in the 1st quarter of 2021. In the previous quarter the rate of change had been 6.8%.

This development was a result of the increase of 1.9% in the average cost per employee and the decrease of 4.0% in the number of hours actually worked per employee. The increase of the former component and the decrease of the latter took place in all the economic activities.

The wage costs and the other costs per hour actually worked increased by 7.6% and by 4.3%, respectively, compared with the same period of the previous year.

1. Labour Cost Index and components

In the 1st quarter of 2021, the LCI increased by 7.0% compared with the same quarter of the previous year (it had increased 6.8% in the preceding quarter)¹

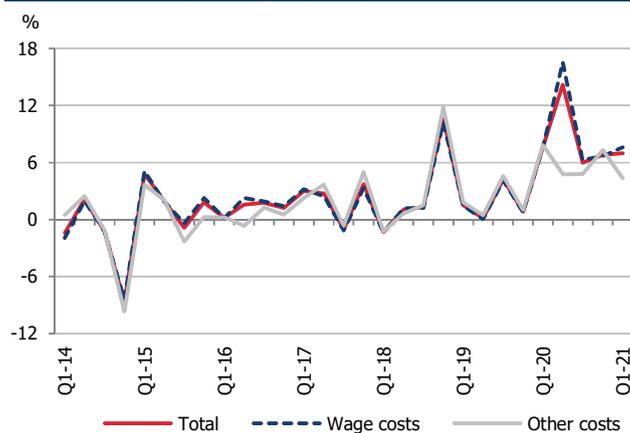
. The wage costs and the other costs, per hour actually worked, increased by 7.6% and by 4.3%, respectively. The wage costs rate of change was higher than that observed in the previous quarter (6.7%), whereas the other costs recorded a lower rate of change (7.3%) (Figure 1).²

The average cost per employee increased by 1.9% (it had increased 3.3% in the preceding quarter) and the hours actually worked per employee decreased by 4.0%

(it had decreased 3.1% in the previous quarter) (Figure 2).

As in the 4th quarter of 2020, the average cost per employee recorded an increase in all the economic activities.

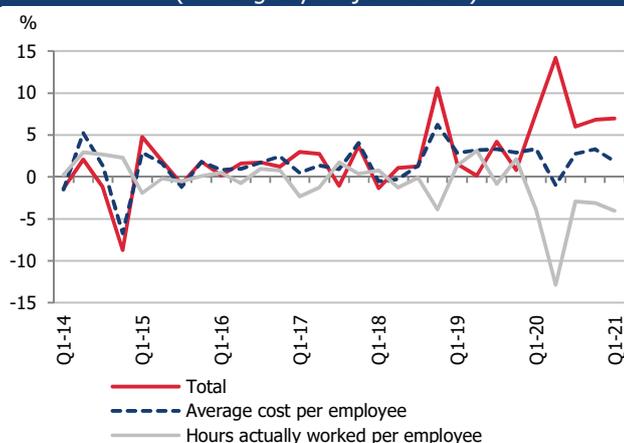
Figure 1: LCI year-on-year rate of change
(working days adjusted data)



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 de 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.

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.

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



The reduction of the number of hours actually worked per employee was also common to all the economic activities. The decreases were higher than those observed in the preceding quarter in all the activities, with exception to the activities from the public sector (sections O to S), that registered a less significant decrease, and to those from construction (section F), that had observed an increase in the previous quarter.

The more pronounced reduction, this quarter, in the number of hours actually worked, was mainly explained by the total or partial closure of the companies, set by legislative procedures, or even due to the reduction of the normal working period, as a result of the drop in turnover.

In the majority of the economic activities, the total cost and the wage costs, per hour actually worked, recorded higher increases than those observed in the preceding quarter, with exception to the activities from the public sector (sections O to S). The non-wage costs, also per hour actually worked, recorded lower increases than those observed in the previous quarter, with exception to the activities from industry (sections B to E) and construction (section F).

The wage costs increased essentially due to the rise in the base wage, regular and irregular bonuses and allowances.

The less pronounced increase of the other costs was a result of the decrease or the exemption in the payment of social contributions by the enterprises that joined the simplified layoff regime or the extraordinary support for progressive resumption of activity.

2. Sectors of economic activity

In the 1st quarter of 2021, 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 9.2%.

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 much lower year-on-year increase, of 3.0%.

Sections B to N

In the 1st quarter of 2021, in the activities from sections B to N:

- the wage costs increased by 10.0% and the other labour costs increased by 5.8% (Figure 3);
- the average labour cost per employee increased by 2.2% (Figure 4);
- the number of hours actually worked per employee decreased by 5.7% (Figure 4).

Among the activities from sections B to N, the LCI increased by 9.4% in industry (sections B to E), by

7.0% in construction (section F), and by 9.3% in services (G to N).

In Industry (9.4%):

- the wage costs increased by 9.4% and the other labour costs increased by 9.2%;
- the average cost per employee increased by 3.4%;
- the number of hours actually worked per employee decreased by 5.4%.

In Construction (7.0%):

- the wage costs increased by 7.0% and the other labour costs increased by 7.0%;
- the average cost per employee increased by 2.6%;
- the number of hours actually worked per employee decreased by 4.2%.

Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 1st quarter of 2021 (working days adjusted data)

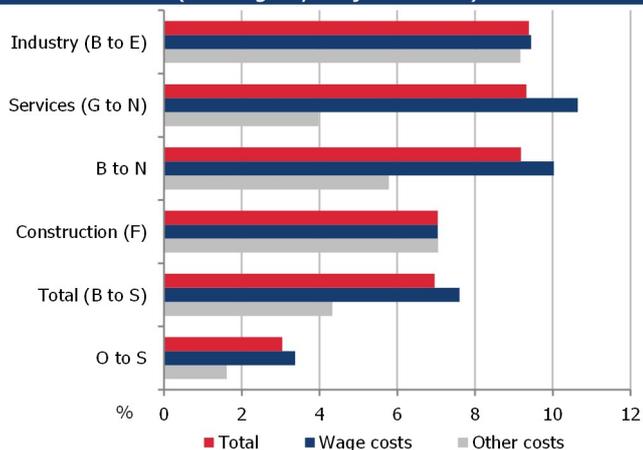
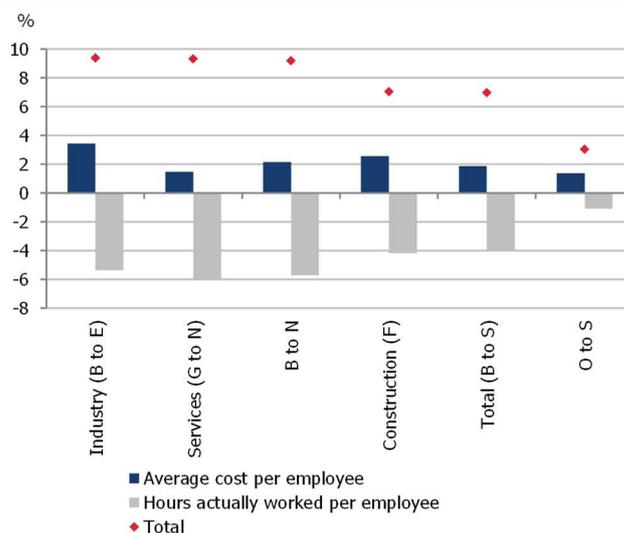


Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 1st quarter of 2021 (working days adjusted data)



In Services (9.3%):

- the wage costs increased by 10.6% and the other labour costs increased by 4.0%;
- the average cost per employee increased by 1.5%;
- the number of hours actually worked per employee decreased by 6.1%.

Sections O to S

In the 1st quarter of 2021, in the activities from sections O to S, the LCI recorded an increase of 3.0%. In these activities:

- the wage costs increased by 3.4% and the other labour costs increased by 1.6%;
- the average cost per employee increased by 1.4%;
- the number of hours actually worked per employee decreased by 1.1%.

3. Comparison with the European Union

The latest available information by country on the LCI year-on-year change reports to the 4th quarter of 2021 and was published by Eurostat in the 18th March of 2021 (Figure 5).

The LCI year-on-year rate of change for the European Union (27 countries) was 3.3%, in the 4th quarter of 2020.

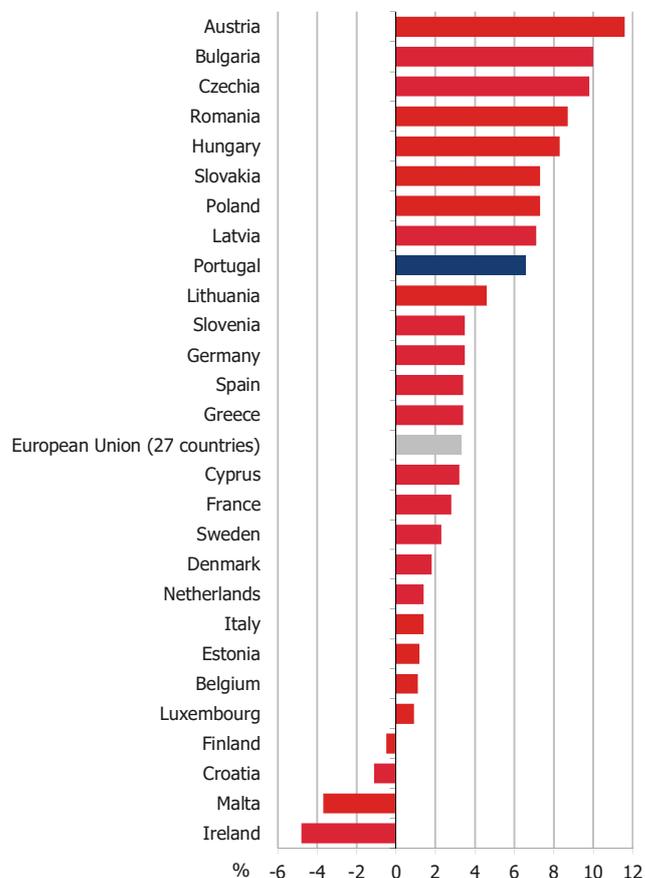
In fourteen countries, the LCI rates of change were larger than the European Union average, with Austria recording the largest LCI increase (11.6%).

In nine countries, the LCI recorded lower increases than the European Union average, from 0.9%, in Luxembourg, to 3.2% in Cyprus.

Portugal recorded a year-on-year increase larger than the European Union average, of 6.6%.

Four countries, Ireland, Malta, Croatia and Finland, recorded year-on-year decreases of the LCI, between 4.8% in Ireland and 0.5% in Finland.

Figure 5: LCI year-on-year rate of change by European Union Country (27) in the 4th 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			Q1-2021		
	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)	7.6	7.6	7.8	14.2	16.5	4.8	6.0	6.3	4.8	6.8	6.7	7.3	7.0	7.6	4.3
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	8.7	9.2	10.0	5.8
Industry (B to E)	7.5	7.4	7.6	14.5	17.9	1.1	3.9	4.4	2.3	6.1	6.0	6.7	9.4	9.4	9.2
Construction (F)	6.1	6.1	6.3	3.7	4.7	0.2	4.0	4.1	3.9	0.7	0.7	1.0	7.0	7.0	7.0
Services (G to N)	6.1	6.0	6.6	10.8	14.4	-3.1	6.5	7.0	4.5	10.0	9.8	10.7	9.3	10.6	4.0
O to S	9.4	9.4	9.5	18.7	19.3	16.2	6.8	6.8	6.8	4.6	4.6	4.8	3.0	3.4	1.6

**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			Q1-2021		
	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)	5.9	5.9	6.1	12.3	14.6	3.1	4.4	4.7	3.2	10.3	10.1	10.8	6.9	7.6	4.3
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	12.2	9.1	10.0	5.8
Industry (B to E)	5.8	5.7	5.9	12.6	16.0	-0.5	2.4	2.8	0.7	9.6	9.4	10.2	9.4	9.4	9.2
Construction (F)	4.4	4.4	4.6	2.0	3.0	-1.4	2.5	2.5	2.4	4.0	3.9	4.3	7.0	7.0	7.0
Services (G to N)	4.5	4.3	4.9	9.0	12.5	-4.7	4.9	5.4	2.9	13.5	13.4	14.3	9.2	10.6	4.0
O to S	7.7	7.7	7.7	16.7	17.3	14.3	5.2	5.2	5.2	8.0	8.0	8.2	3.0	3.4	1.6

Source: INE, Labour Cost Index - 1st quarter of 2021.

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			Q1-2021		
	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)	7.6	3.4	-3.9	14.2	-1.0	-12.9	6.0	2.7	-2.9	6.8	3.3	-3.1	7.0	1.9	-4.0
B to N	6.6	3.4	-2.9	11.5	-3.1	-12.5	5.5	2.4	-2.9	8.1	3.7	-3.9	9.2	2.2	-5.7
Industry (B to E)	7.5	3.5	-3.7	14.5	-3.9	-15.8	3.9	2.2	-1.7	6.1	3.5	-2.5	9.4	3.4	-5.4
Construction (F)	6.1	3.3	-2.6	3.7	-0.2	-3.8	4.0	3.0	-1.0	0.7	2.1	1.4	7.0	2.6	-4.2
Services (G to N)	6.1	3.4	-2.5	10.8	-3.0	-11.7	6.5	2.4	-3.8	10.0	4.0	-5.2	9.3	1.5	-6.1
O to S	9.4	3.2	-5.6	18.7	2.6	-13.4	6.8	3.3	-2.9	4.6	2.7	-1.8	3.0	1.4	-1.1

**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			Q1-2021		
	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)	5.9	3.4	-2.4	12.3	-1.0	-11.4	4.4	2.7	-1.4	10.3	3.3	-6.1	6.9	1.9	-4.0
B to N	4.9	3.4	-1.3	9.7	-3.1	-11.1	3.9	2.4	-1.4	11.6	3.7	-6.9	9.1	2.2	-5.7
Industry (B to E)	5.8	3.5	-2.2	12.6	-3.9	-14.4	2.4	2.2	-0.1	9.6	3.5	-5.5	9.4	3.4	-5.4
Construction (F)	4.4	3.3	-1.1	2.0	-0.2	-2.2	2.5	3.0	0.5	4.0	2.1	-1.8	7.0	2.6	-4.2
Services (G to N)	4.5	3.4	-0.9	9.0	-3.0	-10.3	4.9	2.4	-2.3	13.5	4.0	-8.2	9.2	1.5	-6.1
O to S	7.7	3.2	-4.1	16.7	2.6	-12.0	5.2	3.3	-1.4	8.0	2.7	-4.9	3.0	1.4	-1.1

Source: INE, Labour Cost Index - 1st quarter of 2021.

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

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.

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

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.

The impact of those revisions, measured by the difference between the year-on-year rates of change published today and those published for the 4th quarter of 2020 in the Press Release "Labour Cost Index – 4th quarter of 2020", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 4th 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)	0.2	0.2	0.3	0.5	0.2	0.3	0.2	0.3	0.5	0.3
B to N	0.0	0.0	0.1	0.4	0.3	0.0	0.0	0.1	0.4	0.3
Industry (B to E)	0.1	0.1	0.3	0.5	0.3	0.2	0.1	0.3	0.5	0.4
Construction (F)	-0.9	-0.8	-0.9	-0.2	0.7	-0.9	-0.9	-0.9	-0.2	0.7
Services (G to N)	0.1	0.0	0.2	0.5	0.3	0.0	0.1	0.2	0.5	0.3
O to S	0.5	0.5	0.5	0.6	0.1	0.5	0.6	0.6	0.6	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 30th of April of 2021. The response rate of the LCI survey on hours worked was 91.2%.

Next Press Release: 13th of August of 2021.