

February, 15th 2016

Labour Cost Index
4th quarter of 2015

The Labour Cost Index increased by 2.0% from the same quarter of 2014

The Labour Cost Index (LCI) working days adjusted increased by 2.0% in the 4th quarter of 2015, compared to the same period of 2014. In the previous quarter, it was recorded a year-on-year decrease of 0.9%.

The two main labour cost items are wage costs and other costs (per hour actually worked). From the same quarter of 2014, wage costs increased by 1.6% and other costs increased by 3.2%.

In 2015, the Labour Cost Index increased by 1.8% due to increases of 1.5% in wage costs and of 2.7% in other labour costs. In the previous year, the LCI had recorded a decrease of 3.4% (corresponding to decreases of 3.2% and of 3.8% in the wage costs and other costs, respectively).

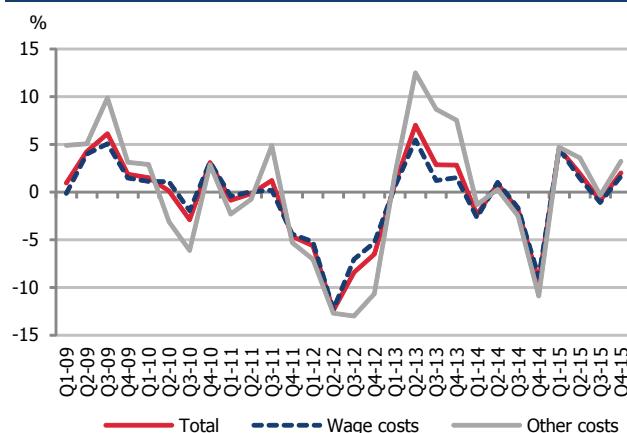
1. Labour Cost Index and components

The labour costs incurred by the employers include *wage costs* and *other labour costs* of their responsibility (see the Technical note on pages 7 and 8).

Therefore, their evolution depends on the development of each component. The Labour Cost Index (LCI) is a short term indicator which, in addition to the labour costs incurred by the employer, considers the number of hours actually worked per employee, measuring the evolution of the *average labour costs per hour actually worked*.

Thus, in the 4th quarter of 2015¹, the LCI recorded an increase of 2.0% due to an increase of 1.6% in wage costs and of 3.2% in other labour costs (Figure 1).

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



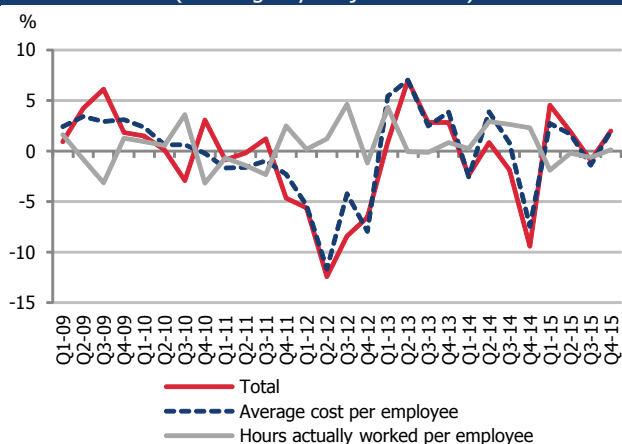
For this evolution also contributed the increase of 0.1% in the number of hours actually worked and of 2.0% in the average labour costs (Figure 2).

In 2015, the LCI was up by 1.8% due to increases of 1.5% in wage costs and of 2.7% in other costs. For its evolution also contributed an increase of 1.2% in the average labour costs and a decrease of 0.7% in the number of hours actually worked.

¹ 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. Unless otherwise stated, the rates of change mentioned in this Press Release are year-on-year rates of change (from the same quarter of the previous year) or annual rates of change (from the previous year).

In 2014, the LCI had recorded a decrease of 3.4% (corresponding to decreases of 3.2% and of 3.8% in wage costs and other costs, respectively).

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



2. Sectors of economic activity

For the subgroup of economic activities from sections B to N² (which include, in general, the business economy or the private sector of the economy), the LCI year-on-year rate of change was 2.4%.

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, it was observed a year-on-year increase of 1.3%.

In 2015, the LCI recorded an annual increase of 2.9% in the activities from sections B to N and of 0.3% in the activities from sections O to S.

Sections B to N

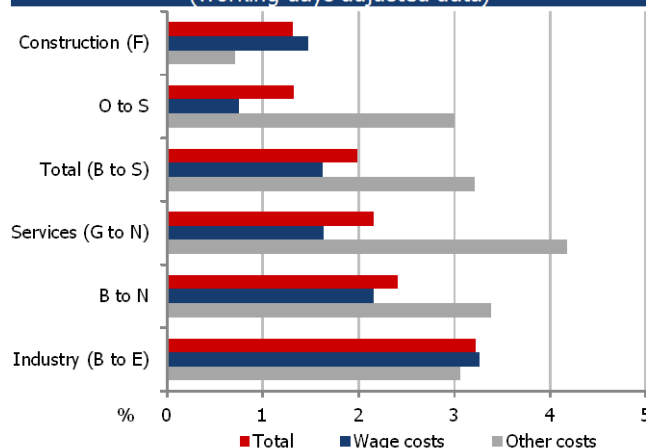
From the same period of 2014, the following changes were observed in the activities from sections B to N:

² The activities' designation is available in the annex tables.

- the wage costs increased by 2.2% (mainly due to increases in base wages and in regular bonuses and allowances) (Figure 3);
- the other labour costs increased by 3.4% (mainly due to the increase in the severance payments) (Figure 3);
- the average labour costs increased by 2.4% (Figure 4);
- the number of hours actually worked decreased by 0.1% (Figure 4).

Among the activities from sections B to N, the LCI increased by 3.2% in Industry (sections B to E), by 1.3% in Construction (section F), and by 2.2% in Services (G to N).

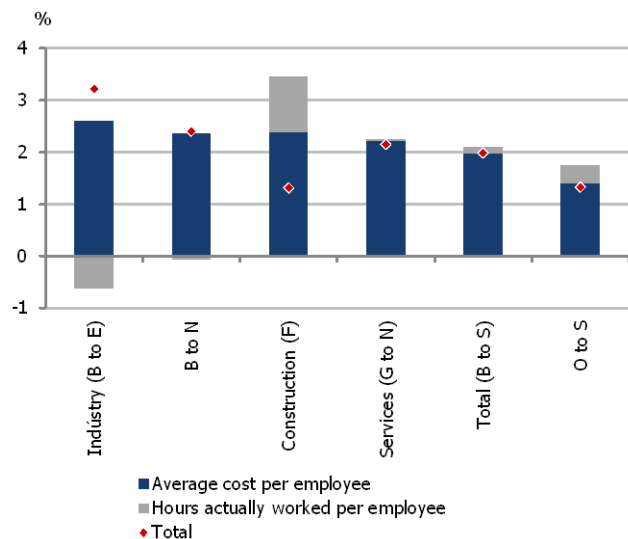
Figure 3: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 4th quarter of 2015 (working days adjusted data)



In Industry (3.2%):

- the wage costs increased by 3.3% and the other labour costs by 3.1%;
- the average labour costs increased by 2.6%;
- the number of hours actually worked decreased by 0.6%.

Figure 4: LCI year-on-year rate of change by economic activity (NACE-Rev. 2) in the 4th quarter of 2015 (working days adjusted data)



In Construction (1.3%):

- the wage costs and the other labour costs increased by 1.5% and by 0.7%, respectively;
- the average labour costs increased by 2.4%;
- the number of hours actually worked increased by 1.1%.

In Services (2.2%):

- the wage costs increased by 1.6% and the other labour costs by 4.2% (mainly due to the increase in the severance payments);
- the average labour costs increased by 2.2%;
- the number of hours actually worked remained unchanged when compared to the same period of the previous year.

In 2015, the LCI increased by 3.8% in Industry (sections B to E), by 3.1% in Construction (section F), and by 2.2% in Services (sections G to N).

Sections O to S

The LCI year-on-year change in the 4th quarter of 2015 in the Public Administration activities was mostly affected by the reversion of 20% of the wage reductions, initiated in 2015.

Therefore:

- the wage costs and the other labour costs increased by 0.7% and by 3.0%, respectively;
- the average labour costs increased by 1.4%;
- the number of hours actually worked increased by 0.4%.

In 2015, the LCI recorded an annual increase of 0.3% in the activities from sections O to S.

3. Comparison with the European Union

The latest available information by country on the LCI year-on-year changes refers to the 3rd quarter of 2015 and was published by Eurostat in the 17th December of 2015 (Figure 5).

Hence, the LCI year-on-year rate of change for the European Union (28 countries) was 1.8%, in the 3rd quarter of 2015.

In twelve countries, the LCI rates of change were larger than the European Union average, with Latvia recording the largest increase (7.4%).

In eight other countries, the LCI also recorded increases, albeit lower than the European Union average, between 0.1% for Croatia and Belgium and 1.7% for Denmark.

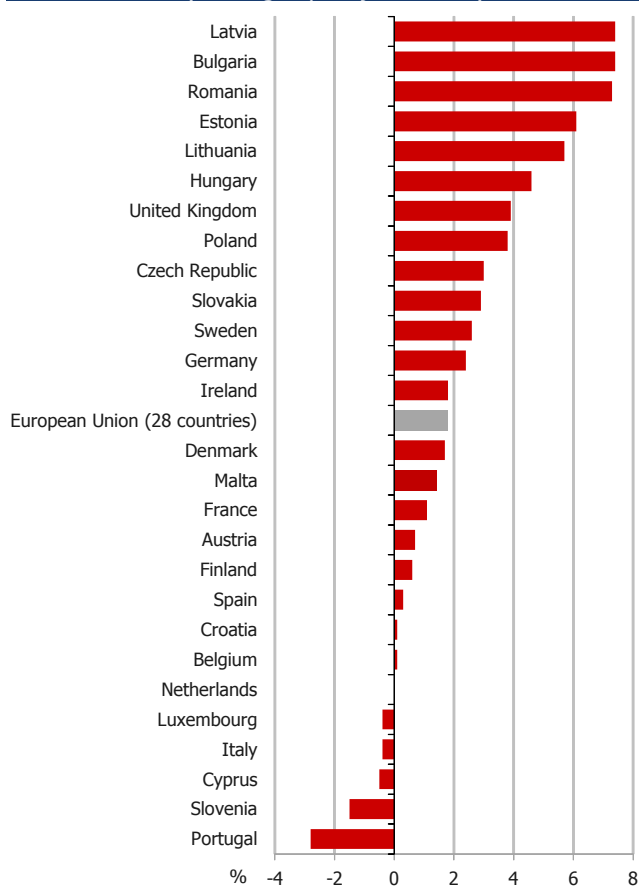
Ireland recorded the same rate of change of the European Union (1.8%).

In the Netherlands, the LCI remained unchanged when compared to the same period of the previous year.

In the 3rd quarter of 2015, Portugal³ registered an year-on-year decrease in the LCI of 2.8%.

Four other countries recorded decreases in the LCI: Slovenia (1.5%), Cyprus (0.5%), and Italy and Luxembourg (0.4% in both countries).

Figure 5: LCI year-on-year rate of change by European Union Country (28) in the 3rd quarter of 2015 (working days adjusted data)



Its analysis shows that, since the 1st quarter of 2010 (excluding the 4th quarter of that year, the last three quarters of 2013 and the 1st and 2nd quarters of 2015), the LCI in Portugal has been registering lower changes than those of the European Union average. The year-on-year increases observed in the first half of 2015 occurred after the decreases of 1.9% and 9.4% recorded in the 3rd and 4th quarters of 2014, respectively. In the 3rd quarter of 2015, the LCI presented a year-on-year decrease of 0.9%.

Figure 6: LCI year-on-year rate of change in the European Union (28) and in Portugal (working day adjusted data)

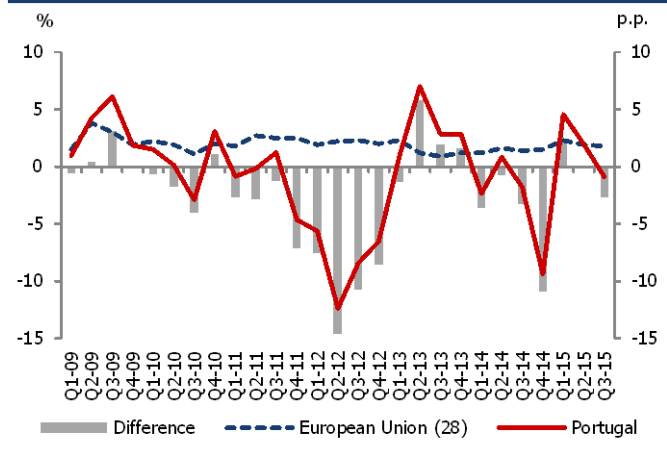


Figure 6 shows the developments in the LCI rates of change in Portugal and in the European Union in the last seven years (from the 1st quarter of 2009 to the 4th quarter of 2015).

³ The decrease for Portugal was now revised to 0.9% (as described in the Technical note, page 8).

**Table 1: Labour Cost Index (LCI) year-on-year and annual rates of change by component and economic activity (NACE-Rev. 2)
(working days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2015			Q2-2015			Q3-2015			Q4-2015			2014			2015		
	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	Wage costs	Other costs
Total (B to S)	4.6	4.5	4.7	1.9	1.4	3.6	-0.9	-1.1	-0.3	2.0	1.6	3.2	-3.4	-3.2	-3.8	1.8	1.5	2.7
B to N	4.5	4.9	3.0	2.3	2.8	0.3	2.5	2.8	1.5	2.4	2.2	3.4	-1.0	-1.2	-0.4	2.9	3.1	2.1
Industry (B to E)	5.1	5.6	3.4	2.9	3.3	1.1	4.2	4.4	3.2	3.2	3.3	3.1	-1.2	-1.6	0.1	3.8	4.1	2.7
Construction (F)	5.3	5.7	3.8	4.2	4.4	3.3	2.1	2.3	1.3	1.3	1.5	0.7	-3.8	-3.5	-5.0	3.1	3.4	2.2
Services (G to N)	3.9	4.3	2.6	1.5	2.1	-0.8	1.5	1.7	0.4	2.2	1.6	4.2	-0.2	-0.4	0.4	2.2	2.4	1.6
O to S	4.7	4.0	6.6	1.5	-0.4	6.8	-4.9	-5.9	-2.1	1.3	0.7	3.0	-6.3	-6.0	-7.3	0.3	-0.8	3.3

**Table 2: Labour Cost Index (LCI) year-on-year and annual rates of change by component and economic activity (NACE-Rev. 2)
(non working days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2015			Q2-2015			Q3-2015			Q4-2015			2014			2015		
	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	Wage costs	Other costs
Total (B to S)	4.6	4.5	4.7	0.3	-0.2	1.9	-2.4	-2.6	-1.8	2.0	1.6	3.2	-2.9	-2.8	-3.4	0.9	0.7	1.8
B to N	4.5	4.9	3.0	0.6	1.1	-1.3	0.9	1.2	0.0	2.4	2.2	3.4	-0.6	-0.7	0.1	2.1	2.3	1.3
Industry (B to E)	5.1	5.6	3.4	1.2	1.6	-0.5	2.6	2.8	1.7	3.2	3.3	3.1	-0.8	-1.1	0.6	3.0	3.3	1.9
Construction (F)	5.3	5.7	3.8	2.5	2.7	1.6	0.5	0.7	-0.2	1.3	1.5	0.7	-3.4	-3.0	-4.6	2.3	2.6	1.4
Services (G to N)	3.9	4.3	2.6	-0.1	0.4	-2.4	-0.1	0.2	-1.1	2.2	1.6	4.2	0.2	0.1	0.8	1.5	1.6	0.9
O to S	4.7	4.0	6.6	-0.1	-2.0	5.1	-6.3	-7.3	-3.5	1.3	0.7	3.0	-5.9	-5.6	-6.8	-0.6	-1.6	2.4

Source: INE, Labour Cost Index - 4th quarter of 2015.

Sections from Nace-Rev. 2

B - Mining and quarrying
C - Manufacturing
D - Electricity, gas, steam and air conditions supply
E - Water supply, sewerage,
F - Construction
G - Wholesale and retail trade;
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: Labour Cost Index (LCI) year-on-year and annual rates of change by source of variation and economic activity (NACE-Rev. 2)
(working days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2015			Q2-2015			Q3-2015			Q4-2015			2014			2015		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	4.6	2.7	-1.9	1.9	1.7	-0.2	-0.9	-1.4	-0.6	2.0	2.0	0.1	-3.4	-1.5	2.0	1.8	1.2	-0.7
B to N	4.5	2.5	-2.0	2.3	1.6	-0.6	2.5	1.6	-0.8	2.4	2.4	-0.1	-1.0	0.4	1.3	2.9	2.0	-0.9
Industry (B to E)	5.1	2.8	-2.2	2.9	2.1	-0.8	4.2	2.3	-1.7	3.2	2.6	-0.6	-1.2	1.1	2.2	3.8	2.4	-1.3
Construction (F)	5.3	5.3	0.0	4.2	4.4	0.2	2.1	2.6	0.5	1.3	2.4	1.1	-3.8	-1.3	2.3	3.1	3.6	0.4
Services (G to N)	3.9	1.6	-2.2	1.5	0.8	-0.7	1.5	0.9	-0.6	2.2	2.2	0.0	-0.2	0.4	0.5	2.2	1.4	-0.9
O to S	4.7	3.1	-1.8	1.5	1.8	0.3	-4.9	-5.2	-0.3	1.3	1.4	0.4	-6.3	-3.9	2.9	0.3	0.2	-0.4

**Table 4: Labour Cost Index (LCI) year-on-year and annual rates of change by source of variation and economic activity (NACE-Rev. 2)
(non working days adjusted data)**

Unit: %

Economic activity (sections from Nace-Rev. 2)	Q1-2015			Q1-2015			Q3-2015			Q4-2015			2014			2015		
	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	Average cost per employee	Hours actually worked per employee
Total (B to S)	4.6	2.7	-1.9	0.3	1.7	1.4	-2.4	-1.4	0.9	2.0	2.0	0.1	-2.9	-1.5	1.6	0.9	1.2	0.1
B to N	4.5	2.5	-2.0	0.6	1.6	1.0	0.9	1.6	0.7	2.4	2.4	-0.1	-0.6	0.4	0.9	2.1	2.0	-0.1
Industry (B to E)	5.1	2.8	-2.2	1.2	2.1	0.8	2.6	2.3	-0.2	3.2	2.6	-0.6	-0.8	1.1	1.8	3.0	2.4	-0.6
Construction (F)	5.3	5.3	0.0	2.5	4.4	1.8	0.0	2.6	2.1	1.3	2.4	1.1	-3.4	-1.3	2.0	2.3	3.6	1.2
Services (G to N)	3.9	1.6	-2.2	-0.1	0.8	0.9	-0.1	0.9	1.0	2.2	2.2	0.0	0.2	0.4	0.1	1.5	1.4	-0.1
O to S	4.7	3.1	-1.8	-0.1	1.8	1.9	-6.3	-5.2	1.2	1.3	1.4	0.4	-5.9	-3.9	2.5	-0.6	0.2	0.4

Source: INE, Labour Cost Index - 4th quarter of 2015.

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,	N - Administrative and support service activities
F - Construction	O - Public administration, defence, and compulsory social security
G - Wholesale and retail trade;	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

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) contributed to explaining their developments.

Labour costs incurred by the employer 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
- Payment in kind

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)

The LCI is a statistical operation held on a quarterly basis through a sampling survey. Data collection with local units 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.

Data on public administration [Sections O (Public administration and defence; compulsory social security) and the public part of Sections P (Education) and Q (Human health and social work activities)] are not obtained through direct collection. These data are estimated by Statistics Portugal from data obtained, among other sources, from the Directorate-General of Budget of the Ministry of Finance. These data are subject to revisions.

The LCI is Laspeyres index.

In order to obtain more information about the LCI calculation, we recommend the consultation of the methodological note for this statistical operation, which is available (in Portuguese) at <http://smi.ine.pt/DocumentacaoMetodologica/Detalhes/1064>.

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.

In order to be in line with the series published by Eurostat, which has changed the LCI reference year from 2008 to 2012, the indices published started to have, since the LCI press release for the 1st quarter of 2015, the year 2012 as the reference year (2012=100). The back series of the indices were recalculated for the period from the 1st quarter of 2008 to the 4th quarter of 2014.

With the purpose of eliminating the effects resulting from different numbers of working days in the same 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 Portal.

(continuation)

Revisions

The data published in this release concerning the last quarters are subject to revisions. These revisions result, on one side, from the inclusion of information for the last quarter sent lately by some establishments of the LCI sample and, on the other side, from updates in the data for the last quarters obtained from the Directorate-General of Budget.

The impact of those revisions, measured by the difference between the year-on-year rates of change published today and those published for the 3rd quarter of 2015 in the Press Release "Labour Cost Index – 3rd quarter of 2015", is available in the following table:

Revision of the LCI year-on-year rates of change published in the 3rd quarter of 2015

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 per employee	Hours actually worked per employee		Wage costs	Other costs	Average cost per employee	Hours actually worked per employee
	Working days adjusted data					Non working days adjusted data				
Total (B to S)	1.9	1.4	3.6	1.7	-0.1	1.9	1.4	3.5	1.7	-0.1
B to N	0.0	0.1	-0.2	-0.1	0.0	0.0	0.0	-0.2	-0.1	-0.1
Industry (B to E)	0.5	0.5	0.4	0.4	0.0	0.5	0.5	0.4	0.4	0.0
Construction (F)	-0.2	-0.1	-0.5	-0.1	0.1	-0.2	-0.2	-0.4	-0.1	0.1
Services (G to N)	-0.2	-0.3	-0.5	-0.4	-0.2	-0.3	-0.2	-0.5	-0.4	-0.1
O to S	4.2	3.1	7.0	4.1	-0.1	4.1	3.1	7.0	4.1	-0.1

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 January of 2016. The response rate was 91.7%.

Next Press Release: 13 May 2016.