

## UNIT LABOUR COSTS

Unit labour costs are a key determinant of the competitiveness of the productive system of a country in both domestic and foreign markets. Unit labour costs reflect the combined evolution of compensation of employees per unit of labour input and of labour productivity, and can be an indicator of inflationary pressure on producer prices.

### Definition

Unit labour costs measure the average cost of labour per unit of output produced. They are calculated as the ratios of total labour costs to real output. Equivalently, they may be expressed as the ratio of total labour costs per hours worked by employee (or per employee, if hours data is not available) to output per total hours worked (or per person employed if hours data is not available).

Data are taken from the *OECD System of Unit Labour Cost and Related Indicators*, which provides annual and quarterly information for OECD countries as well as for selected non-

members countries. Labour productivity estimates are produced as a by-product of calculating unit labour cost. Data are presented as annual growth rates in unit labour costs for the economy as a whole; they refer to 34 countries (30 OECD member countries and 4 non-member countries) and 4 geographical regions in the period between 1998 and 2008.

### Comparability

These indicators are compiled according to a specific methodology to ensure comparability across countries. The primary data source for these indicators is the OECD National Accounts database, where data are compiled on a similar basis across countries according to the 1993 *System of National Accounts*. Due to the high level of comparability, cross country comparisons of developments in the annual growth of unit labour costs can be made with a strong degree of confidence.

### Overview

Unit labour costs in the total economy increased at an annual average rate of 2.3% for the OECD area as a whole over the decade since 1998. Annual average growth rates in unit labour costs ranged from negative values in Japan and Brazil to the values exceeding 6% in Estonia, Hungary and Mexico, and above 30% in Turkey.

Annual average growth in unit labour costs for other geographical regions, i.e. G7, Euro area and EU27, were smaller than for the OECD total at 1.2%, 1.5% and 2.0%, respectively. Over the past decade, the annual growth rates of unit labour costs in Australia, New Zealand, Spain, and Denmark exhibited an increasing trend, while those in Iceland, Korea and Slovenia declined over time. The annual growth rates in unit labour costs for the Czech Republic, Hungary, Korea, the Slovak Republic and Sweden displayed a high degree of volatility.

During this ten-year period, ten countries (Austria, the Czech Republic, Finland, France, Germany, Korea, Japan, Poland, the Slovak Republic and Sweden) displayed stronger growth in labour productivity than in unit labour cost. Subdued growth in labour compensation over this period was mainly related to low rates of inflation in these countries. When looking at geographical regions, stronger growth in labour productivity than in unit labour cost was recorded by the G7 countries. This reflected higher growth of labour productivity than in unit labour costs in Japan, France and Germany, and similar growth rates for labour productivity and unit labour costs in Canada, the United Kingdom and the United States. Italy was the only G7 country who experienced lower growth of labour productivity than in unit labour costs over the period.

### Sources

- OECD *Main Economic Indicators*.

### Further information

#### Analytical publications

- OECD *Compendium of Productivity Indicators*.

#### Statistical publications

- OECD (2010), *Main Economic Indicators*, OECD, Paris.



**Unit labour costs, total economy**

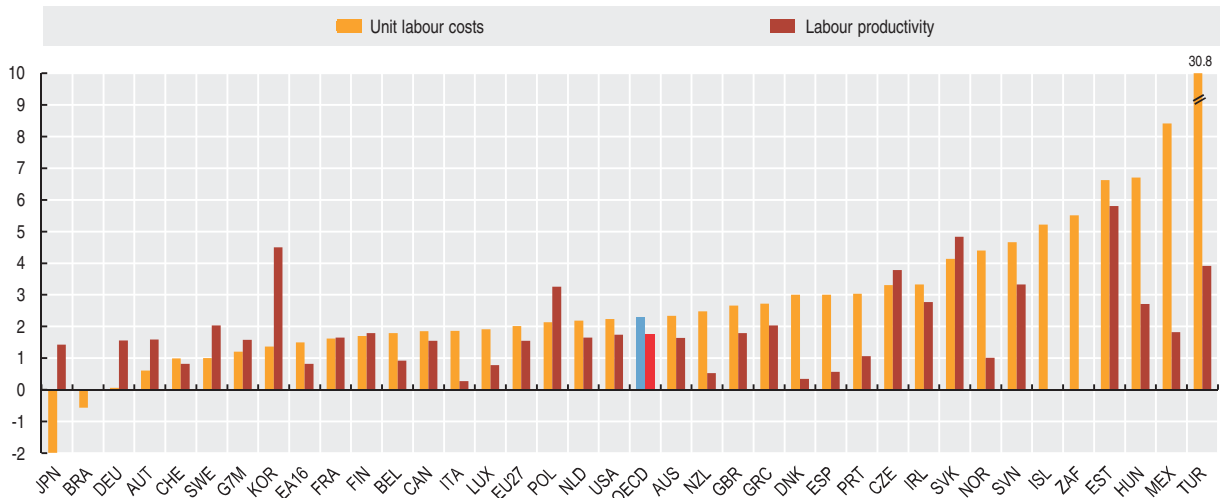
Annual growth in percentage

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Australia	2.7	1.7	0.6	-0.4	1.4	3.2	0.9	2.2	1.9	4.3	3.9	3.7	..	..
Austria	-2.8	0.3	-1.6	-0.2	0.3	-0.1	1.0	0.3	1.1	-0.6	1.2	0.6	0.8	2.3
Belgium	-0.1	1.0	0.6	1.3	1.6	0.4	3.7	2.2	0.5	0.2	1.5	1.8	2.9	3.7
Canada	0.4	1.5	1.5	1.2	-0.4	2.0	2.2	1.0	2.5	2.2	2.4	3.6	..	..
Czech Republic	12.5	13.8	10.7	7.6	2.4	2.1	6.5	5.8	4.7	1.0	-0.8	0.1	2.8	4.6
Denmark	1.4	3.0	1.2	3.8	1.6	0.2	4.4	3.7	2.2	1.1	2.8	2.5	4.1	6.8
Finland	2.0	0.2	-1.0	1.4	0.6	0.4	3.3	1.6	2.0	0.4	2.4	-0.4	1.1	6.1
France	0.6	1.2	-0.1	-0.4	0.7	1.6	2.3	2.9	1.9	0.9	1.8	2.1	1.6	2.5
Germany	1.8	0.1	-1.0	0.1	0.6	0.3	0.4	0.3	0.7	-0.9	-0.9	-1.6	-0.3	2.1
Greece	13.2	6.7	10.0	4.3	4.2	1.5	0.1	9.6	2.1	-1.5	2.4	2.2	..	..
Hungary	18.3	17.4	16.2	9.6	4.1	12.1	11.0	8.8	6.6	8.3	3.2	0.8	5.6	4.2
Iceland	4.6	4.3	2.5	9.1	6.7	4.4	6.1	8.5	1.6	2.1	3.5	..	..	..
Ireland	-0.9	-0.3	0.0	4.8	1.6	4.0	3.2	0.7	4.0	3.3	5.4	3.8	2.6	..
Italy	1.4	4.8	3.0	-1.9	1.8	-0.4	3.3	3.4	4.4	1.5	3.1	1.8	1.8	3.8
Japan	-0.5	-2.0	0.5	0.4	-2.7	-2.4	-1.3	-3.8	-3.1	-3.1	-2.1	-0.6	-1.1	..
Korea	8.9	8.0	1.2	4.0	-6.0	-0.5	5.5	1.2	5.3	1.3	2.4	0.2	0.7	1.5
Luxembourg	1.4	2.9	0.6	-0.9	1.0	3.4	5.7	2.3	1.5	1.6	1.9	0.9	1.5	7.0
Mexico	21.4	21.5	21.8	17.1	17.6	11.1	10.6	6.8	6.1	2.0	3.2	2.5	..	..
Netherlands	0.5	1.2	1.1	2.7	2.0	3.1	4.7	4.5	2.3	0.3	-0.3	0.7	2.0	2.6
New Zealand	1.2	2.6	1.9	1.5	-2.6	0.6	3.0	2.0	4.1	4.2	4.9	4.9	..	..
Norway	1.6	1.7	2.5	7.3	4.3	2.0	4.3	3.5	1.6	1.5	3.2	7.3	7.3	6.4
Poland	27.8	22.5	17.3	13.5	3.9	5.4	3.2	-1.0	-2.8	-1.9	0.7	-0.8	2.7	6.9
Portugal	0.8	4.3	4.5	4.2	3.3	4.5	3.3	3.4	3.3	0.8	3.5	1.1	..	..
Slovak Republic	14.3	7.5	9.1	5.5	4.2	11.0	1.0	4.0	5.4	4.0	5.1	0.3	1.0	4.4
Spain	2.4	2.9	2.0	2.1	2.0	2.7	3.1	3.0	3.2	2.5	3.5	3.2	3.5	4.3
Sweden	-0.4	4.6	0.7	0.4	-1.1	4.5	5.4	0.7	0.9	-1.2	0.4	-0.7	4.5	2.6
Switzerland	2.1	0.0	-0.4	-0.7	1.2	1.0	4.7	2.1	0.4	-2.3	1.1	1.6	..	..
Turkey	60.8	87.3	88.8	73.1	82.4	33.1	49.9	30.0	21.2	9.5	-1.0	4.0	..	..
United Kingdom	1.7	1.3	2.4	3.6	2.2	2.9	3.7	2.5	3.0	2.2	2.9	2.2	1.5	2.6
United States	1.4	0.6	1.1	2.2	1.6	4.1	2.3	0.8	2.1	1.3	2.2	3.0	2.8	..
Euro area	1.1	1.7	-1.4	-0.1	1.8	1.0	2.1	2.3	2.0	0.7	1.2	1.0	1.4	3.1
EU27 total	..	3.1	2.1	1.8	1.5	2.5	3.3	2.6	2.5	0.9	2.0	1.2	1.9	3.3
Major seven	1.0	0.5	0.9	1.2	0.6	1.9	1.6	0.4	1.3	0.4	1.3	1.8	1.6	..
OECD total	3.0	3.8	3.9	3.8	3.1	3.0	3.4	1.7	2.1	0.8	1.5	1.8	1.8	..
Brazil	..	-29.2	-11.2	-2.7	1.9	-1.5	0.4	0.2	2.1	-6.7	2.2	-0.6	..	..
Estonia	..	19.4	9.2	5.3	3.3	2.7	2.3	2.9	5.4	3.8	3.0	8.9	20.3	16.6
Slovenia	..	7.8	5.4	5.0	5.2	6.5	8.7	5.6	4.4	3.7	0.9	0.9	2.6	8.1
South Africa	10.1	7.6	7.5	8.8	5.7	4.7	4.4	5.8	6.5	3.9	4.1	5.1	6.2	..

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**Unit labour costs and labour productivity, total economy**

Average annual growth in percentage, 1998-2008 or latest available period



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