

Compensation of employees by enterprise size

Key facts

- In most countries compensation of employees is the largest part of value added, particularly in SMEs, which tend to be less capital intensive than larger firms.
- The share of compensation of employees is particularly low in Ireland and Mexico both in large and small firms. In other countries with high foreign ownership or control of supply-chains, such as Hungary, shares are also typically below the OECD average.
- Between 2008 and 2012, shares fell for both small and medium-sized enterprises and large enterprises in several countries, including Denmark, Estonia, Latvia, Lithuania, the Slovak Republic, Switzerland and the United Kingdom.

Definitions

Compensation of employees includes the total remuneration, in cash or in kind, payable to an employee in return for work done by the latter during the reference period. No compensation of employees is payable in respect of unpaid work undertaken voluntarily, including the work done by members of a household within an unincorporated enterprise owned by the same household. Compensation of employees does not include any taxes payable by the employer on the wage and salary. It includes therefore wages and salaries of employees and other employers' social contributions.

Compensation of labour for all persons employed is equivalent to the sum of wages and salaries of all persons employed and other employers' social contributions for employees.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Relevance

There has been increased attention in recent years on labour's share of value-added, in particular on the role that increasing/decreasing labour-capital wedges have on inequality.

Comparability

Many SMEs are unincorporated enterprises meaning that the owners of these firms do not pay themselves a salary but instead receive compensation through *mixed income* (as defined in the 2008 *System of National Accounts*), which is a component of *value-added*. This means that estimates that focus only on compensation of employees as share of total value-added are likely to underestimate the relative contribution made by labour to SMEs compared to estimates for larger enterprises. This may help to explain the lower shares for example for Italy and Latvia.

For Mexico data for manufacturing refer to industry (05-39 of ISIC Revision 4). Data for Brazil, Israel and Mexico refer to compensation of all persons employed. Data for Korea and the United States are based on Annual National Accounts data and not on annual business surveys.

Source

OECD *Structural and Demographic Business Statistics* (SDBS) (database), <http://dx.doi.org/10.1787/sdbs-data-en>.

Further reading

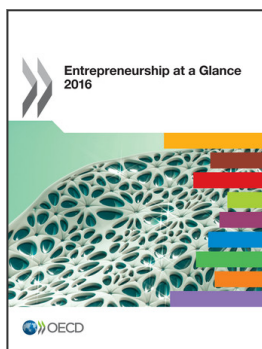
OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

Figure 2.13. Compensation of employees over value added, manufacturing

Percentage



StatLink <http://dx.doi.org/10.1787/888933230566>



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