

## 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.

### Overview

Unit labour costs in the total economy increased at an annual average rate of 2.0% for the OECD area as a whole over the decade since 2000. Annual average growth rates in unit labour costs ranged from negative values in Japan to values exceeding 5% in Estonia, Mexico, South Africa and Turkey.

Annual average growth in unit labour costs for other geographical regions, *i.e.* G7, euro area and OECD total, was smaller than for the EU27 at 1.4%, 2.0% and 2.0%, respectively. Before the global financial crisis, the annual growth rates of unit labour costs were positive in all years between 2001 and 2008, except in ten countries (Austria, the Czech Republic, Finland, Germany, Israel, Japan, the Netherlands, Poland, Sweden and Switzerland). In the 2009-2010 period, the annual growth rates in unit labour costs were negative or slightly positive in most countries. Estonia experienced the largest decrease of unit labour costs in 2010, at -8.3%.

During this ten-year period, only eight countries (the Czech Republic, Germany, Israel, Korea, Japan, Poland, the Slovak Republic and Sweden) displayed stronger growth in labour productivity than in unit labour costs. Weaker growth in labour productivity than in unit labour costs were recorded in all geographical regions compiled, with the widest margin in the euro area (0.4% labour productivity growth and 2.0% unit labour cost growth) and EU27 (1.1% and 2.5%).

### 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.

### Sources

- OECD (2011), *Main Economic Indicators*, OECD Publishing.

### Further information

#### Analytical publications

- OECD (2011), *National Accounts at a Glance*, OECD Publishing.
- OECD (2011), *OECD Economic Surveys*, OECD Publishing.

#### Methodological publications

- McKenzie, R. and D. Brackfield (2008), "The OECD System of Unit Labour Cost and Related Indicators", *OECD Statistics Working Papers*, No. 2008/04.

#### Online databases

- *Labour*, *Main Economic Indicators*.

#### Websites

- OECD Compendium of Productivity Indicators, [www.oecd.org/statistics/productivity/compendium](http://www.oecd.org/statistics/productivity/compendium).
- OECD Productivity, [www.oecd.org/statistics/productivity](http://www.oecd.org/statistics/productivity).

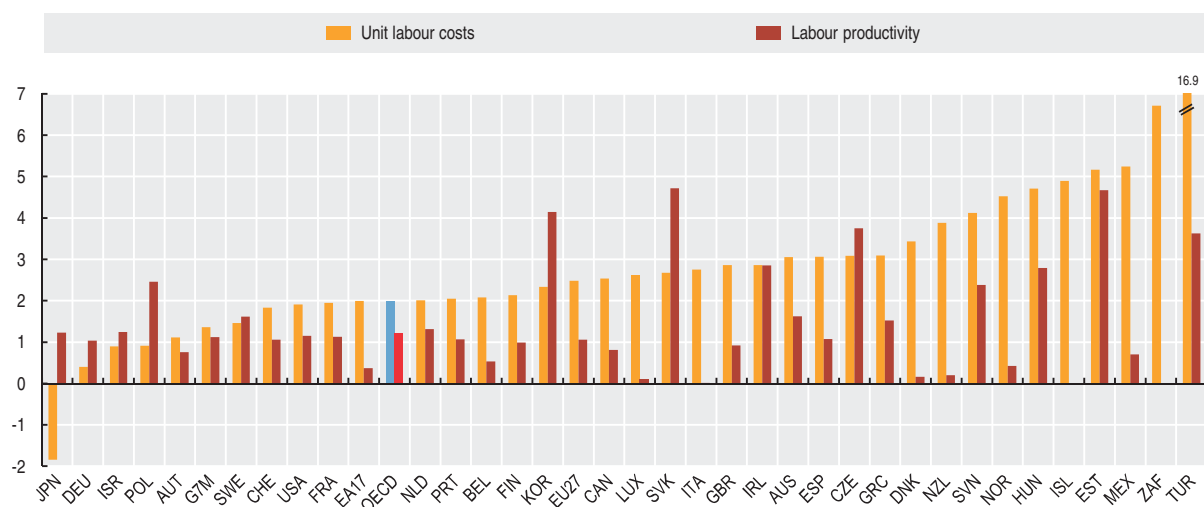
**Unit labour costs, total economy**

Annual growth in percentage

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	0.9	-0.3	1.5	3.2	0.9	2.3	1.9	4.4	4.0	4.9	..	..	..	..
Austria	-1.6	-0.2	0.3	-0.1	1.0	0.3	1.1	-0.6	1.2	0.4	0.5	2.1	5.1	0.1
Belgium	0.4	1.2	1.6	0.6	3.7	2.4	0.8	-	1.4	2.0	2.2	4.1	4.4	-0.3
Canada	1.5	1.2	-0.4	2.0	2.2	1.0	2.5	2.3	2.3	3.7	3.1	3.2	..	..
Czech Republic	10.7	7.6	2.4	2.1	6.5	5.8	4.7	1.0	-0.8	0.1	2.8	4.6	3.3	..
Denmark	1.1	3.8	1.6	0.2	4.2	3.7	2.2	1.1	2.8	2.3	4.5	6.0	4.2	..
Estonia	8.5	4.3	3.5	2.4	2.5	2.8	4.9	4.8	3.0	9.4	17.5	15.2	2.1	-8.3
Finland	-0.9	1.5	0.5	-	3.5	1.2	1.6	-	2.3	0.5	-0.2	5.9	8.3	-1.4
France	-0.1	-0.4	0.7	1.6	2.3	2.9	1.9	0.9	1.9	2.0	1.3	2.4	..	..
Germany	-1.0	0.1	0.6	0.3	0.4	0.3	0.7	-0.9	-0.9	-1.8	-0.7	2.3	6.4	-1.5
Greece	10.0	4.3	4.2	1.5	-0.1	9.2	1.2	1.3	3.5	3.0	3.8	5.4	4.8	-0.8
Hungary	17.6	10.6	5.2	11.3	11.4	9.5	6.3	4.2	3.3	2.0	5.9	4.4	2.3	-1.6
Iceland	4.1	8.3	6.3	4.3	6.9	7.8	1.6	2.2	5.1	10.2	7.2	4.3	-0.8	..
Ireland	-	4.8	1.3	3.1	3.8	0.1	4.7	3.4	6.0	4.1	3.2	4.3	-3.5	..
Israel	8.9	5.0	6.6	0.8	3.9	1.1	-2.5	-2.4	0.8	3.7	1.1	2.2	0.4	..
Italy	3.0	-1.9	1.8	-0.4	3.3	3.4	4.4	1.5	3.1	1.8	2.1	3.9	4.3	-0.2
Japan	0.6	0.5	-2.7	-2.4	-1.3	-3.8	-3.1	-3.1	-2.1	-0.6	-2.4	1.8	..	..
Korea	0.8	3.3	-6.3	-0.2	5.5	1.2	5.3	1.3	2.4	0.2	0.7	2.2	..	..
Luxembourg	0.6	-0.9	1.0	3.4	5.7	2.3	1.5	1.6	1.9	0.8	1.4	5.4	6.4	-0.6
Mexico	21.8	17.1	17.6	11.1	10.6	6.8	6.1	2.1	3.2	2.5	3.2	4.2	8.8	..
Netherlands	1.1	2.7	2.0	3.1	4.7	4.5	2.3	0.3	-0.3	0.7	1.6	2.6	5.2	-1.3
New Zealand	1.8	1.5	-2.5	0.3	3.1	2.0	3.2	4.7	4.5	4.5	4.3	6.6	2.1	..
Norway	2.5	7.3	4.3	2.0	4.3	3.5	1.6	1.5	3.2	7.3	8.4	8.2	4.1	3.4
Poland	17.3	13.5	3.9	5.4	3.2	-1.8	-2.8	-2.0	0.7	-0.8	2.6	7.8	1.7	..
Portugal	4.1	4.3	2.9	4.5	3.5	3.1	3.5	0.8	3.7	0.6	0.8	2.9	3.1	-1.4
Slovak Republic	9.0	5.5	4.2	11.0	0.9	4.3	5.4	4.0	4.7	0.5	0.4	3.3	5.0	-1.5
Slovenia	5.4	5.0	5.2	6.5	8.7	5.6	4.3	3.7	1.0	0.8	2.4	6.3	8.5	0.3
Spain	2.0	2.1	2.0	2.7	3.1	3.0	3.2	2.5	3.5	3.2	3.7	4.6	0.8	..
Sweden	0.5	0.1	-1.2	4.5	5.3	0.6	0.4	-1.2	0.6	-0.7	4.1	2.6	5.2	-2.0
Switzerland	-0.4	-0.7	1.2	1.0	4.7	2.1	0.4	-2.3	1.1	0.6	1.6	3.5	5.0	..
Turkey	88.8	73.1	82.4	33.1	49.9	30.0	21.2	2.2	0.9	4.9	..	..	..	..
United Kingdom	2.4	3.7	2.3	2.8	3.6	2.5	3.0	1.7	2.4	2.2	2.8	2.4	6.1	2.0
United States	1.1	2.2	1.3	3.6	2.0	0.7	2.4	1.6	2.4	3.1	2.8	2.6	-0.4	..
Euro area	-1.4	-0.1	1.8	1.0	2.1	2.3	2.1	0.6	1.3	1.0	1.4	3.2	4.0	..
EU27 total	2.1	1.8	1.6	2.5	3.2	2.6	2.5	0.8	2.0	1.2	2.0	3.5	4.6	..
Major seven	0.9	1.2	0.5	1.7	1.5	0.4	1.4	0.5	1.3	1.8	1.5	2.5	..	..
OECD total	4.0	3.8	3.0	2.8	3.3	1.6	2.1	0.8	1.6	1.9	1.8	2.9	..	..
South Africa	7.5	8.8	5.7	4.7	4.4	7.3	6.3	5.3	4.2	5.4	7.5	9.2	10.1	7.6

 StatLink  <http://dx.doi.org/10.1787/888932503550>
**Unit labour costs and labour productivity, total economy**

Average annual growth in percentage, 2000-10 or latest available period


 StatLink  <http://dx.doi.org/10.1787/888932503569>

