## **UNIT LABOUR COSTS**

Unit labour costs (ULC) is the most commonly used indicator of competitiveness of the productive system of a country. Unit labour costs reflect the combined evolution of total labour costs per unit of labour input and of labour productivity, and can be an indicator of producer inflationary pressures.

#### **Definition**

Unit labour costs measure the average cost of labour per unit of output produced. They are calculated as the ratio of total labour costs to real output. Equivalently, they may be expressed as the ratio of total labour costs per hour worked to output per hour worked. Alternatively if information on total hours worked are not available, proxies such as employees and counterpart labour compensation data (compensation of employees) or the numbers of persons employed may be used. It can be shown therefore that labour productivity estimates are produced as a by-product of calculating unit labour costs. 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 past decade. G7 countries and most of the early members of the Euro area have been able to increase their competitiveness vis-à-vis the OECD average, as reflected in lower growth in ULCs relative to other countries. The opposite is notably true for countries with relatively lower competitiveness such as Turkey, Mexico, and South Africa, as well as Estonia, Iceland, Hungary and Norway. Within Europe, some adjustment in competitiveness has occurred since the recent financial crisis in Ireland, Spain, Portugal and Greece, with temporary declines in ULCs witnessed in France and Italy. In Germany, improvements in competitiveness during the first half of the 2000s shows signs of being reversed in the second half of 2000s.

Comparing the data for ULC with those for labour productivity growth can provide some information on the sources for changes in competitiveness. For instance, over the past ten years, some countries, notably those countries with relatively low growth in ULCs, such as Germany, Israel, Korea, Poland and Sweden, displayed stronger growth in labour productivity than in ULCs. In these countries, high productivity growth coincided with wage moderation. In contrast, most of those countries for which one can observe a relative deterioration in competitiveness displayed weak growth in labour productivity.

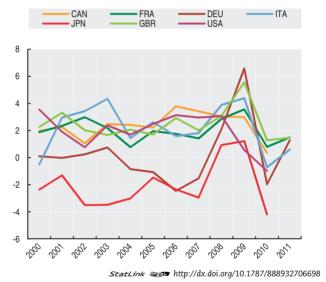
### Comparability

These indicators are compiled according to a common methodological framework so as to ensure comparability across countries. The primary data source is the OECD Annual National Accounts, where available, and where data are compiled on a similar basis across countries according to the 1993 System of National Accounts.

The use of different labour input measures (hours worked or number of employees depending on data availability) may reduce comparability across countries and time.

# Unit labour costs, total economy

Average annual growth in percentage



#### **Sources**

• OECD (2012), Main Economic Indicators, OECD Publishing.

## **Further information**

# **Analytical publications**

- OECD (2011), National Accounts at a Glance, OECD Publishing.
- OECD (2012), 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.
- OECD Productivity, www.oecd.org/statistics/productivity.

48 OECD FACTBOOK 2013 © OECD 2013



UNIT LABOUR COSTS

# Unit labour costs, total economy

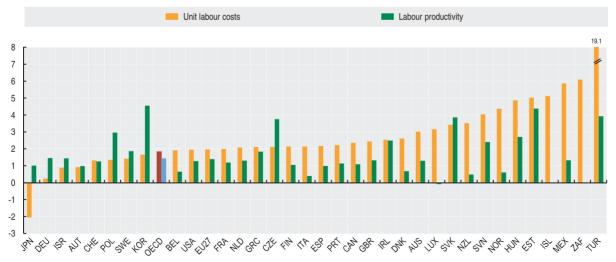
Annual growth in percentage

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Australia	3.0	2.1	1.3	3.2	2.0	3.9	3.4	4.6	4.5	2.5	0.2	5.6	
Austria	0.3	-0.1	0.6	0.2	1.2	-0.8	0.5	0.7	0.6	3.1	5.3	-0.6	0.7
Belgium	1.6	0.6	3.7	2.4	0.9	-0.1	1.4	2.0	2.2	3.8	4.0	-0.1	2.3
Canada	-0.4	2.0	2.3	1.1	2.5	2.4	2.2	3.8	3.4	3.0	3.0	0.4	
Chile													
Czech Republic	1.6	2.7	5.5	5.9	4.1	2.5	-1.4	-0.4	2.2	2.7	2.7	-1.2	0.3
Denmark	1.6	0.2	4.2	3.7	2.2	1.1	2.8	2.3	4.5	5.3	5.4	-0.6	0.5
Estonia	3.5	2.5	3.7	4.5	4.4	5.9	3.5	9.7	17.5	13.0	2.1	-5.9	1.2
Finland	0.5	0.0	3.5	1.2	1.6	0.0	2.3	0.5	-0.2	6.7	9.7	-1.5	2.4
France	0.8	1.9	2.3	3.0	2.2	0.8	2.0	1.8	1.4	2.9	3.6	0.8	1.5
Germany	0.9	0.1	0.0	0.2	0.8	-0.8	-1.1	-2.5	-1.5	2.1	6.6	-2.0	1.3
Greece	4.2	1.5	-0.1	9.2	1.2	1.3	3.5	-1.9	3.9	6.5	6.2	-1.0	-4.1
Hungary	6.2	11.4	11.1	8.6	5.9	4.2	2.5	2.0	6.4	4.5	3.0	-3.8	3.5
Iceland	6.3	4.5	6.4	7.8	1.4	2.1	4.6	10.5	7.9	5.6	0.8		
Ireland	1.3	5.0	5.1	1.3	5.0	3.8	7.1	4.3	4.0	6.3	-5.6	-7.2	**
Israel	6.6	0.8	3.9	1.1	-2.5	-2.4	1.1	4.0	0.7	2.1	0.3		
Italy	1.4	-0.5	3.0	3.4	4.3	1.4	2.6	1.6	1.8	3.9	4.4	-0.7	0.6
Japan	-2.7	-2.4	-1.3	-3.5	-3.5	-3.0	-1.5	-2.3	-2.9	0.9	1.2	-4.2	**
Korea	-6.3	-0.2	5.5	1.2	5.3	1.1	2.4	0.2	0.7	2.2	0.7	-1.4	2.5
Luxembourg	1.0	3.4	5.7	2.3	1.5	1.6	1.9	0.8	1.4	6.2	8.5	1.5	**
Mexico	17.6	11.1	10.6	6.8	6.1	2.1	3.2	2.5	3.2	4.6	9.0		
Netherlands	2.0	3.1	4.7	4.5	2.3	0.3	-0.3	0.7	1.6	2.3	4.7	-0.9	**
New Zealand	-2.5	0.3	3.1	2.0	3.2	4.7	4.5	4.5	4.3	6.6	2.1		
Norway	4.3	2.0	4.3	3.5	2.0	0.9	3.3	6.9	8.3	9.2	4.4	3.5	4.6
Poland	3.9	5.4	3.2	-1.8	-2.8	-2.0	0.6	-0.7	2.6	7.8	1.9	1.2	
Portugal	2.9	4.5	3.5	3.1	3.5	0.8	3.7	0.6	0.8	3.1	2.4	-1.5	**
Slovak Republic	4.2	11.0	0.9	4.3	8.0	3.4	4.4	0.5	0.8	3.7	7.1	-1.7	-0.4
Slovenia	5.2	6.9	8.4	5.4	4.3	3.5	1.6	0.8	2.5	6.5	8.7	0.0	0.3
Spain	2.0	2.7	3.0	3.0	3.1	2.6	3.6	3.1	3.9	4.7	1.0	-2.6	-1.9
Sweden	-1.2	4.5	5.3	0.6	0.4	-1.2	0.6	-0.7	4.1	2.6	4.9	-2.4	-1.3
Switzerland	1.2	1.0	4.7	2.1	0.4	-2.3	1.1	0.6	1.6	2.8	4.5	-2.0	
Turkey	82.4	33.1	49.9	30.0	21.2	2.2	0.9	4.9					
United Kingdom	2.8	2.3	3.3	2.0	1.7	2.1	1.7	2.9	2.0	3.1	5.6	1.3	1.5
United States	1.2	3.6	1.9	0.8	2.4	1.7	2.5	3.1	3.0	3.1	0.6	-1.0	
EU 27	1.6	2.4	3.1	2.5	2.3	0.9	1.8	1.0	1.7	3.6	4.4	-0.7	0.7
OECD	3.1	2.8	3.2	1.7	2.1	0.8	1.6	1.7	1.7	3.1	2.6	-1.1	
Brazil													
China													
India													
Indonesia													
Russian Federation													
South Africa				3.5	5.3	5.3	5.4	6.5	4.9	6.0	9.3	8.7	

StatLink @ http://dx.doi.org/10.1787/888932706660

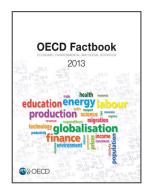
## Unit labour costs and labour productivity, total economy

Average annual growth in percentage, 2000-11 or latest available period



StatLink http://dx.doi.org/10.1787/888932706679

OECD FACTBOOK 2013 © OECD 2013



#### From:

# **OECD Factbook 2013**

Economic, Environmental and Social Statistics

# Access the complete publication at:

https://doi.org/10.1787/factbook-2013-en

# Please cite this chapter as:

OECD (2013), "Unit labour costs", in *OECD Factbook 2013: Economic, Environmental and Social Statistics*, OECD Publishing, Paris.

DOI: <u>https://doi.org/10.1787/factbook-2013-17-en</u>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.

