

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.

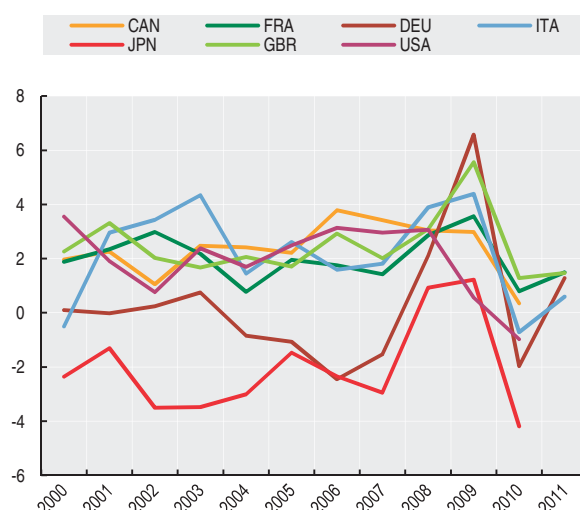
Comparability

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



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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.

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	..

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Unit labour costs and labour productivity, total economy

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


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