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Technical Information: (202) 691-5654 • ilchelp@bls.gov • www.bls.gov/ilc

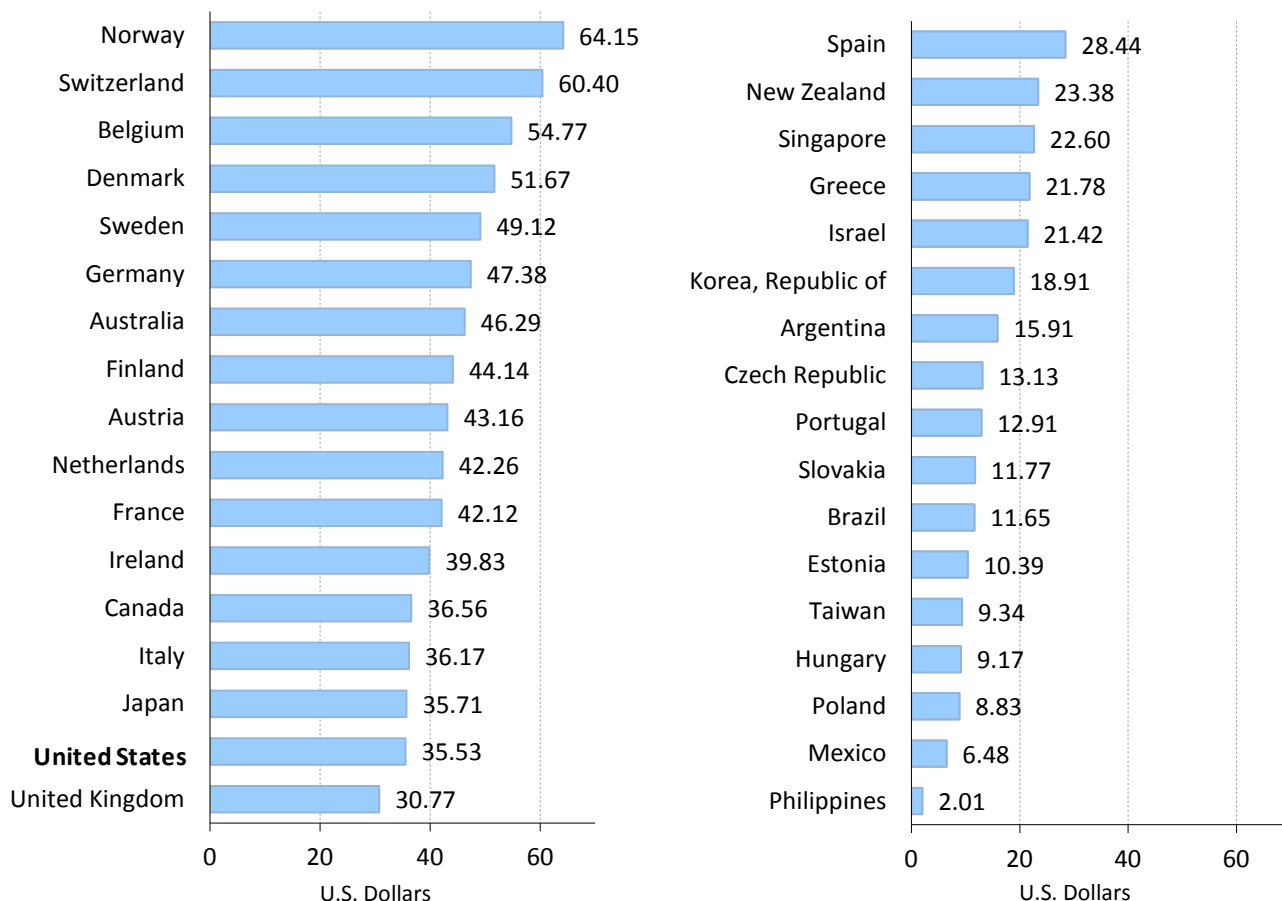
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INTERNATIONAL COMPARISONS OF HOURLY COMPENSATION COSTS IN MANUFACTURING, 2011

In comparison with 33 foreign countries covered, U.S. manufacturing hourly compensation costs in 2011 ranked approximately in the middle at \$35.53, the U.S. Bureau of Labor Statistics reported today (see chart 1). In addition to Australia, Canada, Italy, and Japan, countries with higher hourly compensation costs were primarily in northern and western Europe. Countries with lower hourly compensation costs were primarily in southern and eastern Europe, Asia, and Latin America.

Between 1997 and 2011, compensation costs in manufacturing as a percent of U.S. costs (see table 1) increased or remained the same in all economies compared except Taiwan, improving U.S. cost competitiveness.

Chart 1. Hourly compensation costs in manufacturing, U.S. dollars, 2011



Changes in a country's compensation costs in U.S. dollars are roughly equivalent to the change in compensation costs in a country's national currency plus the change in the value of the country's currency relative to the U.S. dollar. This relationship is illustrated in chart 2, where the bars in the right panel for each country can be summed to equal the bars in the left panel. In 2011, most countries had increases in hourly compensation costs in national currency combined with larger appreciations in national currency relative to the U.S. dollar, resulting in increases in U.S. dollar-denominated hourly compensation costs. Only Greece experienced a decrease in U.S. dollar hourly compensation costs.

Chart 2. Annual percent change in hourly compensation costs in manufacturing and exchange rates, 2010-2011

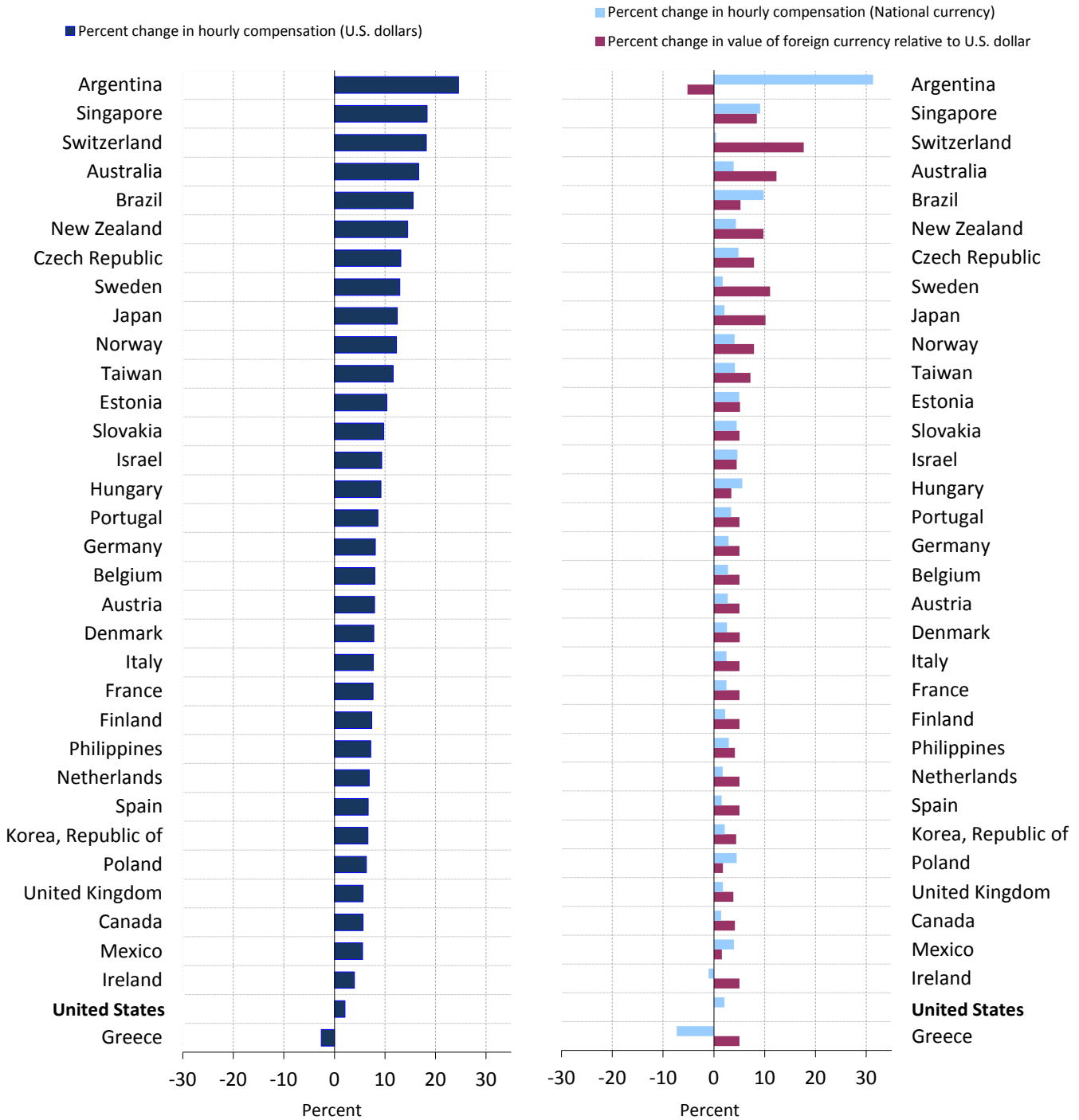
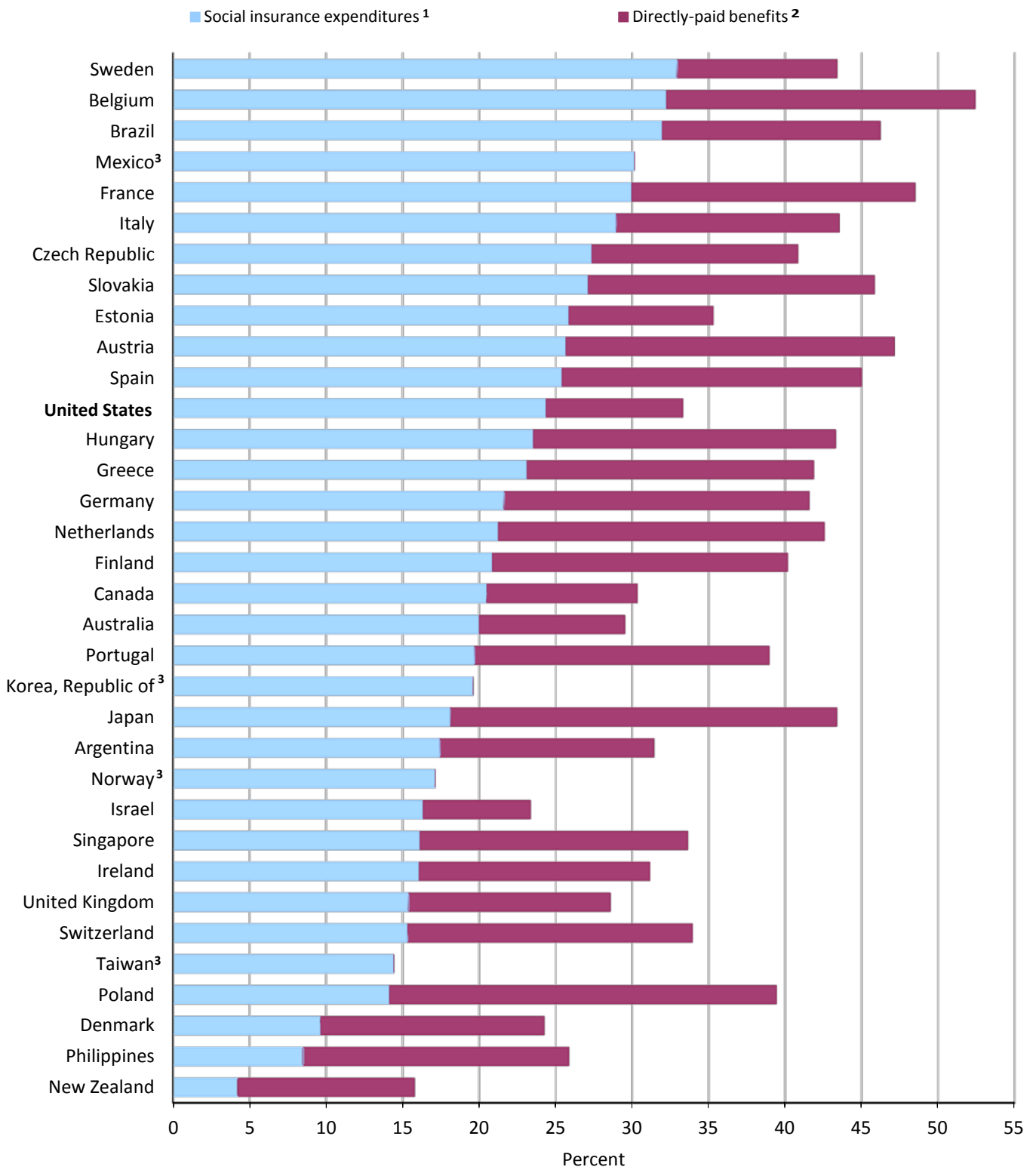


Chart 3. Benefit components of hourly compensation costs as a percent of total compensation, 2011



(1) Social insurance expenditures are legally required, private, and contractual social benefit costs, and labor-related taxes minus subsidies.

(2) Directly-paid benefits are primarily pay for leave time, bonuses, and pay in kind.

(3) For Republic of Korea, Mexico, Norway, and Taiwan, separate measures of directly-paid benefits are not available.

Chart 3 shows the benefit components of manufacturing employers' compensation costs as a percent of total costs. (See table 3 for data in U.S. dollars.) Economies are ordered based on social insurance expenditures as a percent of total compensation. In countries with the highest ratio of social insurance costs, such as Sweden, Belgium, and Brazil, social insurance makes up approximately one-third of total compensation costs. In the United States, social insurance costs account for about 24 percent of total compensation, while in the Asian countries social insurance is less than 20 percent.

Directly-paid benefits comprise pay for leave time, bonuses, and pay in kind. The percentage of compensation that is directly-paid benefits tends to be higher in many European countries (due in large part to leave pay) and in Japan (where seasonal bonuses are a large portion of costs). Directly-paid benefits are a relatively smaller portion of costs in countries such as the United States, Australia, and Canada.

The total benefits portion of compensation costs can be seen by combining social insurance with directly-paid benefits. Total benefits surpass 40 percent in 15 countries. In contrast, the ratio of benefit costs in the United States is about 33 percent.

Find additional data.

Detailed time series tables of compensation costs in U.S. dollars, national currencies, and annual indexes for 1996-2011 are available at www.bls.gov/web/ichcc.supptoc.htm.

Compensation costs for sub-manufacturing industries are also available at www.bls.gov/ilc/ichccccountry.htm and www.bls.gov/ilc/ichccindustry.htm. Data tables are available by country and industry.

Go to www.bls.gov/ilc/#compensation for additional information.

Analyze trends with interactive dashboard.

The time series data tables in Excel include an interactive dashboard that displays charts from a custom selection of variables, countries, and time periods at www.bls.gov/ilc/dashboards.htm.

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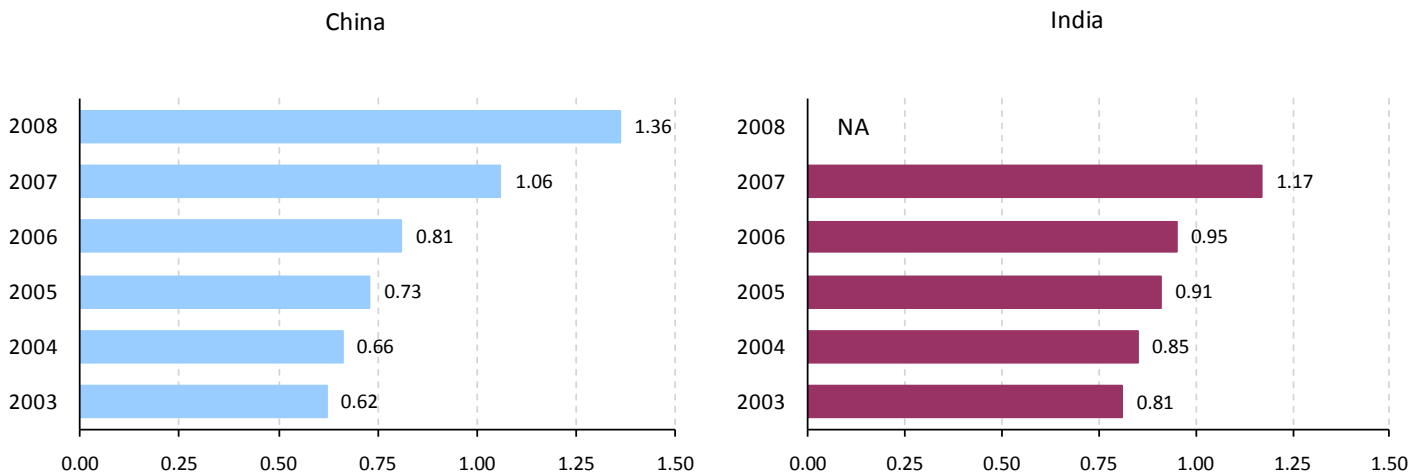
China and India

BLS has developed estimates of hourly compensation costs for employees in the Chinese and Indian manufacturing sectors.^{1,2} Due to various data gaps and methodological issues, compensation costs for China and India are not directly comparable to each other or with the data for other countries found in this release, and therefore are presented separately.³ Data are available for China through 2008 and for India through 2007.

For China, BLS approximates average hourly compensation costs in manufacturing by filling important data gaps for hours worked per year and for benefit components of labor compensation. Further, the concepts and coverage of Chinese statistics on manufacturing employment and wages often do not follow international standards and can be difficult to understand. Largely because of these data gaps and challenges, BLS estimates for China cannot be considered as robust as the manufacturing statistics for the other countries in this news release.

For India, BLS estimates of compensation costs refer to formal manufacturing only, rather than to total manufacturing in the country. Unorganized sector manufacturing workers account for approximately 80 percent of total manufacturing employment in India and earn substantially less than their formal sector counterparts. For this reason, employers' average compensation costs in formal manufacturing overstate average compensation costs for Indian manufacturing as a whole.⁴

Hourly compensation costs in manufacturing for China and India, in U.S. dollars, 2003-2008



(1) For the most recent BLS work on China, see Judith Banister and George Cook, "China's employment and compensation costs in manufacturing through 2008," *Monthly Labor Review*, March 2011, pp. 39-52, at www.bls.gov/opub/mlr/2011/03/art4full.pdf.

(2) For the most recent BLS work on India, see Jessica R. Sincavage, "Labor costs in India's organized manufacturing sector," *Monthly Labor Review*, May 2010, pp. 3-22, at www.bls.gov/opub/mlr/2010/05/art1full.pdf.

(3) For a discussion of the limitations associated with comparing compensation costs for China and India, see Sincavage, "Labor costs in India's organized manufacturing sector."

(4) For additional information on employment and compensation costs in China and India, see www.bls.gov/ilc/china.htm and www.bls.gov/ilc/india.htm.

TECHNICAL NOTES

The international comparisons of hourly compensation costs in manufacturing are prepared to assess differences in employer labor costs among countries. BLS compensation data permit more meaningful comparisons of employer labor costs than data based solely on average earnings. Definitions of average earnings vary considerably by country and do not include many items of labor cost that frequently make up a large portion of total cost. BLS compensation data include nearly all labor costs incurred by employers.

Below is a summary of the concepts used in this release. For more detailed information, see www.bls.gov/ilc/ichcctn.pdf.

Definitions. Compensation costs include (1) direct pay (all payments made directly to the worker, before payroll deductions of any kind) and (2) social insurance expenditures (employer payments to secure entitlement to social benefits for employees) and labor-related taxes (minus subsidies).

The data relate to all employees in manufacturing, including part-time and temporary workers. The self-employed, unpaid family workers, contract workers, and workers in private households are excluded.

Compensation Costs		
Direct Pay		Employer Social Insurance Expenditures and Labor-related Taxes
Pay for Time Worked	Directly-Paid Benefits	
<ul style="list-style-type: none"> • Basic wages • Piece rate • Overtime premiums • Shift, holiday, or night work premiums • Cost-of-living adjustments • Bonuses and premiums paid each pay period 	<ul style="list-style-type: none"> • Pay for time not worked (vacations, holidays, and other leave, except sick leave) • Seasonal and irregular bonuses • Payments in kind • Allowances for family events, commuting, etc. • Payments to employees' savings funds 	<ul style="list-style-type: none"> • Retirement and disability pensions • Health insurance • Income guarantee insurance • Pay for sick leave • Life and accident insurance • Occupational injury and illness compensation • Unemployment insurance • Severance pay • Other social insurance expenditures • Taxes (minus subsidies) on payrolls or employment

Methodology. In general, total compensation for each economy is calculated by adjusting earnings series to include items of direct pay, social insurance, and labor-related taxes and subsidies not included in earnings. For economies for which earnings data are not available on a per hour worked basis, BLS makes adjustments in order to approximate compensation per hour worked. Compensation costs are converted to U.S. dollars using the average daily exchange rate for the reference year.

Earnings statistics are typically obtained from annual establishment surveys. Data on the other components of compensation are typically obtained from periodic labor cost surveys, employer confederations, and other sources.

For the United States, the methods and results differ somewhat from those of other BLS series on U.S. compensation costs.

The statistics are adjusted, where possible, to account for major differences in worker and survey coverage. More information on exceptions to these methods, as well as data sources used, may be found in “Country Notes and Data Sources” located at www.bls.gov/ilc/ichccsources.pdf.

The compensation measures in this news release are based on statistics available to BLS as of October 2012.

Table 1. Hourly compensation costs in manufacturing, U.S. dollars, and as a percent of costs in the United States

	Hourly Compensation Costs			
	in U.S. dollars		U.S.=100	
	1997 ⁽¹⁾	2011	1997 ⁽¹⁾	2011
Norway	25.84	64.15	112	181
Switzerland	30.42	60.40	132	170
Belgium	28.92	54.77	125	154
Denmark	23.70	51.67	103	145
Sweden	25.02	49.12	109	138
Germany	29.16	47.38	127	133
Australia	18.93	46.29	82	130
Finland	22.36	44.14	97	124
Austria	24.91	43.16	108	121
Netherlands	22.45	42.26	97	119
France	24.86	42.12	108	119
Ireland	16.69	39.83	72	112
Canada	18.49	36.56	80	103
Italy	19.76	36.17	86	102
Japan	21.99	35.71	95	101
United States	23.04	35.53	100	100
United Kingdom	19.30	30.77	84	87
Spain	13.95	28.44	61	80
New Zealand	12.06	23.38	52	66
Singapore	12.15	22.60	53	64
Greece	11.61	21.78	50	61
Israel	12.28	21.42	53	60
Korea, Republic of	9.22	18.91	40	53
Argentina	7.55	15.91	33	45
Czech Republic	3.25	13.13	14	37
Portugal	6.45	12.91	28	36
Slovakia	2.84	11.77	12	33
Brazil	7.07	11.65	31	33
Estonia	NA	10.39	NA	29
Taiwan	7.04	9.34	31	26
Hungary	3.05	9.17	13	26
Poland	3.15	8.83	14	25
Mexico	3.47	6.48	15	18
Philippines	1.28	2.01	6	6

NA=data not available.

(1) With the exception of Estonia, 1997 is the first year data for all countries are available to BLS.

Table 2. Average annual percent change in hourly compensation costs in manufacturing and exchange rates

	1997-2011			2010-2011		
	National currency change	Exchange rate change ⁽¹⁾	U.S. dollar change ⁽²⁾	National currency change	Exchange rate change ⁽¹⁾	U.S. dollar change ⁽²⁾
Argentina	16.7	-9.6	5.5	31.4	-5.2	24.5
Singapore	3.3	1.2	4.5	9.1	8.5	18.3
Switzerland	1.4	3.6	5.0	0.4	17.7	18.2
Australia	4.1	2.4	6.6	3.9	12.3	16.7
Brazil	6.9	-3.1	3.6	9.8	5.2	15.6
New Zealand	3.5	1.3	4.8	4.3	9.8	14.5
Czech Republic	6.0	4.3	10.5	4.9	7.9	13.2
Sweden	3.7	1.2	4.9	1.7	11.1	13.0
Japan	0.5	3.0	3.5	2.1	10.1	12.5
Norway	4.9	1.7	6.7	4.1	7.9	12.3
Taiwan	2.2	-0.1	2.0	4.1	7.2	11.6
Estonia	NA	NA	NA	5.0	5.1	10.4
Slovakia	7.3	3.2	10.7	4.5	5.1	9.8
Israel	4.3	-0.3	4.1	4.6	4.5	9.3
Hungary	8.7	-0.5	8.2	5.6	3.4	9.2
Portugal	3.6	1.4	5.1	3.4	5.1	8.6
Germany	2.0	1.5	3.5	2.9	5.1	8.1
Belgium	3.1	1.5	4.7	2.8	5.1	8.0
Austria	2.4	1.5	4.0	2.7	5.1	7.9
Denmark	4.1	1.5	5.7	2.6	5.1	7.8
Italy	2.9	1.5	4.4	2.5	5.1	7.7
France	2.3	1.5	3.8	2.5	5.1	7.6
Finland	3.5	1.4	5.0	2.2	5.1	7.4
Philippines	6.1	-2.7	3.3	2.9	4.1	7.2
Netherlands	3.1	1.5	4.6	1.7	5.1	6.9
Spain	3.7	1.5	5.2	1.5	5.1	6.7
Korea, Republic of	6.4	-1.1	5.3	2.2	4.4	6.7
Poland	6.9	0.7	7.6	4.5	1.8	6.4
United Kingdom	3.5	-0.1	3.4	1.8	3.8	5.7
Canada	2.5	2.4	5.0	1.5	4.2	5.7
Mexico	8.0	-3.2	4.6	3.9	1.6	5.6
Ireland	5.3	1.1	6.4	-1.0	5.1	4.0
United States	3.1	0.0	3.1	2.1	0.0	2.1
Greece	3.8	0.8	4.6	-7.3	5.1	-2.6

NA=data not available.

(1) Exchange rates are value of foreign currency relative to the U.S. dollar.

(2) U.S. dollar changes are approximately equal to national currency changes plus exchange rate changes for each country.

Table 3. Components of hourly compensation costs in manufacturing, U.S. dollars, 2011

	Hourly Compensation Costs			
	Total	Social Insurance ⁽¹⁾	Direct Pay	
			Directly-Paid Benefits ⁽²⁾	Pay for Time Worked ⁽³⁾
Norway	64.15	10.98	53.18 ⁽⁴⁾	
Switzerland	60.40	9.25	11.24	39.92
Belgium	54.77	17.64	11.05	26.07
Denmark	51.67	4.97	7.54	39.15
Sweden	49.12	16.18	5.13	27.82
Germany	47.38	10.24	9.44	27.70
Australia	46.29	9.25	4.41	32.63
Finland	44.14	9.20	8.51	26.43
Austria	43.16	11.07	9.26	22.82
Netherlands	42.26	8.97	9.01	24.29
France	42.12	12.61	7.80	21.70
Ireland	39.83	6.39	6.00	27.43
Canada	36.56	7.49	3.59	25.48
Italy	36.17	10.47	5.27	20.43
Japan	35.71	6.46	9.02	20.23
United States	35.53	8.65	3.17	23.70
United Kingdom	30.77	4.73	4.05	21.98
Spain	28.44	7.22	5.57	15.65
New Zealand	23.38	0.99	2.69	19.70
Singapore	22.60	3.64	3.95	15.00
Greece	21.78	5.03	4.08	12.66
Israel	21.42	3.49	1.50	16.42
Korea, Republic of	18.91	3.70	15.21 ⁽⁴⁾	
Argentina	15.91	2.77	2.23	10.92
Czech Republic	13.13	3.59	1.77	7.77
Portugal	12.91	2.54	2.49	7.88
Slovakia	11.77	3.19	2.20	6.38
Brazil	11.65	3.72	1.66	6.27
Estonia	10.39	2.69	0.98	6.73
Taiwan	9.34	1.35	8.00 ⁽⁴⁾	
Hungary	9.17	2.16	1.81	5.20
Poland	8.83	1.25	2.23	5.35
Mexico	6.48	1.95	4.53 ⁽⁴⁾	
Philippines	2.01	0.17	0.35	1.49

(1) Social insurance expenditures are legally required, private, and contractual social benefit costs, and labor-related taxes minus subsidies.

(2) Directly-paid benefits are primarily pay for leave time, bonuses, and pay in kind.

(3) Pay for time worked is wages and salaries for time actually worked.

(4) Separate measures of directly-paid benefits and pay for time worked are not available. Data relate to total direct pay.