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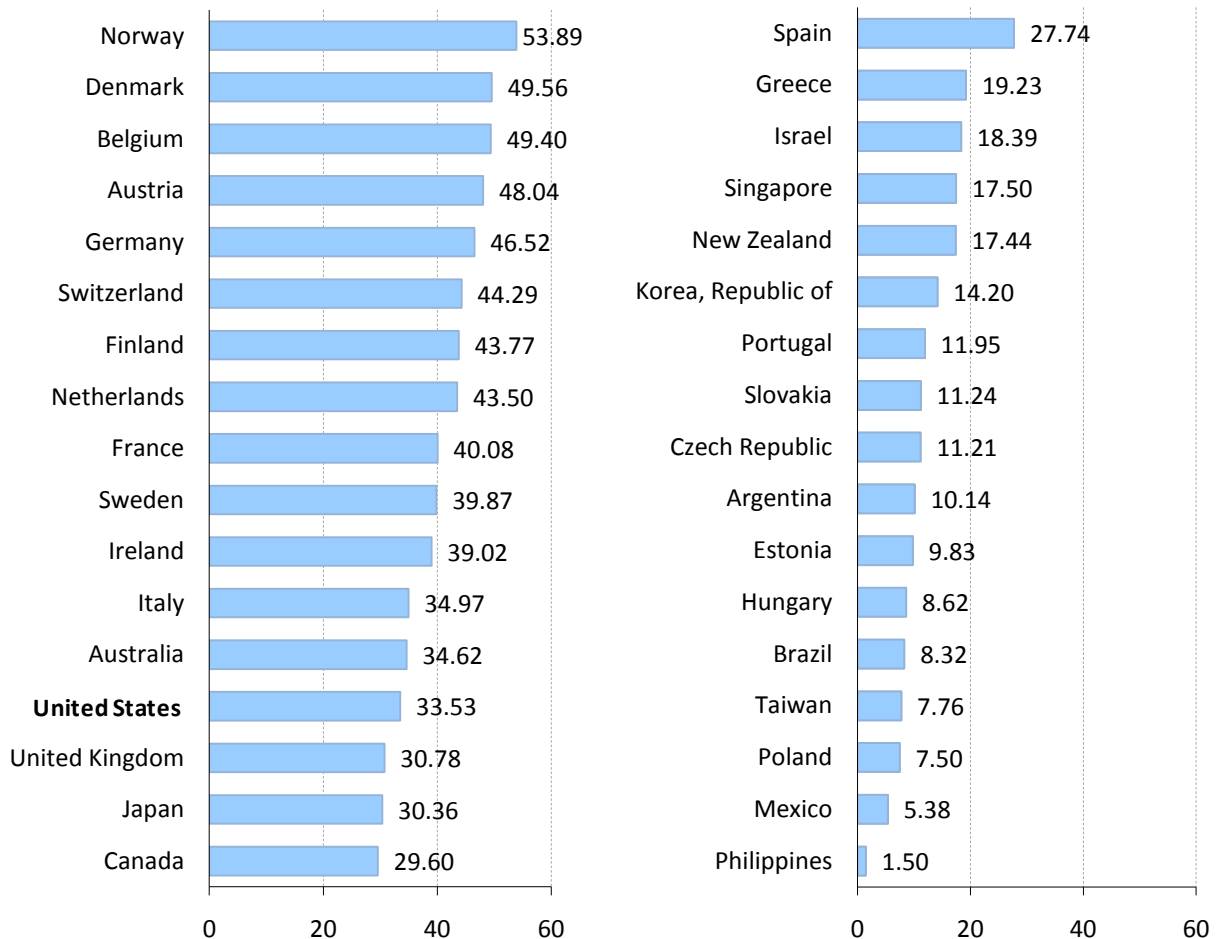
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**INTERNATIONAL COMPARISONS OF HOURLY COMPENSATION COSTS
IN MANUFACTURING, 2009**

Manufacturing hourly compensation costs in the United States in 2009 were lower than in 12 European countries and Australia, but higher than in 20 other countries covered by the Bureau of Labor Statistics (see chart 1). U.S. hourly compensation costs rose about 4 percent from the previous year to \$33.53.

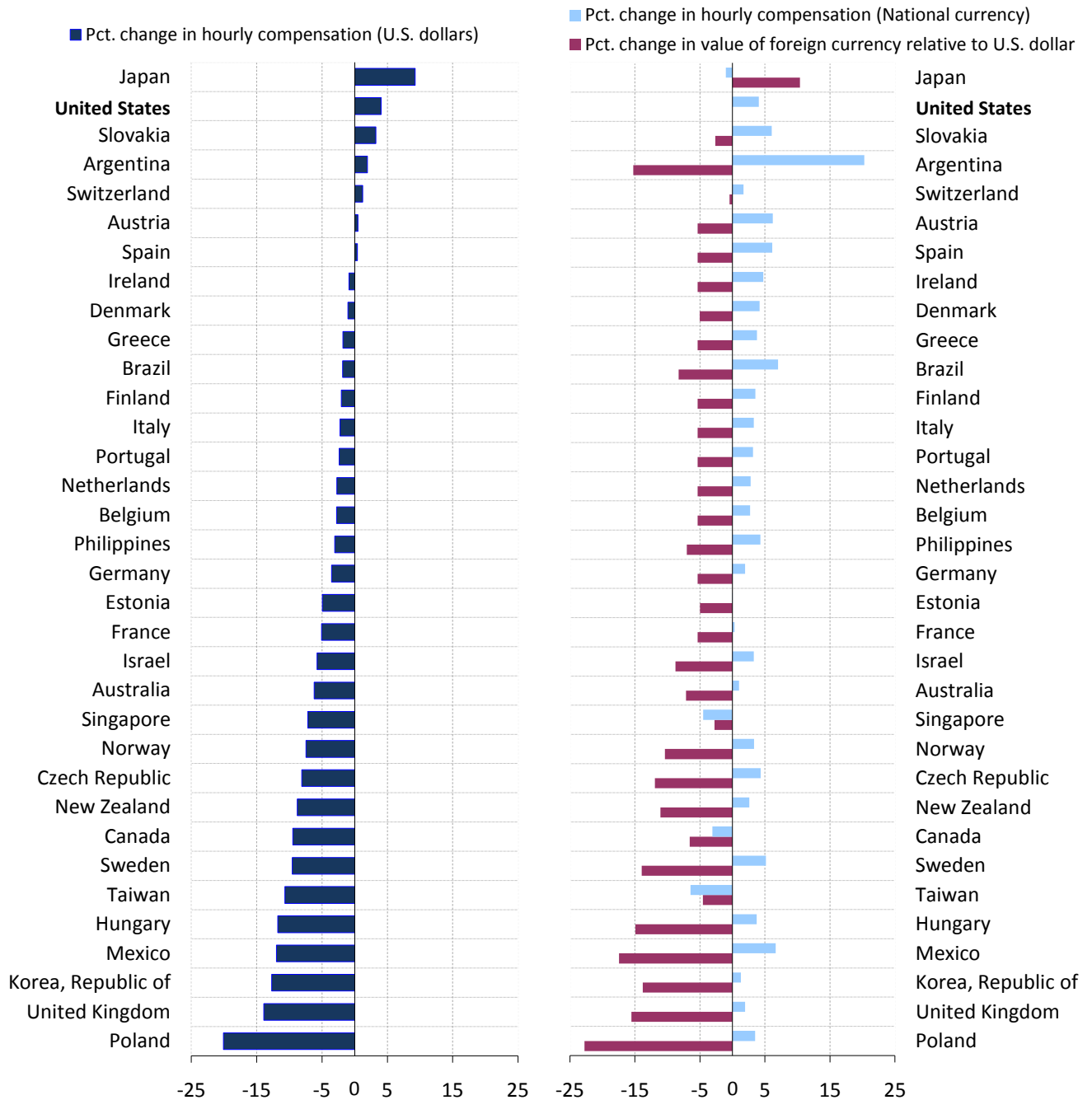
The 8 countries with the highest costs in Europe were 30-60 percent higher than the U.S. level, but costs in Canada and Japan were about 10 percent lower than the United States (see table 1).

Chart 1. Hourly compensation costs in manufacturing, U.S. dollars, 2009



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 2009, modest increases or declines in hourly compensation costs in national currency combined with depreciations in national currency relative to the U.S. dollar produced declines in U.S. dollar-denominated hourly compensation costs for 27 out of 33 foreign countries.

Chart 2. Annual percent change in hourly compensation costs in manufacturing and exchange rates, 2008-2009



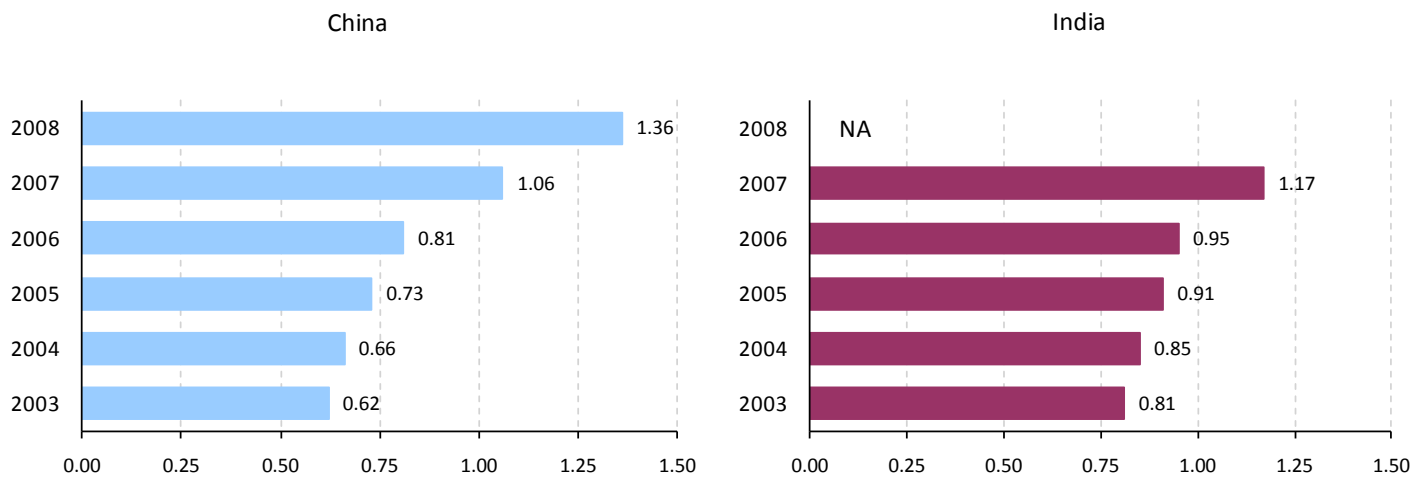
China and India

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

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.⁴

For India, BLS estimates of compensation costs refer to organized (or 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 organized sector counterparts. For this reason, employers' average compensation costs in organized manufacturing overstate average compensation costs for Indian manufacturing as a whole.

Chart 3. Hourly compensation costs in manufacturing for China and India, in U.S. dollars, 2003-2008



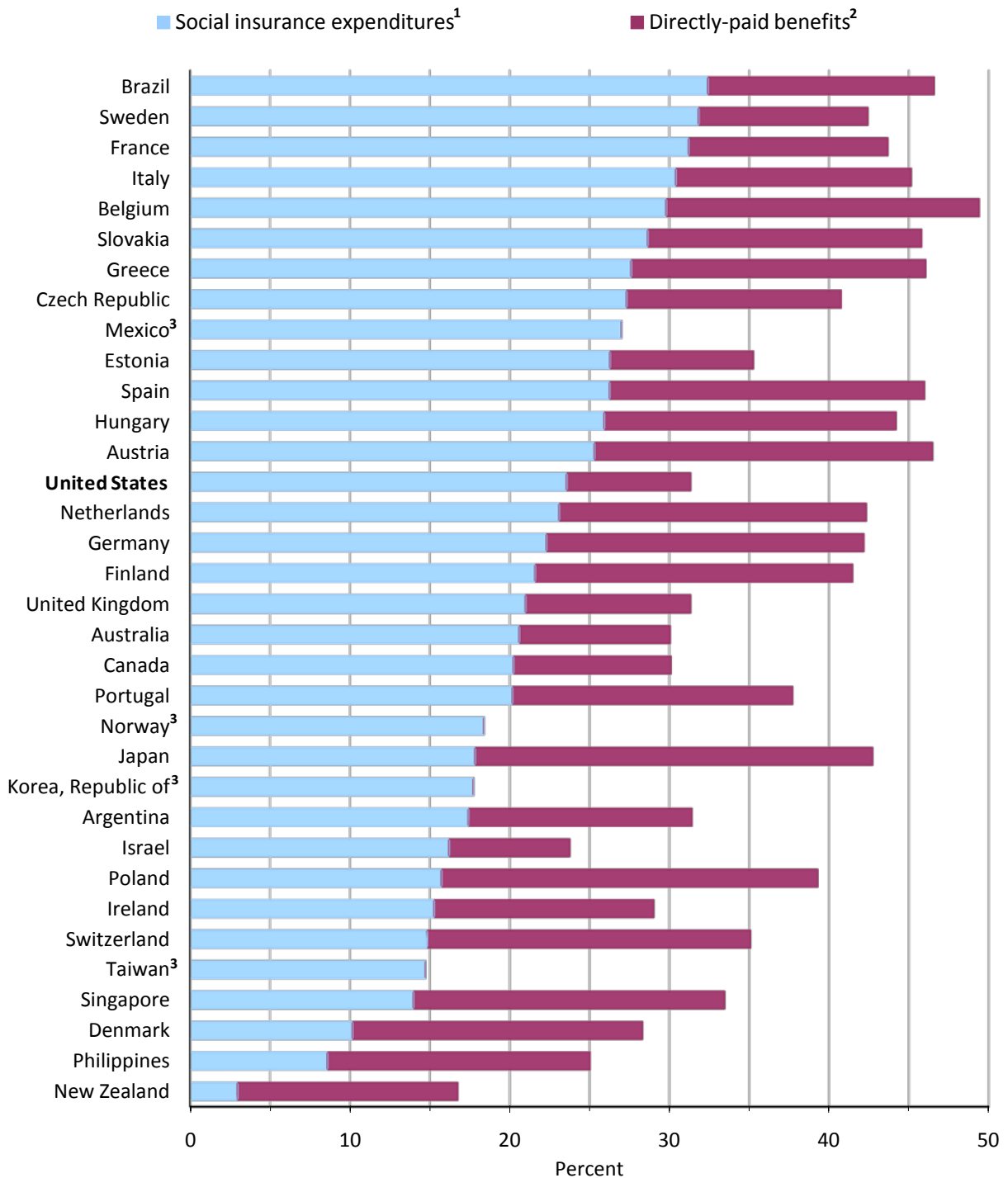
(1) For the most recent BLS work on China, see Judith Banister and George Cook, "China's employment and compensation costs in manufacturing through 2008," *Monthly Labor Review*, forthcoming March 2011, on the Internet at www.bls.gov/opub/mlr.

(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, on the Internet 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, see www.bls.gov/ilc/china.htm.

Chart 4. Benefit components of hourly compensation costs as a percent of total compensation, 2009



(1) Social insurance expenditures include labor-related taxes net of subsidies.

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

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

Chart 4 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 Brazil, Sweden, and France, 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, Canada, and the United Kingdom.

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 31 percent.

Changes in this news release

New country estimates for Estonia: For the first time, this news release includes data for Estonia.

Revised estimates for Mexico: Compensation cost estimates for Mexico in this release are significantly higher due to a change in the primary data source used. This change was made to bring the employment coverage of BLS estimates for Mexico more in line with that for other countries.

Additional indicators and time series data: Full time series of compensation costs in U.S. dollars and in national currencies, indexes of costs, and the components of compensation are available at www.bls.gov/web/ichcc.supp.toc.htm.

Production worker and trade-weighted data: Compensation costs for production workers and for trade-weighted country groupings are no longer shown in this news release. These data are available in the time series tables at www.bls.gov/web/ichcc.supp.toc.htm. 2009 is the final year for which updated production worker data will be available.

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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⁾	2009	1997 ⁽¹⁾	2009
Norway	26.97	53.89	119	161
Denmark	24.64	49.56	109	148
Belgium	28.23	49.40	125	147
Austria	27.38	48.04	121	143
Germany	29.26	46.52	129	139
Switzerland	28.33	44.29	125	132
Finland	22.17	43.77	98	131
Netherlands	23.44	43.50	103	130
France	24.99	40.08	110	120
Sweden	25.11	39.87	111	119
Ireland	17.15	39.02	76	116
Italy	19.67	34.97	87	104
Australia	19.12	34.62	84	103
United States	22.67	33.53	100	100
United Kingdom	18.24	30.78	80	92
Japan	22.28	30.36	98	91
Canada	18.89	29.60	83	88
Spain	13.91	27.74	61	83
Greece	NA	19.23	NA	57
Israel	12.32	18.39	54	55
Singapore	12.15	17.50	54	52
New Zealand	12.37	17.44	55	52
Korea, Republic of	9.42	14.20	42	42
Portugal	6.38	11.95	28	36
Slovakia	2.86	11.24	13	34
Czech Republic	3.24	11.21	14	33
Argentina	7.43	10.14	33	30
Estonia	NA	9.83	NA	29
Hungary	3.05	8.62	13	26
Brazil	7.11	8.32	31	25
Taiwan	7.04	7.76	31	23
Poland	3.13	7.50	14	22
Mexico	3.30	5.38	15	16
Philippines	1.14	1.50	5	4

NA=data not available.

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

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

	1997-2009			2008-2009		
	U.S. dollar change ⁽¹⁾	National currency change	Exchange rate change ⁽²⁾	U.S. dollar change ⁽¹⁾	National currency change	Exchange rate change ⁽²⁾
Japan	2.6	0.5	2.2	9.2	-1.0	10.4
United States	3.3	3.3	0.0	4.1	4.1	0.0
Slovakia	12.1	8.1	3.8	3.3	6.0	-2.6
Argentina	2.6	14.5	-10.4	2.0	20.3	-15.3
Switzerland	3.8	1.3	2.4	1.2	1.7	-0.5
Austria	4.8	3.0	1.8	0.5	6.2	-5.4
Spain	5.9	4.1	1.7	0.4	6.1	-5.4
Ireland	7.1	5.7	1.3	-0.9	4.7	-5.4
Denmark	6.0	4.2	1.8	-1.0	4.2	-5.0
Greece	NA	NA	0.9	-1.8	3.8	-5.4
Brazil	1.3	6.7	-5.0	-1.9	7.0	-8.3
Finland	5.8	4.1	1.7	-2.0	3.5	-5.4
Italy	4.9	3.1	1.7	-2.2	3.3	-5.4
Portugal	5.4	3.6	1.7	-2.4	3.2	-5.4
Netherlands	5.3	3.5	1.8	-2.7	2.8	-5.4
Belgium	4.8	2.9	1.8	-2.8	2.7	-5.4
Philippines	2.4	6.6	-3.9	-3.1	4.3	-7.0
Germany	3.9	2.1	1.8	-3.5	1.9	-5.4
Estonia	NA	NA	NA	-5.0	0.0	-5.0
France	4.0	2.2	1.8	-5.1	0.3	-5.4
Israel	3.4	4.5	-1.1	-5.8	3.3	-8.8
Australia	5.1	4.5	0.5	-6.2	1.0	-7.2
Singapore	3.1	2.9	0.2	-7.2	-4.5	-2.8
Norway	5.9	4.9	1.0	-7.4	3.3	-10.4
Czech Republic	10.9	6.5	4.2	-8.1	4.3	-11.9
New Zealand	2.9	3.4	-0.5	-8.8	2.6	-11.1
Canada	3.8	2.2	1.6	-9.5	-3.1	-6.6
Sweden	3.9	3.9	0.0	-9.6	5.1	-14.0
Taiwan	0.8	2.0	-1.1	-10.7	-6.4	-4.5
Hungary	9.0	9.8	-0.7	-11.8	3.7	-14.9
Mexico	4.2	8.9	-4.4	-12.0	6.6	-17.5
Korea, Republic of	3.5	6.1	-2.4	-12.7	1.3	-13.8
United Kingdom	4.5	4.8	-0.4	-13.9	1.9	-15.6
Poland	7.6	7.1	0.4	-20.1	3.5	-22.8

NA=data not available.

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

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

Table 3. Components of hourly compensation costs in manufacturing, U.S. dollars, 2009

	Hourly Compensation Costs			
	Total	Social Insurance ⁽¹⁾	Total Direct Pay	
			Directly-Paid Benefits ⁽²⁾	Pay for Time Worked ⁽³⁾
Norway	53.89	9.91	43.97 ⁽⁴⁾	
Denmark	49.56	5.04	8.99	35.53
Belgium	49.40	14.72	9.68	25.00
Austria	48.04	12.16	10.17	25.72
Germany	46.52	10.37	9.24	26.90
Switzerland	44.29	6.57	8.97	28.75
Finland	43.77	9.45	8.69	25.62
Netherlands	43.50	10.05	8.36	25.09
France	40.08	12.51	4.99	22.58
Sweden	39.87	12.69	4.22	22.96
Ireland	39.02	5.96	5.36	27.70
Italy	34.97	10.63	5.15	19.19
Australia	34.62	7.13	3.27	24.22
United States	33.53	7.90	2.60	23.03
United Kingdom	30.78	6.46	3.18	21.14
Japan	30.36	5.42	7.56	17.39
Canada	29.60	5.99	2.92	20.69
Spain	27.74	7.29	5.47	14.99
Greece	19.23	5.31	3.54	10.38
Israel	18.39	2.98	1.39	14.02
Singapore	17.50	2.45	3.41	11.65
New Zealand	17.44	0.52	2.40	14.52
Korea, Republic of	14.20	2.52	11.68 ⁽⁴⁾	
Portugal	11.95	2.41	2.09	7.44
Slovakia	11.24	3.22	1.93	6.10
Czech Republic	11.21	3.06	1.50	6.64
Argentina	10.14	1.77	1.42	6.96
Estonia	9.83	2.58	0.88	6.36
Hungary	8.62	2.24	1.58	4.81
Brazil	8.32	2.70	1.18	4.45
Taiwan	7.76	1.14	6.61 ⁽⁴⁾	
Poland	7.50	1.18	1.77	4.55
Mexico	5.38	1.45	3.93 ⁽⁴⁾	
Philippines	1.50	0.13	0.25	1.13

(1) Social insurance includes labor-related taxes net of 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) Data relate to total direct pay.

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 differ 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 <http://www.bls.gov/ilc/#compensation>.

Definitions. Hourly compensation costs include (1) total hourly direct pay (all payments made directly to the worker, before payroll deductions of any kind) (2) social insurance expenditures (employer payments to secure entitlement to social benefits for employees) and (3) labor-related taxes.

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.

Hourly Compensation Costs		
Total Hourly 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 • Allowances for family events, commuting, etc. • Payments in kind • Severance pay explicitly not linked to a collective agreement 	<ul style="list-style-type: none"> • Retirement and disability pensions • Health insurance • Income guarantee insurance and sick leave • Life and accident insurance • Occupational injury and illness compensation • Unemployment insurance • Severance pay linked to a collective agreement • Other social insurance expenditures • Taxes (net of 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 establishment surveys. Data on the other components of hourly compensation are typically obtained from periodic labor cost surveys, censuses of manufacturers, employer confederations, and other sources.

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

The statistics are adjusted, where possible, to account for major differences in worker coverage; differences in industrial classification systems; and changes over time in survey coverage, sample benchmarks, or frequency of surveys. More information on exceptions to these methods, as well as data sources used, can be found in “Country Notes and Sources” located at <http://www.bls.gov/ilc/#compensation>.

Data availability. Detailed time series with data for all years from 1996 can be found at <http://www.bls.gov/web/ichcc.supptoc.htm>.

The compensation measures in this news release are based on statistics available to BLS as of December 2010. These measures may be subsequently revised as data are collected to update compensation measures for sub-manufacturing industries. Data for sub-manufacturing industries are available at <http://www.bls.gov/ilc/flshcaeindnaics.htm>.