

OECD System of Unit Labour Cost and Related Indicators

News Release

OECD area unit labour costs decelerate in second quarter of 2008

All of the **major seven** OECD economies, except the United States, recorded flat or lower growth in unit labour costs in **industry** in the second quarter of 2008. The **United States** saw a small increase in quarterly growth to 0.3 percent in the second quarter 2008 from 0.2 percent in the first, while **France** maintained a 0.3 percent growth rate in 2008.

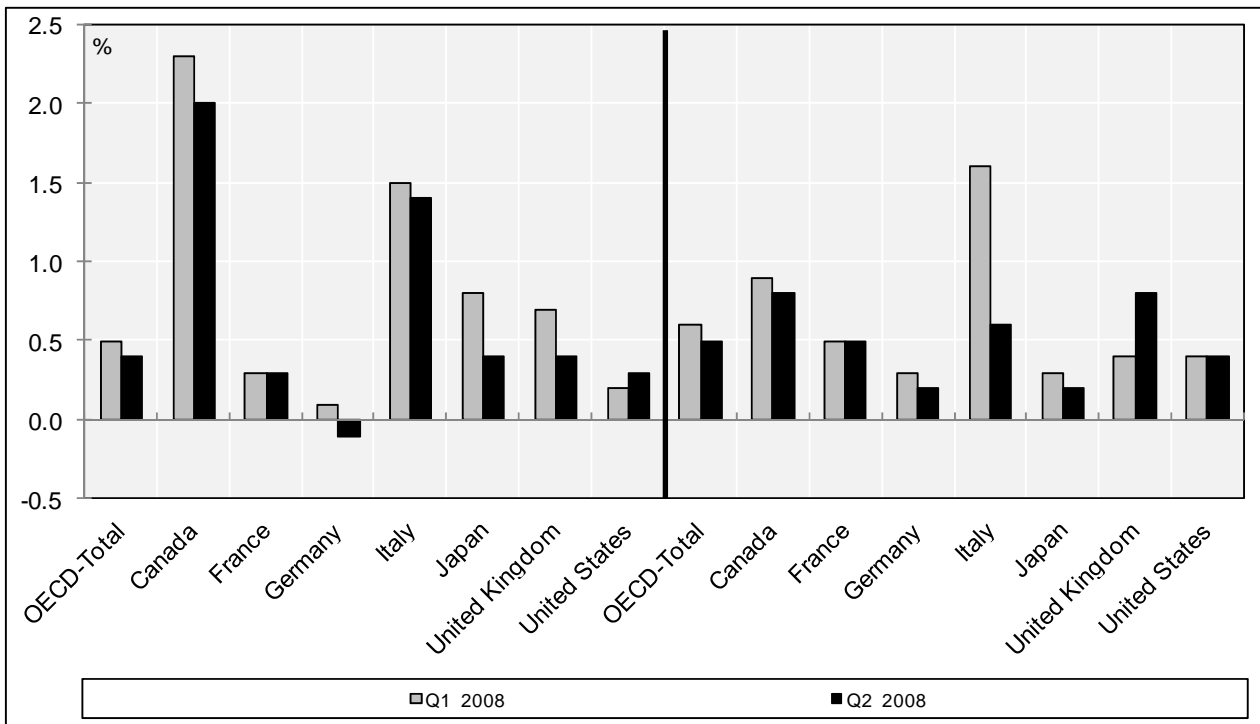
Unit labour costs in **market services** in the **major seven** economies grew by 0.4 percent in the second quarter of 2008, continuing the decline from their recent peak (0.6 percent) in the fourth quarter of 2007. **Italy**, with 0.6 percent growth in the second quarter of 2008, compared with 1.6 percent in the previous quarter, was the main driver for the lower growth in the **major seven** countries. Weaker unit labour cost growth rates for **market services** were also recorded in the **OECD area** and the **Euro area** in the second quarter of 2008.

Quarterly Unit Labour Costs

Percentage change on the previous quarter (trend-cycle data)

Industry¹

Market Services²



¹ ISIC Divisions: Mining and quarrying (C); Manufacturing (D); and Electricity, gas and water supply (E).

² ISIC Divisions: Wholesale and retail trade (G); Hotels and restaurants (H); Transport, storage and communication (I); Financial intermediation (J); and Real estate, renting and business activities (K).

OECD System of Unit Labour Cost and Related Indicators
Quarterly Unit Labour Costs¹
Percentage change on the previous quarter (trend-cycle² data)

	Industry					Market Services				
	2007			2008		2007			2008	
	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun
OECD Area ³	0.0	0.0	0.2	0.5	0.4	0.2	0.3	0.7	0.6	0.5
Major Seven	0.0	-0.1	0.2	0.5	0.4	0.0	0.1	0.6	0.5	0.4
Euro Area	-0.1	-0.1	0.3	0.9	0.8	0.7	0.7	0.9	0.8	0.6
Australia	1.2	0.9	1.1	1.3	0.9	1.1	0.5	0.2	0.4	0.6
Austria	0.1	-0.1	-0.1	0.2	0.3	0.4	0.6	0.7	0.7	0.8
Belgium	0.8	0.3	0.0	-0.1	-0.3	1.2	1.2	1.0	0.6	0.5
Canada	-0.4	0.6	1.8	2.3	2.0	0.6	0.6	0.7	0.9	0.8
Czech Republic	-0.6	-0.8	-0.5	0.0	-0.7	1.3	1.7	2.0	2.1	1.8
Denmark	1.1	1.1	1.3	1.5	1.3	1.2	1.4	1.4	1.2	0.8
Finland	-0.9	-0.5	-0.2	0.3	0.3	1.3	1.5	1.6	1.6	1.6
France	-0.2	-0.2	0.0	0.3	0.3	0.5	0.5	0.5	0.5	0.5
Germany	-0.3	-0.4	-0.1	0.1	-0.1	0.6	0.5	0.4	0.3	0.2
Hungary	0.1	0.3	0.6	0.6	0.7	2.0	2.4	2.7	2.9	2.9
Ireland	0.5	1.9	2.2			2.6	2.5	2.5		
Italy	0.8	1.1	1.4	1.5	1.4	1.0	1.4	2.0	1.6	0.6
Japan	-0.6	-0.7	-0.1	0.8	0.4	-0.3	0.0	0.3	0.3	0.2
Korea	-1.3	-1.4	-2.1	-1.8	-0.3	0.2	-0.1	-0.5	-0.7	-0.7
Luxembourg	1.7	1.7	0.9	0.6	0.8	1.2	1.2	1.3	1.6	1.5
Netherlands	-0.5	-0.7	-0.3	0.2	0.2	0.8	0.9	1.0	0.9	0.9
New Zealand	-0.1	0.7	1.7	2.0	1.3	-0.1	0.4	1.0	1.2	1.3
Norway	3.1	2.3	1.5	1.4	1.5	0.7	0.9	1.3	1.6	1.3
Poland	0.3	0.4				0.6	0.6			
Portugal	-0.6	-0.3	0.1	1.0	1.3	0.2	0.3	0.7	1.0	0.8
Slovak Republic	-2.1	-0.9	0.2	0.7	0.6	1.5	0.7	1.6	1.7	2.0
Spain	0.3	0.9	1.3	1.3	1.1	0.4	0.6	0.7	0.9	0.9
Sweden	1.0	0.8	0.4	-0.1	-0.2	1.6	1.2	0.5	-0.1	0.0
Turkey ⁴										
United Kingdom	0.0	-0.1	0.5	0.7	0.4	0.1	-0.1	-0.2	0.4	0.8
United States	0.2	0.0	0.0	0.2	0.3	-0.2	-0.1	0.7	0.4	0.4

Full time series for all countries are available at:

<http://stats.oecd.org/WBOS/Default.aspx?QueryName=427&QueryType=View&Lang=en>

Notes:

1. An increase in unit labour costs indicates that growth in average employee compensation exceeds growth in labour productivity, which may create pressure on producer prices.
2. The trend-cycle data can be interpreted as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing depends on the historical volatility of the series and will thus vary from country to country.
3. Excludes Switzerland.
4. Last data point for quarterly compensation of employees received from National Statistics Office of Turkey (TurkStat) is Q4 2006.

OECD System of Unit Labour Cost and Related Indicators
Quarterly Unit Labour Costs¹
Percentage change on the same quarter of the previous year (trend-cycle² data)

	Industry					Market Services				
	2007			2008		2007			2008	
	Jun	Sep	Dec	Mar	Jun	Jun	Sep	Dec	Mar	Jun
OECD Area ³	0.5	0.2	0.3	0.7	1.1	2.5	2.2	1.9	1.7	2.0
Major Seven	0.1	-0.2	0.0	0.6	1.0	2.4	1.9	1.5	1.2	1.6
Euro Area	-0.4	-0.4	0.0	1.0	2.0	1.7	2.2	2.8	3.1	3.0
Australia	1.4	2.8	4.1	4.5	4.3	5.2	4.6	3.3	2.3	1.8
Austria	-0.2	0.0	0.0	0.0	0.3	1.7	1.7	2.0	2.4	2.8
Belgium	1.4	1.8	1.7	1.0	-0.1	2.5	3.6	4.4	4.0	3.3
Canada	2.0	1.2	2.0	4.4	6.8	2.8	2.8	2.7	2.8	3.1
Czech Republic	0.8	0.0	-1.5	-1.8	-1.9	3.6	4.7	6.1	7.3	7.8
Denmark	5.1	5.0	4.9	5.1	5.3	3.4	4.1	4.8	5.2	4.8
Finland	-4.5	-3.9	-2.9	-1.3	-0.1	3.8	4.7	5.5	6.1	6.5
France	0.7	-0.1	-0.4	-0.1	0.4	2.1	2.0	2.0	1.9	1.9
Germany	-2.8	-2.6	-1.6	-0.7	-0.4	1.1	1.7	2.0	1.8	1.4
Hungary	0.8	0.9	1.2	1.7	2.3	6.7	8.0	9.1	10.4	11.3
Ireland	-4.6	-0.5	3.4			2.0	5.7	9.1		
Italy	1.9	2.7	3.9	4.9	5.5	0.2	1.8	4.6	6.1	5.6
Japan	-3.3	-3.5	-2.6	-0.6	0.4	-0.1	-0.8	-0.6	0.2	0.7
Korea	0.7	-1.0	-4.5	-6.4	-5.5	1.4	1.1	0.2	-1.0	-1.9
Luxembourg	0.7	3.9	5.2	5.0	4.1	3.8	4.5	4.8	5.4	5.6
Netherlands	2.4	0.3	-1.1	-1.3	-0.6	2.7	3.1	3.4	3.6	3.7
New Zealand	2.6	1.6	2.4	4.4	5.8	1.3	0.4	1.1	2.6	4.0
Norway	12.5	11.8	10.4	8.6	6.8	3.4	3.0	3.5	4.6	5.2
Poland	-0.6	0.5				2.4	2.9			
Portugal	-2.9	-2.6	-1.6	0.3	2.2	1.6	1.2	1.4	2.2	2.9
Slovak Republic	-6.2	-6.2	-4.8	-2.2	0.5	2.6	3.5	5.4	5.5	6.1
Spain	1.2	1.6	2.7	3.9	4.7	1.9	1.8	2.1	2.6	3.1
Sweden	3.2	3.6	3.2	2.1	1.0	4.3	5.7	5.2	3.2	1.6
Turkey										
United Kingdom	2.0	0.9	1.1	1.0	1.4	0.0	0.0	-0.3	0.2	1.0
United States	1.5	1.1	0.6	0.4	0.4	3.9	2.9	1.8	0.9	1.4

Full time series for all countries are available at:

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Notes:

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2. The trend-cycle data can be interpreted as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing depends on the historical volatility of the series and will thus vary from country to country.
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Methodological Notes

Unit labour costs measure the average cost of labour per unit of output. They are calculated as the ratio of total labour costs to real output, or equivalently, as the ratio of mean labour costs per hour to labour productivity (output per hour). As such, a unit labour cost (ULC) represents a link between productivity and the cost of labour in producing output. An increase in unit labour costs indicates that growth in average employee compensation exceeds growth in labour productivity, which may create pressure on producer prices.

The *OECD System of Unit Labour Cost Indicators* compiles annual and quarterly ULC and related indicators according to a specific methodology to ensure data are comparable across countries. This system is principally based on national accounts concepts and data but also brings together a wide range of proxy sources for quarterly data. The compilation of the quarterly ULC indicators presented in this news release involves the following stepwise process:

- Identifying suitable quarterly indicator data. The target variable for total labour costs is compensation of employees and proxy variables in order of preference include: gross wages and salaries; labour cost index multiplied by hours worked; earnings or wage series multiplied by total employment. The target variable for real output is constant price value added with production indices being used as proxies if required and available.
- Benchmarking to more reliable annual data to form a consistent set of temporally disaggregated quarterly time series of total labour costs and real output.
- Taking the quotient of the above input series as the raw ULC series and deriving both seasonally adjusted and trend-cycle series, the latter being a combination of a long-term trend and business cycle series, produced using the TRAMO-SEATS software.

Given the inherent volatility in a derived indicator such as the unit labour cost, the OECD presents the trend-cycle series as the headline indicator in this news release, for the key economic sectors of industry and market services. The [trend-cycle series](#) can be regarded as a short-term trend or smoothed seasonally adjusted series, where the degree of smoothing is dependent on the historical volatility of the series and will thus vary from country to country.

All time series together with detailed methodological information and country data sources are freely available through the OECD System of Unit Labour Cost Indicators web portal at: <http://stats.oecd.org/mei/default.asp?rev=3>. Data are available for all OECD Member countries and the Euro area for total economy, manufacturing, industry, construction, trade transport & communication, financial and business services, market services and the business sector excluding agriculture. Quarterly data are available as raw, seasonally adjusted and trend-cycle series. Annual time series also include related series such as labour productivity, labour compensation per unit labour input, exchange rate adjusted ULC and labour income share ratios. The latter variables can differ from other data sources, such as the OECD Structural Analysis and Productivity Databases, due to statistical coverage, frequency of updates or other comparability issues. Users are therefore encouraged to refer to the methodological information provided for more detailed explanations.

Contacts:

For further information data users are invited to contact the OECD's Media Relations Division on (33) 1 45 24 97 00 or email news.contact@oecd.org. For technical questions please contact stat.contact@oecd.org.

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