



STRUCTURE OF LABOR COST IN THE PHILIPPINES

(First part of a series)

The 2013 Labor Cost Survey (LCS) is one of the modules of the 2013/2014 Integrated Survey on Labor and Employment (ISLE), formerly the BLES Integrated Survey (BITS). The ISLE is a nationwide establishment survey conducted by the Philippine Statistics Authority (PSA) covering 8,399 agricultural and non-agricultural establishments employing at least 20 workers.

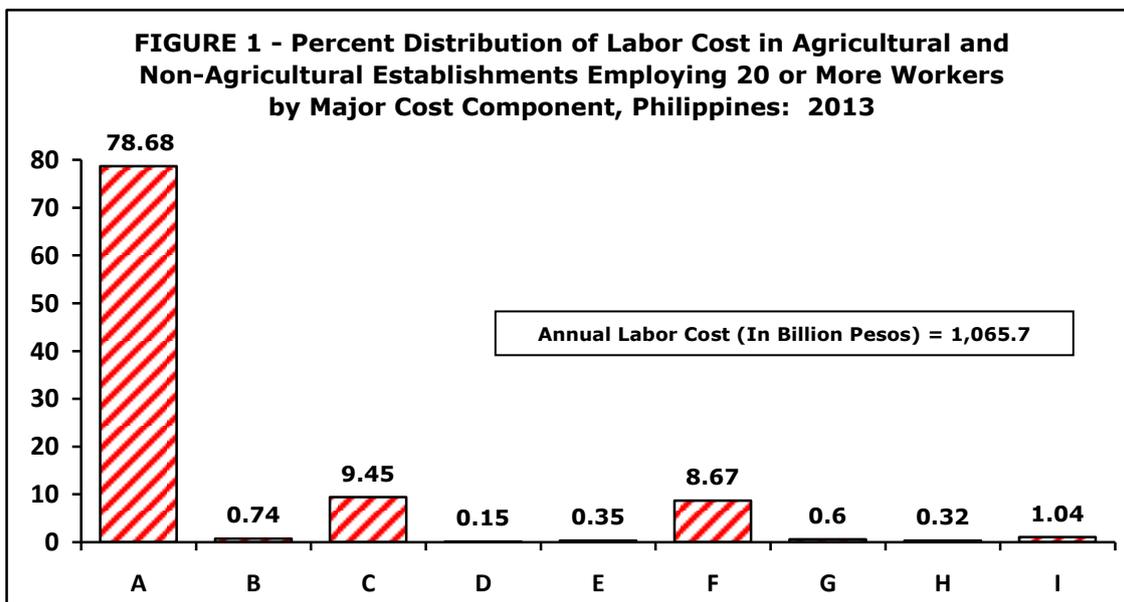
The LCS is intended to provide data that would address the gap in wage statistics, specifically on the evolution of labor cost and its various components. Particularly, the survey enquires on the different components of expenses incurred by employers in engaging the services of its workers.

According to the ILO Resolution regarding labor cost statistics adopted by the 11th Conference of Labour Statisticians in October 1966, the statistical concept of labor cost comprises remuneration for work performed, payments in respect of time paid but not worked, bonuses and gratuities, the cost of food, drink and other payments in kind, cost of workers' housing borne by employers, employers' social security expenditures, cost to the employer for vocational training, welfare services and miscellaneous items, such as transport of workers, work clothes and recruitment, together with taxes regarded as labor cost.

This first issue of LABSTAT Updates on the module "Labor Cost of Employees" provides an overview of the 2013 LCS results disaggregated by major cost component and industry. The metadata and statistical tables of the survey are posted at the PSA website.

Labor cost reached P1,065.7 billion in 2013

- In 2013, the labor cost was posted at P1,065.7 billion. *(Figure 1)*
- Expectedly, direct wages and salaries accounted for the biggest share of the total labor cost at 78.68%.
- Bonuses and gratuities accounted for about one-tenth (9.45%) of the total cost, followed by social security expenditures at 8.67%.
- The rest of the components had insignificant shares ranging from 0.15% to 1.04%.



A	Direct Wages and Salaries
B	Remuneration for Time Not Worked
C	Bonuses and Gratuities
D	Payments in Kind
E	Housing Shouldered by Employers
F	Social Security Expenditures
G	Cost of Training
H	Cost of Welfare Services
I	Other Labor Costs

Source of data: Philippine Statistics Authority, Integrated Survey on Labor and Employment.

Manufacturing industry accounted for the highest share of the total labor cost

- Manufacturing (20.3%) and administrative and support service activities (19.6%) together accounted for two-fifths of the total annual labor cost in the country in 2013. (Table 1)
- Wholesale and retail trade, repair of motor vehicles and motorcycles accounted for 11.2% while the rest of industry groups registered shares of less than 10.0%.

**TABLE 1 - Annual Labor Cost in Agricultural and Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group, Philippines: 2013
(In Million Pesos)**

Major Industry Group	Annual Labor Cost	
	Amount	Percent Share
All Industries	1,065,679	100.0
Agriculture, Forestry and Fishing	27,917	2.6
Mining and Quarrying	11,393	1.1
Manufacturing	216,791	20.3
Electricity, Gas, Steam and Air Conditioning Supply	33,618	3.2
Water Supply; Sewerage, Waste Management and Remediation Activities	7,549	0.7
Construction	30,380	2.9
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	118,980	11.2
Transportation and Storage	29,880	2.8
Accommodation and Food Service Activities	37,456	3.5
Information and Communications	75,808	7.1
Financial and Insurance Activities	97,936	9.2
Real Estate Activities	12,401	1.2
Professional, Scientific and Technical Activities	44,623	4.2
Administrative and Support Service Activities	209,195	19.6
Education except Public Education	76,807	7.2
Human Health and Social Work Activities except Public Health Activities	22,002	2.1
Arts, Entertainment and Recreation	8,485	0.8
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	4,457	0.4

Note: Details may not add up to totals due to rounding.

Source of data: Philippine Statistics Authority, Integrated Survey on Labor and Employment.

Annual labor cost per employee posted at P255,398

- The survey revealed an annual labor cost per employee of P255,398 in 2013. (Table 2)
- Direct wages and salaries per employee reached P200,936.
- Bonuses and gratuities; and social security expenditures followed at P24,132 and P22,153, respectively.
- Very minimal were spent for other components ranging from P392 to P2,659.

**TABLE 2 - Annual Labor Cost Per Employee in Agricultural and Non-Agricultural Establishments Employing 20 or More Workers by Major Cost Component, Philippines: 2013
(In Pesos)**

Major Cost Component	Annual Labor Cost Per Employee
TOTAL	255,398
Direct Cost	
Direct Wages and Salaries	200,936
Remuneration for Time Not Worked	1,896
Bonuses and Gratuities	24,132
Payments in Kind	392
Housing Shouldered by Employers	891
Indirect Cost	
Social Security Expenditures	22,153
Cost of Training	1,520
Cost of Welfare Services	820
Other Labor Costs	2,659

Note: Details may not add up to totals due to rounding.

Source of data: Philippine Statistics Authority, Integrated Survey on Labor and Employment.

More than half a million annual labor cost per employee were expended in two industry groups

- Electricity, gas, steam and air conditioning supply recorded the highest annual labor cost per employee in 2013 at P596,914. (*Table 3*)
- This was followed by information and communications at P575,721.
- Relatively high annual labor costs per employee were also spent by employers in professional, scientific and technical activities (P491,383); financial and insurance activities (P452,923); and real estate activities (P317,344).
- Lowest annual labor cost per employee was in agriculture, forestry and fishing at P138,800.

**TABLE 3 - Annual Labor Cost Per Employee in Agricultural and Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group, Philippines: 2013
(In Pesos)**

Major Industry Group	Annual Labor Cost Per Employee
All Industries	255,398
Agriculture, Forestry and Fishing	138,800
Mining and Quarrying	259,514
Manufacturing	223,135
Electricity, Gas, Steam and Air Conditioning Supply	596,914
Water Supply; Sewerage, Waste Management and Remediation Activities	288,549
Construction	185,507
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	210,475
Transportation and Storage	224,279
Accommodation and Food Service Activities	159,495
Information and Communications	575,721
Financial and Insurance Activities	452,923
Real Estate Activities	317,344
Professional, Scientific and Technical Activities	491,383
Administrative and Support Service Activities	243,282
Education except Public Education	273,002
Human Health and Social Work Activities except Public Health Activities	217,758
Arts, Entertainment and Recreation	251,224
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	197,553

Note: Details may not add up to totals due to rounding.

Source of data: Philippine Statistics Authority, Integrated Survey on Labor and Employment.

Definition of Terms:

Direct Wages and Salaries - cash payments for normal/regular working time, commissions of employees and their share in service charges, overtime, night shift and premium pay, payments under bonus, productivity and other incentive schemes (regular payments on the basis of work performed or current output), cost of living allowances and other guaranteed and regularly paid allowances except housing allowances; these are payments before any deductions are made in respect of taxes, contributions of employees to social security and pension schemes, life insurance premiums, union dues and other obligations of employees; these exclude payments/overhead costs which are reimbursements to employees for travel, entertainment, meals and other expenses incurred in conducting the business of the employer.

Remuneration for Time Not Worked - payments for vacation, sick, maternity, paternity, service incentive leave, union/emergency/bereavement/burial leaves and other paid leaves.

Bonuses and Gratuities - year-end, seasonal and other one-time bonuses (mid-year/Christmas bonus, 13th/14th/15th month pay and the like), profit sharing bonuses and additional payments in respect of vacation supplementary to normal vacation pay.

Payments in Kind - refer to goods and services, valued at producer's or wholesale prices given to workers as part of their remuneration; these exclude general amenities provided by the employer such as imputed rental value of free/subsidized housing, medical services, canteen and other welfare services and facilities.

Cost of Workers' Housing Shouldered by Employer - cost for establishment-owned dwellings and cost for dwellings not owned by establishment and other housing costs (housing allowances, rents, subsidies, etc.).

Cost for establishment-owned dwellings - net cost, i.e. maintenance expenditures, fees, property taxes, insurance, interest, depreciation and other costs, less grants-in aid, tax rebates, subsidies, etc. received from government and other institutions in respect of establishment-owned building and equipment used for dwelling of employees; it excludes capital investment on building, equipment or land made during the year and labor cost of personnel employed in establishment owned dwellings for employees.

Employer's Social Security Expenditures - compulsory social security expenditures (GSIS, SSS, PhilHealth, Pag-IBIG); collectively agreed and non-obligatory contributions to private social security schemes and insurance (pension, life, accident, medical and health, hospitalization); direct payments by employer to employees regarded as social security benefits (in respect of absence from work due to sickness, maternity or occupational injury); cost of medical care and health services; retirement and separation/termination pay.

Cost of medical care and health services - medical care and health expenses (except insurance), e.g. medicines, incurred by the employer on behalf of the employees; it includes net cost, i.e. maintenance expenditures, fees, property taxes, insurance, interest, depreciation and other costs, less grants-in aid, tax rebates, subsidies, etc. received from government and other institutions in respect of establishment-owned building and equipment used for medical care and health services of employees; it excludes capital investment on building, equipment or land made during the year and labor cost of personnel employed in establishment-owned medical care and health facilities for employees.

Cost of Training - net cost of fees, salaries and other payments for services of outside instructors, payments made to outside training institutions on behalf of the workers of the establishment and the reimbursement of school fees to workers, it includes net cost, i.e. maintenance expenditures, fees, property taxes, insurance, interest, depreciation and other costs, less grants-in aid, tax rebates, subsidies, etc. received from government and other institutions in respect of establishment-owned building and equipment used for training of employees; it excludes capital investment on building, equipment or land made during the year and labor cost of personnel employed in establishment-owned training facilities.

Cost of Welfare Services - grants to credit unions and related services for employees, cost of services such as canteens and other food services, educational, cultural, recreational and related facilities and services; it includes net cost, i.e. maintenance expenditures, fees, property taxes, insurance, interest, depreciation and other costs, less grants-in aid, tax rebates, subsidies, etc. received from government and other institutions in respect of establishment-owned building and equipment used for welfare of employees; it excludes capital investment on building, equipment or land made during the year and labor cost of personnel employed in establishment-owned welfare facilities.

Other Labor Costs - cost of work clothes/protective gear, transport of workers to and from work undertaken by employers and recruitment cost.

FOR INQUIRIES

Regarding this report, contact **LABOR STANDARDS AND RELATIONS STATISTICS DIVISION** at 376-1921
Regarding other statistics, contact **KNOWLEDGE MANAGEMENT AND COMMUNICATIONS DIVISION** at 462-6600 local 834
Or visit our website at <http://www.labstat.psa.gov.ph>
