



ISO 9001:2000 Certified

Department of Labor and Employment  
Manila, Philippines

# LABSTAT

*Updates*

Vol. 14 No. 33

May 2010

## LABOR COST IN THE PHILIPPINES

*Trends and Structures*  
*(Last of a five-part series)*

The Labor Cost Survey (LCS) is one of the modules in the 2007/2008 BLES Integrated Survey (BITS) which also inquired on the employment of specific groups of workers; occupational shortages and surpluses; safety and health practices in the work place; and occupational injuries and diseases. The BITS is a national sample survey covering 6,460 non-agricultural establishments employing 20 or more workers.

The LCS was conducted primarily to address the gap in wage statistics in the country specifically, to provide data on the evolution of labor cost and its various components, or what the employers spend in engaging the services of its workers. According to the Resolution Concerning Statistics of Labour Cost adopted by the 11<sup>th</sup> International Conference of Labour Statisticians in October 1966, labor cost consists of: direct wages and salaries; remuneration for time not worked; bonuses and gratuities; food, drink, fuel and other payments in kind; cost of worker's housing borne by employers; employer's social security expenditures; cost of vocational training; cost of welfare services; labor cost not elsewhere classified; and taxes regarded as labor cost.

The 2007 LCS is the 3<sup>rd</sup> survey of its kind, conducted less frequently, initially with 1998 as reference period and then 2002, as the composition of labor cost does not change drastically over a short period of time. It now covers 65 industry groups that include call center activities; medical transcription and related outsourcing activities; and animated films and cartoons production. These three are technology-based industries that have emerged recently in the Philippine economy.

This issue focuses on the average share of labor cost to total cost by employment size across industries for 2002 and 2007. The metadata and the statistical tables of the survey are posted on the BLES website.

Total labor cost in the country went up to P615.6 billion in 2007 from P459.9 billion in 2002. Labor cost is only a portion of expenses incurred by employers in managing their businesses. In 2007, average share of labor cost to total cost was registered at 22.0%.

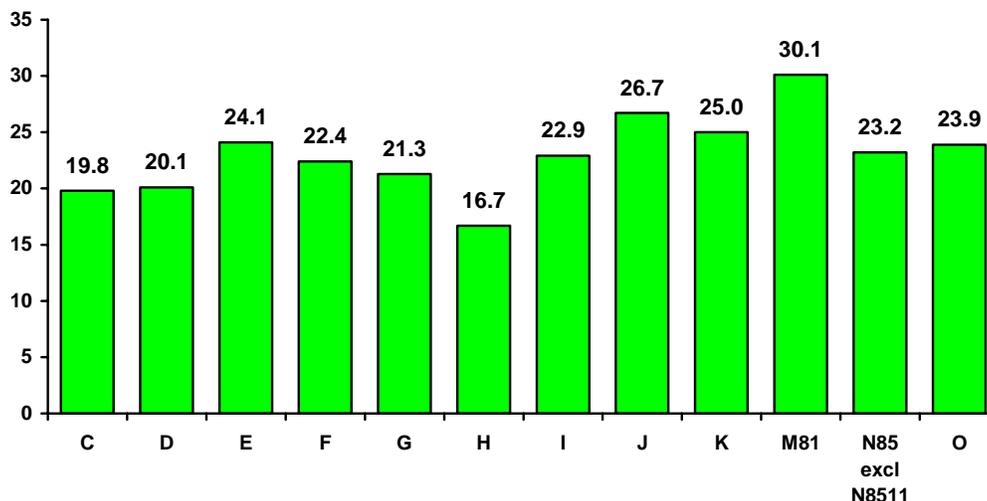
### **Private education services posted the highest average share of labor cost to total cost**

Average share of labor cost to total cost incurred by employers was relatively unchanged from 2002 to 2007. It was registered at 22.0% in 2007 compared to 21.1% share in 2002.

By major industry groups, those in the services sector had the biggest proportions of labor cost to

total cost in 2007 with the highest noted in private education services (30.1%). This was followed by financial intermediation (26.7%), and real estate, renting and business activities (25.0%). Hotels and restaurants industry had the least average share of labor cost (16.7%) to total cost. (Figure 1)

**FIGURE 1 – Average Share of Labor Cost to Total Cost in Non-Agricultural Establishments With 20 or More Workers by Major Industry Group  
Philippines: 2007  
(in percent)**



C - Mining and Quarrying

D - Manufacturing

E - Electricity, Gas and Water Supply

F - Construction

G - Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods

H - Hotels and Restaurants

I - Transport, Storage and Communications

J - Financial Intermediation

K - Real Estate, Renting and Business Activities

M81 - Private Education Services

N85 excl. N8511 - Health and Social

Work except Public Medical,

Dental and Other Health Activities

O - Other Community, Social and

Personal Service Activities

**Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 2007/2008).**

### ***Labor cost in large establishments recorded biggest share to total cost***

By employment size, establishments employing 200 or more workers spent about one-fourth (25.1%) of their total cost on labor. This was slightly lower than the 25.6% share recorded in 2002.

Most of the industry groups in the services sector in these large establishments posted bigger shares than those in the industry sector, highest of which were in the private education services (31.2%) and real estate, renting and business activities (28.2%). Electricity, gas and water supply in the industry sector reported the lowest share of 21.1% in 2007. Construction at 23.6% posted the highest proportion in the sector.

The 2007 figures though showed generally lower shares than those reported in 2002 except for the 8.3, 2.0, 0.7 and 0.3 percentage points increases in the mining and quarrying; electricity, gas and water supply; real estate, renting and business activities; and hotels and restaurants industries, respectively.

The share of labor cost to total cost of establishments with 20-99 workers and 100-199 workers incurred very minimal increases of 1.0% and 0.1%, respectively, as compared with the 2002 shares. (Table 1)

**Average share of labor cost in manufacturing industry accounted for one-fifth of the total cost**

In both years under review, labor cost in the manufacturing industry comprised about 20.0% of total cost of establishments. By employment size, its proportion increased to 19.5% (from 19.0% in 2002) in establishments with 20-99 workers but dropped to 20.6% (from 21.8% in 2002) for establishments with 100-199 workers and declined as well to 22.5% (from 23.5% in 2002) for those employing 200 or more.

By minor industry group, tanning and dressing of leather; manufacture of luggage and

handbags recorded the highest increase in labor cost share to total cost of 15.3 percentage points (from 8.5% in 2002 to 23.8% in 2007).

On the other hand, reductions in labor cost proportion to total cost were evident in the manufacture of products of bamboo, cane, rattan and the like; manufacture of plaiting materials except furniture (-22.3 percentage points); manufacture of other transport equipment except building and repairing of ships and boats (-18.6 percentage points); and recycling (-15.5 percentage points). (Table 2)

**Definition of Terms:**

**Total cost** - all expenses incurred by the establishment whether paid or payable, valued at market price. Aside from labor cost, these are costs of purchased materials, supplies, fuel and electricity; industrial and non-industrial services done by others; costs of good for resale; interest expenses; and indirect taxes. Donations and contributions, bad debts, income taxes, losses, depreciation are **excluded**.

**Labor cost** - consists of direct wages and salaries; remuneration for time not worked; bonuses and gratuities; payments in kind; cost of workers' housing shouldered by employer; employer's social security expenditures; cost of training; cost of welfare services; and other labor costs e.g., 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 STATISTICS DIVISION** at 527-3000 loc 311

Regarding other statistics and technical services contact **BLES Databank** at 527-3000 loc 317

Or write to BLES c/o Databank, 3/F DOLE Bldg. Gen. Luna St., Intramuros, Manila 1002

FAX 527-9325

E-mail: bles\_issd@yahoo.com or visit our website at <http://www.bles.dole.gov.ph>

---

**TABLE 1 - Average Share of Labor Cost to Total Cost in Non-Agricultural Establishments  
Employing 20 or More Workers by Major Industry Group and Employment Size,  
Philippines: 2002 and 2007**

Major Industry Group	All Sizes		20 - 99		100 - 199		200 or More	
	2002	2007	2002	2007	2002	2007	2002	2007
<b>ALL INDUSTRIES</b>	<b>21.1</b>	<b>22.0</b>	<b>20.1</b>	<b>21.1</b>	<b>23.7</b>	<b>23.8</b>	<b>25.6</b>	<b>25.1</b>
<b>INDUSTRY</b>								
Mining and Quarrying	19.9	19.8	20.3	20.8	21.4	12.8	14.5	22.8
Manufacturing	20.1	20.1	19.0	19.5	21.8	20.6	23.5	22.5
Electricity, Gas and Water Supply	21.6	24.1	22.1	23.3	21.3	28.1	19.1	21.1
Construction	18.5	22.4	16.8	21.0	22.3	24.9	27.0	23.6
<b>SERVICES</b>								
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles; and Personal and Household Goods	20.2	21.3	19.4	20.7	23.9	25.2	25.0	24.9
Hotels and Restaurants	16.7	16.7	16.2	16.4	19.1	21.7	24.5	24.8
Transport, Storage and Communications	22.3	22.9	21.8	22.4	21.3	24.9	25.3	23.7
Financial Intermediation	23.0	26.7	22.6	27.8	24.3	17.4	26.0	21.8
Real Estate, Renting and Business Activities	23.5	25.0	22.0	23.2	25.4	25.7	27.5	28.2
Private Education Services	28.2	30.1	26.0	30.3	30.8	27.4	32.1	31.2
Health and Social Work Except Public Medical, Dental and Health Activities	26.7	23.2	27.4	21.3	19.5	28.0	27.9	26.9
Other Community, Social and Personal Service Activities	29.0	23.9	26.9	24.1	33.2	22.2	31.7	26.7

Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 2007/2008).

**TABLE 2 - Average Share of Labor Cost to Total Cost in Manufacturing Establishments Employing 20 or More Workers by Minor Industry Group and Employment Size, Philippines: 2002 and 2007**

Minor Industry Group	All Sizes		20 - 99		100 - 199		200 or More	
	2002	2007	2002	2007	2002	2007	2002	2007
<b>MANUFACTURING</b>	<b>20.1</b>	<b>20.1</b>	<b>19.0</b>	<b>19.5</b>	<b>21.8</b>	<b>20.6</b>	<b>23.5</b>	<b>22.5</b>
Manufacture of Food Products except Beverages	16.7	20.1	14.7	19.3	21.3	21.5	21.9	21.9
Manufacture of Beverages	14.6	20.3	10.7	13.9	17.1	20.8	21.9	23.5
Manufacture of Tobacco Products	30.1	25.3	22.9	22.2	34.5	14.5	31.4	32.5
Manufacture of Textiles	22.5	22.7	22.2	23.9	20.0	15.3	25.2	23.1
Manufacture of Wearing Apparel	22.9	23.4	20.9	22.2	28.2	26.2	26.9	28.9
Tanning and Dressing of Leather;								
Manufacture of Luggage and Handbags	8.5	23.8	6.0	23.5	17.0	24.5	29.7	24.5
Manufacture of Footwear	15.6	16.7	14.4	15.9	18.7	25.6	25.4	17.1
Manufacture of Wood, Wood Products and Cork except Furniture	25.7	23.5	24.5	24.0	12.0	16.6	30.6	23.8
Manufacture of Products of Bamboo, Cane, Rattan and the Like; Manufacture of Plaiting Materials except Furniture	34.3	12.0	34.5	a	5.5	a	-	a
Manufacture of Paper and Paper Products	21.2	14.9	21.8	14.1	21.6	14.0	12.7	22.7
Publishing, Printing and Reproduction of Recorded Media	23.0	22.6	22.8	22.3	23.5	19.5	27.0	25.4
Manufacture of Coke, Refined Petroleum and Other Fuel Products	*	30.1	*	30.6	*	19.5	*	32.0
Manufacture of Chemicals and Chemical Products	14.5	20.7	13.1	20.0	19.0	21.8	22.3	23.1
Manufacture of Rubber Products	9.0	17.5	8.2	17.7	10.3	12.9	16.2	29.5
Manufacture of Plastic Products	17.6	18.1	16.5	16.4	22.1	21.8	16.5	21.6
Manufacture of Glass and Glass Products	20.0	18.8	18.3	21.1	17.0	10.2	24.5	19.5
Manufacture of Cement	21.1	16.8	24.5	9.5	24.5	31.2	15.5	25.1
Manufacture of Other Non-Metallic Mineral Products, n.e.c.	24.3	17.9	24.5	18.6	18.3	10.8	28.4	19.1
Manufacture of Basic Metals	18.4	15.6	14.7	16.3	24.6	11.0	19.6	14.5
Manufacture of Fabricated Metal Products, except Machinery and Equipment	25.0	15.3	25.9	15.5	21.3	7.2	22.9	21.5
Manufacture of Machinery and Equipment, n.e.c.	16.7	22.9	15.3	23.4	18.5	21.9	32.7	26.9
Manufacture of Office, Accounting and Computing Machinery	12.8	22.9	14.5	19.5	10.0	27.8	12.6	13.6
Manufacture of Electrical Machinery and Apparatus, n.e.c.	10.1	22.0	8.2	21.8	22.6	30.4	20.2	15.3
Manufacture of Radio, Television and Communication Equipment and Apparatus	26.1	19.7	33.7	21.3	16.8	13.7	19.2	21.7
Manufacture of Medical, Precision and Optical Instruments, Watches and Clocks	25.4	21.6	28.2	20.5	33.1	22.9	19.6	22.0
Manufacture of Motor Vehicles, Trailers and Semi-Trailers	14.7	22.1	14.2	22.8	14.5	27.2	17.2	24.9
Manufacture of Other Transport Equipment. except Building and Repairing of Ships and Boats	32.2	13.6	29.5	11.9	33.5	-	31.1	21.4
Building and Repairing of Ships and Boats	-	24.0	-	23.8	-	24.5	-	26.0
Manufacture and Repair of Furniture	24.3	19.0	25.6	16.4	16.4	25.8	25.5	22.6
Recycling	30.0	14.5	30.0	19.5	-	-	-	14.5
Manufacturing, n.e.c.	25.5	21.5	19.7	20.5	25.3	18.8	27.7	29.0

\* *Suppressed data.*a *Included in collapsed employment sizes.*

Source of data: Bureau of Labor and Employment Statistics, BLES Integrated Survey (2002/2003 and 2007/2008).