



The BLES

LABSTAT DIGEST

(A Statistical Digest on Labor Cost)

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Labor Cost in the Philippines (Second of a fourteen part series)

*Last year, the Bureau of Labor and Employment Statistics undertook a nationwide Labor Cost Survey (LCS) that covered **non-agricultural establishments employing at least 20 persons**. The inquiry fills one of the important gaps in the statistical measurement of wages in the country. Thus, it supplements the other statistical undertakings that collect data on wage rates, earnings and compensation of employees.*

The LCS aims to measure the level and composition of labor cost in the Philippines and the evolution of the cost components over time. The reference period of the first LCS is calendar year 1998 and the periodicity of the survey is every four (4) years. The second LCS will be conducted in 2003 with 2002 as reference year.

This part of the series focuses on the main labor cost components in the major industry groups. Statistics on the sub-components are available at the Bureau upon request. The rest of the issues will present the surveys highlights in each of the major industry groups.

Major Labor Cost Components

- In 1998, employers in establishments spent some ₱ 314,844 million on their employees.
- Of this amount, 76.6 percent went to direct wages and salaries, 8.7 percent to bonuses and gratuities, 9.1 percent to employer's social security expenditures and 5.6 percent to other labor cost.
- The percent shares of direct wages and salaries to respective industry total labor cost ranged from 61.6 percent (*mining and quarrying*) to 83.7 percent (*construction*).
- Relative to other industries, bonuses and gratuities accruing to employees

were highest in financial intermediation and electricity, gas and water supply at 15.2 percent and 13.1 percent, respectively. The proportions for the rest of the industries varied from 5.9 percent to 9.1 percent.

- The highest proportion of employer's expenditures on social security was noted in mining and quarrying (19.6%) while the least at 5.9% was observed in construction.

Annual Labor Cost Per Employee

- Annual labor cost per employee stood at ₱ 139,934 in 1998.
- Direct wages and salaries accounted for ₱ 107,233; bonuses and

gratuities to each employee totaled to ₱ 12,147 while employer's social security payments amounted to ₱ 12,731.

- Electricity, gas and water supply (₱ 301,464) and financial intermediation (₱ 300,985) spent the most for their employees in 1998. On the other hand, hotels and restaurants (₱ 91,694) recorded the lowest annual labor cost per employee.
- Workers in financial intermediation (₱210,278) and electricity, gas and water supply (₱ 201,113) had the highest direct wages and salaries. As in total labor cost, employees in hotels and restaurants received the lowest at ₱ 74,360.
- Annual bonuses and gratuities per employee was observed at a low ₱ 5,787 in hotels and restaurants and a high of ₱ 45, 836 in financial intermediation.

The proportions of the annual employee-bonuses and gratuities ranged from 7.8 percent to 21.8 percent relative to corresponding direct wages and salaries in each industry. Hotels and restaurants; and financial intermediation again had the smallest and biggest shares, respectively.

- Noteworthy too, is the relatively high annual bonuses and gratuities given to each employee in electricity, gas and water supply at ₱ 39,600 which is 19.7 percent of the annual employee-direct wages and salaries in the industry.
- Employers in construction (₱ 6,386), hotels and restaurants (₱ 6,094), real estate, renting and business activities (₱ 6,923) provided the least annual social security payments per employee. The rest of the industries spent more than ₱ 10,000 annually to as much as ₱ 38,300 per employee as employer's social security expenditures.

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Table 1. - Percent Distribution of Labor Cost by Industry Group and Major Cost Component, Philippines: 1998

(In Non-Agricultural Establishments Employing 20 and Over.)

Industry Group	Total Labor Cost		Direct Wages and Salaries	Bonuses and Gratuities	Employer's Social Security Expenditures	Others ¹
	Amount (P M)	Percent				
Total	314,844	100.00	76.63	8.68	9.10	5.59
Mining and Quarrying	2,227	100.00	61.59	5.87	19.55	12.99
Manufacturing	104,994	100.00	76.68	7.60	9.69	6.03
Electricity, Gas and Water Supply	22,994	100.00	66.71	13.14	9.74	10.41
Construction	11,357	100.00	83.65	6.61	5.88	3.86
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	35,978	100.00	78.79	7.19	8.78	5.24
Hotels and Restaurants	12,022	100.00	81.17	6.32	6.65	5.86
Transport, Storage and Communications	32,495	100.00	78.12	6.65	10.90	4.33
Financial Intermediation	32,263	100.00	69.86	15.23	10.09	4.82
Real Estate, Renting and Business Activities	24,879	100.00	82.73	7.79	6.22	3.26
Private Education Services	23,728	100.00	77.97	9.07	7.68	5.28
Private Health and Social Work Services	5,501	100.00	79.23	6.45	9.74	4.58
Other Community, Social and Personal Service Activities	6,406	100.00	79.27	9.07	7.25	4.41

¹ Include Remuneration for time not worked; Food, drink, fuel and other payments in kind; Cost of workers' housing shouldered by employer; Cost of training; Cost of welfare services; Other cost (cost of work clothes/uniform, transport of workers, travelling expenses, recruitment cost, etc.).

Source of data: Bureau of Labor and Employment Statistics, 1998 Labor Cost Survey.

Table 2. - Annual Labor Cost Per Employee by Industry Group and Major Cost Component, Philippines: 1998

(In Pesos. In Non-Agricultural Establishments Employing 20 and Over.)

Industry Group	Total	Direct Wages and Salaries	Bonuses and Gratuities	Employer's Social Security Expenditures	Others¹
Total	139,934	107,233	12,147	12,731	7,823
Mining and Quarrying	195,880	120,647	11,489	38,295	25,449
Manufacturing	121,950	93,508	9,271	11,823	7,348
Electricity, Gas and Water Supply	301,464	201,113	39,600	29,362	31,389
Construction	108,664	90,901	7,180	6,386	4,197
Wholesale and Retail Trade; Repair of Motor Vehicles, Motorcycles and Personal and Household Goods	122,371	96,411	8,794	10,744	6,422
Hotels and Restaurants	91,614	74,360	5,787	6,094	5,373
Transport, Storage and Communications	198,038	154,716	13,169	21,580	8,573
Financial Intermediation	300,985	210,278	45,836	30,364	14,507
Real Estate, Renting and Business Activities	111,310	92,088	8,672	6,923	3,627
Private Education Services	132,358	103,195	12,004	10,161	6,998
Private Health and Social Work Services	103,831	82,266	6,697	10,115	4,753
Other Community, Social and Personal Service Activities	143,782	113,973	13,040	10,423	6,346

¹ Include Remuneration for time not worked; Food, drink, fuel and other payments in kind; Cost of workers' housing shouldered by employer; Cost of training; Cost of welfare services; Other cost (cost of work clothes/uniform, transport of workers, travelling expenses, recruitment cost, etc.).

Source of data: Bureau of Labor and Employment Statistics, 1998 Labor Cost Survey.