

## STRUCTURE OF LABOR COST IN THE PHILIPPINES: 2019

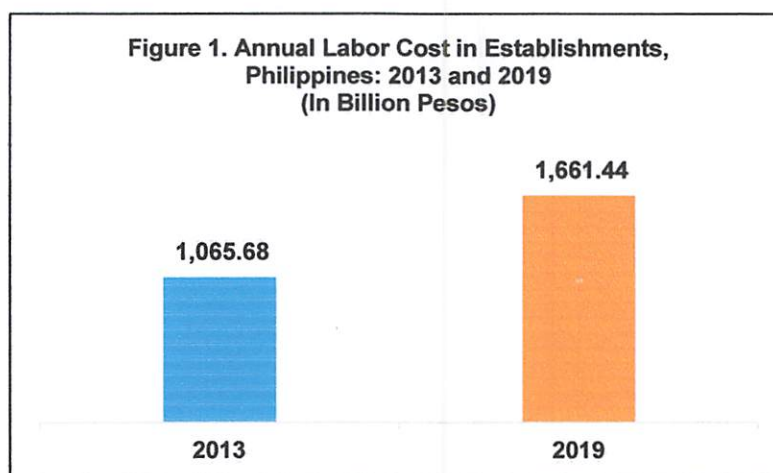
*This Labor Statistics (LABSTAT) Updates is a monograph that presents the highlights of the results of the 2019/2020 Integrated Survey on Labor and Employment (ISLE) module on 2019 Labor Cost of Employees (LCE). Conducted every two years, the ISLE is a nationwide sample survey covering formal establishments with 20 or more workers.*

*The LCE is included in the ISLE every five years, at a minimum, as the structure of labor cost may not change over a short period of time. The LCE module inquires on the different components of expenses incurred by employers in engaging the services of its workers.*

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

### 1. Total labor cost reached PhP 1,661.44 billion in 2019

- a. In 2019, the total labor cost of all formal establishments was estimated at PhP 1,661.44 billion or an increase of 55.9 percent from the estimated labor cost of all formal establishments at PhP 1,065.68 billion in 2013. (Table 1 and Figure 1)



Source of data: Philippine Statistics Authority, 2013/2014 and 2019/2020 Integrated Survey on Labor and Employment (ISLE).

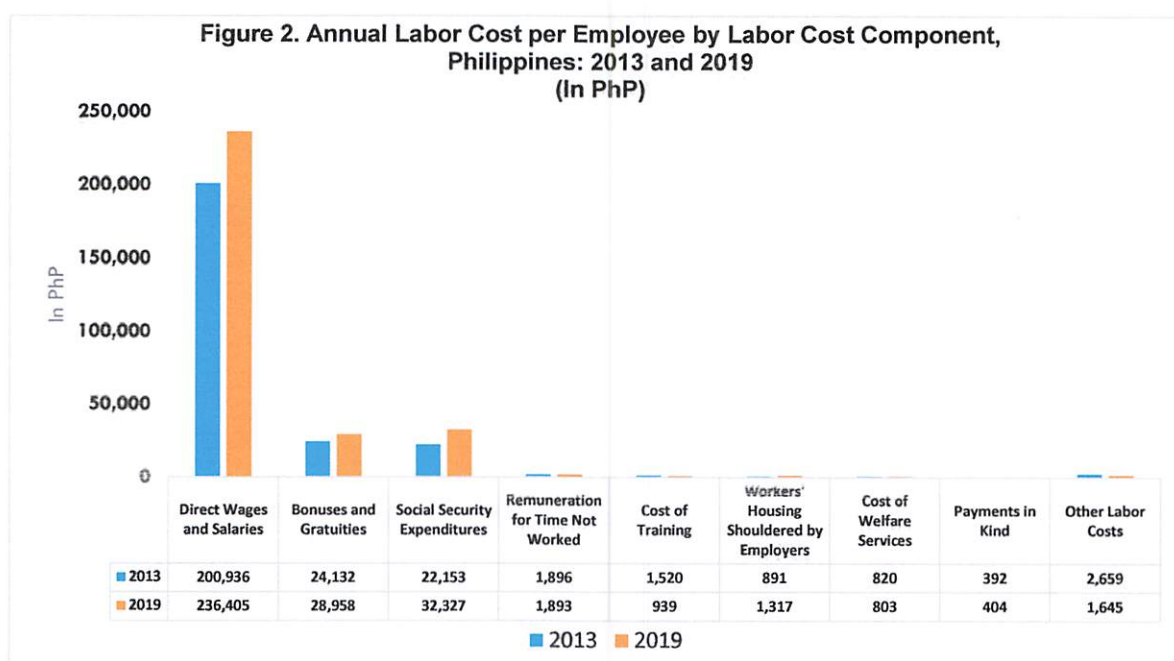
- b. By major industry group, Administrative and support services activities had the highest share of 21.4 percent to the total annual labor cost. This was followed by Manufacturing with 18.5 percent, Financial and insurance activities with 15.7 percent, and Wholesale and retail trade; and repair of motor vehicles and motorcycles with 11.6 percent. (Table 1)



- c. The rest of the industry groups registered shares of less than 10.0 percent each with Repair of computers and personal and household goods; other personal service activities as the lowest at 0.3 percent.

## 2. Annual labor cost per employee was posted at PhP 304,691

- a. The annual labor cost per employee in 2019 was registered at PhP 304,691 given the 5.45 million total number of employees in establishments with 20 or more workers. This is higher by 19.3 percent compared to the annual labor cost per employee in 2013 at PhP 255,399. (Table 2)
- b. Payment for direct wages and salaries per employee reached an average of PhP 236,405 in 2019 or an increase of 17.7 percent from the payment made for this cost component in 2013. (Table 2 and Figure 2)
- c. Social security expenditures by employers was posted at PhP 32,327 per employee, or an increment of 45.9 percent from the same expenses in 2013 at PhP 22,153.
- d. The third highest labor cost component in 2019 was bonuses and gratuities, which was registered at PhP 28,958 paid per employee. This was 20.0 percent higher than the average in 2013 of PhP 24,132.
- e. The cost of training and other labor costs both posted a decline of -38.2 percent and -38.1 percent, respectively from 2013 to 2019. (Table 2)



Source of data: Philippine Statistics Authority, 2013/2014 and 2019/2020 Integrated Survey on Labor and Employment (ISLE).

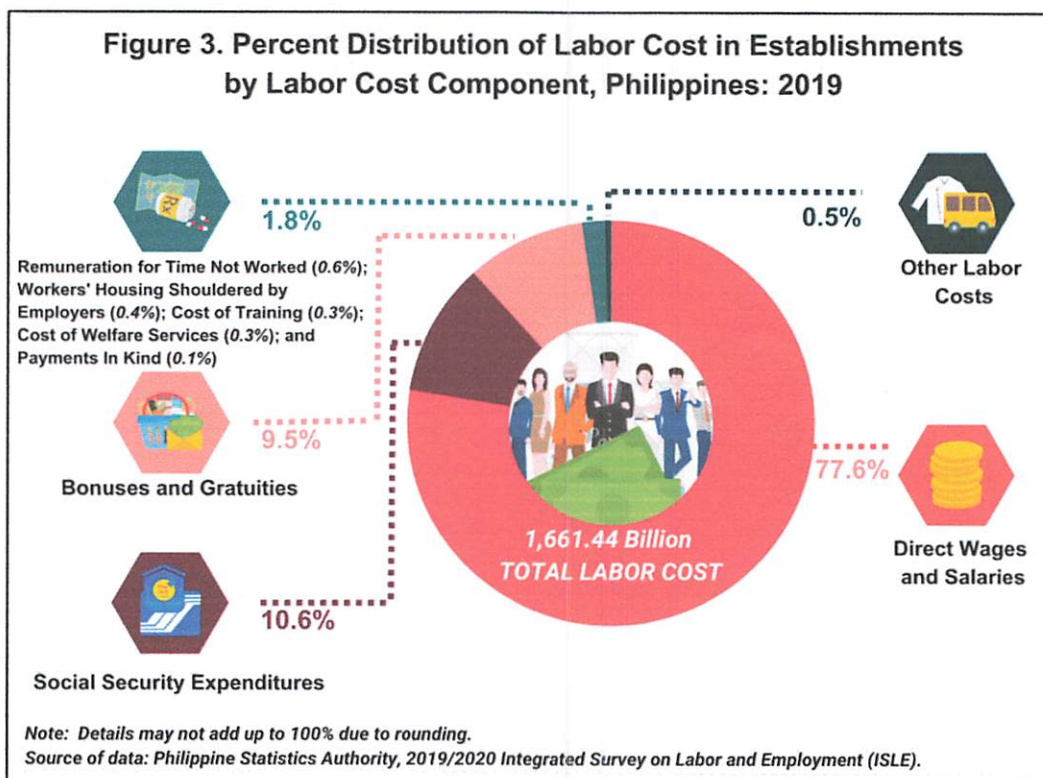
## 3. Annual labor cost per employee was highest in Financial and Insurance Activities

- a. By major industry group, establishments under Financial and insurance activities posted the highest annual labor cost per employee of PhP 763,591 in 2019. This was followed by Electricity, gas steam and air conditioning supply at PhP 526,401. (Table 3)

- b. Moreover, the annual labor cost per employee in Water supply; sewerage, waste management and remediation activities was posted at PhP 435,467; Information and communication at PhP 410,285; and Repair of computers and personal and household goods; other personal service activities at PhP 407,027.
- c. The lowest annual labor cost per employee was recorded in establishments engaged in Transportation and storage at PhP197,588.

**4. Direct wages and salaries obtained the biggest proportion among the labor cost components**

- a. Direct wages and salaries contained the biggest share of the total labor cost at PhP 1,289.09 billion or 77.6 percent. (Table 4 and Figure 3)
- b. Social security expenditures followed with a share of 10.6 percent (PhP 176.27 billion) of the total cost, followed by bonuses and gratuities with a share of 9.5 percent (PhP 157.90 billion).
- c. Lump share of remuneration for time not worked (0.6%), workers' housing shouldered by employers (0.4%), cost of training (0.3%), cost of welfare services (0.3%), and payments in kind (0.1%) comprised around 1.8 percent share, while the remaining 0.5 percent was for other labor costs.



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## DEFINITION OF TERMS

**Labor cost** - cost incurred by the employer in the employment of labor in a specified reference period. The statistical concept of labor cost as comprising of remuneration for work performed, payments in respect of time paid but not worked, bonuses and gratuities, the cost of food, drinks 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.

**Direct wages and salaries** - payments by employer to employees before any deductions is 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 leave, sick leave, maternity leave, paternity leave, service incentive leave, union/emergency leave, bereavement/burial leaves and other paid leaves.

**Payments in kind** - 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 and canteen and other welfare services and facilities.

**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 employee housing. Excluded are capital investment on building, equipment or land made during the year and labor cost of personnel employed by the establishment for maintenance and other works that are related to establishment-owned houses.

**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 excludes cost of establishment-owned medical care and health facility and equipment 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 in the establishment and the reimbursement of school fees to workers. It excludes cost of establishment-owned training facility and equipment for employees.

**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 (See definition of cost for establishment-owned dwellings). Total cost - all expenses incurred by the establishment whether paid or payable, valued at market price. Aside from labor cost, these are costs of:

- a. purchased materials, supplies, fuel and electricity;
- b. industrial and non-industrial services done by others;
- c. costs of good for resale;
- d. interest expenses; and
- e. indirect taxes.

Donations and contributions, bad debts, income taxes, losses, depreciation are excluded under total cost.

**Formal Establishment** - an establishment is defined as an economic unit, which engages under a single ownership or control, i.e., under a single legal entity, in one or predominantly one kind of economic activity at a single fixed physical location. The ISLE is confined to the formal establishments that is comprised of the following:

- a. Corporations and partnerships;
- b. Cooperatives and foundations;
- c. Single proprietorship with employment of 20 and over; and
- d. Single proprietorship with branches.

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**FOR INQUIRIES**

Regarding this report, contact **LABOR STANDARDS AND RELATIONS AND EMPLOYMENT DEMAND STATISTICS DIVISION** at telefax no. 8376-1952

Regarding other statistics, contact **KNOWLEDGE MANAGEMENT AND COMMUNICATIONS DIVISION** at 8462-6600 local 834 Or visit our website at <https://www.psa.gov.ph>

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Table 1. Percent Distribution of Total Annual Labor Cost in Establishments by Major Industry Group, Philippines: 2013 and 2019

2009 PSIC	Major Industry Group	2013		2019		Percent Change from 2013 to 2019 (%)
		Total Annual Labor Cost (In Thousand Pesos)	Percent Share (%)	Total Annual Labor Cost (In Thousand Pesos)	Percent Share (%)	
	<b>ALL INDUSTRIES</b>	<b>1,065,679,431</b>	<b>100.0</b>	<b>1,661,439,875</b>	<b>100.0</b>	<b>55.9</b>
A	Agriculture, Forestry, and Fishing	27,916,752	2.6	31,392,946	1.9	12.5
B	Mining and Quarrying	11,392,942	1.1	14,644,131	0.9	28.5
C	Manufacturing	216,791,268	20.3	306,941,891	18.5	41.6
D	Electricity, Gas, Steam and Air Conditioning Supply	33,618,203	3.2	27,408,523	1.6	-18.5
E	Water Supply; Sewerage, Waste Management and Remediation Activities	7,549,304	0.7	13,386,486	0.8	77.3
F	Construction	30,379,786	2.9	75,645,381	4.6	149.0
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	118,980,444	11.2	192,062,179	11.6	61.4
H	Transportation and Storage	29,880,228	2.8	39,623,699	2.4	32.6
I	Accommodation and Food Service Activities	37,456,347	3.5	54,437,772	3.3	45.3
J	Information and Communication	75,807,510	7.1	68,507,999	4.1	-9.6
K	Financial and Insurance Activities	97,936,488	9.2	260,847,381	15.7	166.3
L	Real Estate Activities	12,401,478	1.2	20,788,005	1.3	67.6
M	Professional, Scientific and Technical Activities	44,623,438	4.2	40,752,872	2.5	-8.7
N	Administrative and Support Service Activities	209,195,399	19.6	356,374,847	21.4	70.4
P	Education	76,806,567	7.2	82,801,744	5.0	7.8
Q	Human Health and Social Work Activities	22,001,632	2.1	46,476,310	2.8	111.2
R	Arts, Entertainment and Recreation	8,484,846	0.8	23,923,513	1.4	182.0
S95/S96	Repair of Computers and Personal and Household Goods; Other Personal Service Activities	4,456,800	0.4	5,424,197	0.3	21.7

Source: Philippine Statistics Authority, 2013/2014 and 2019/2020 Integrated Survey on Labor and Employment (ISLE).

Table 2. Annual Labor Cost per Employee by Labor Cost Component, Philippines: 2013 and 2019

Labor Cost Component	2013		2019		Percent Change from 2013 to 2019 (%)
	Annual Labor Cost per Employee (In Pesos)	Percent Share (%)	Annual Labor Cost per Employee (In Pesos)	Percent Share (%)	
<b>TOTAL</b>	<b>255,399</b>	<b>100.0</b>	<b>304,691</b>	<b>100.0</b>	<b>19.3</b>
<b>Direct Cost</b>					
Direct Wages and Salaries	200,936	78.7	236,405	77.6	17.7
Remuneration for Time Not Worked	1,896	0.7	1,893	0.6	-0.2
Bonuses and Gratuities	24,132	9.5	28,958	9.5	20.0
Payments in Kind	392	0.2	404	0.1	3.1
Workers' Housing Shouldered by Employers	891	0.4	1,317	0.4	47.8
<b>Indirect Cost</b>					
Social Security Expenditures	22,153	8.7	32,327	10.6	45.9
Cost of Training	1,520	0.6	939	0.3	-38.2
Cost of Welfare Services	820	0.3	803	0.3	-2.1
Other Labor Costs	2,659	1.0	1,645	0.5	-38.1

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

Source: Philippine Statistics Authority, 2013/2014 and 2019/2020 Integrated Survey on Labor and Employment (ISLE).

Table 3. Annual Labor Cost per Employee in Establishments by Major Industry Group, Philippines: 2019

2009 PSIC	Major Industry Group	Total Annual Labor Cost (In Million Pesos)	Total Employees	Annual Labor Cost per Employee (In Pesos)
	<b>ALL INDUSTRIES</b>	<b>1,661,440</b>	<b>5,452,873</b>	<b>304,691</b>
A	Agriculture, Forestry, and Fishing	31,393	149,849	209,497
B	Mining and Quarrying	14,644	40,020	365,921
C	Manufacturing	306,942	1,118,610	274,396
D	Electricity, Gas, Steam and Air Conditioning Supply	27,409	52,068	526,401
E	Water Supply; Sewerage, Waste Management and Remediation Activities	13,386	30,741	435,467
F	Construction	75,645	350,518	215,810
G	Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	192,062	799,404	240,257
H	Transportation and Storage	39,624	200,537	197,588
I	Accommodation and Food Service Activities	54,438	241,132	225,759
J	Information and Communication	68,508	166,977	410,285
K	Financial and Insurance Activities	260,847	341,606	763,591
L	Real Estate Activities	20,788	58,356	356,230
M	Professional, Scientific and Technical Activities	40,753	106,555	382,458
N	Administrative and Support Service Activities	356,375	1,235,920	288,348
P	Education	82,802	311,212	266,062
Q	Human Health and Social Work Activities	46,476	175,267	265,175
R	Arts, Entertainment and Recreation	23,924	60,775	393,639
S95/S96	Repair of Computers and Personal and Household Goods; Other Personal Service Activities	5,424	13,326	407,027

*Note: Annual Labor Cost per Employee may not be exact due to rounding of the total annual labor cost.*

*Source: Philippine Statistics Authority, 2019/2020 Integrated Survey on Labor and Employment (ISLE).*



**Table 4. Annual Labor Cost in Establishments Employing 20 or More Workers by Labor Cost/Sub-Cost Component, Philippines: 2019**

<b>Labor Cost Component</b>	<b>Annual Labor Cost (In Thousand Pesos)</b>	<b>Percent Share</b>
<b>Total Labor Cost</b>	<b>1,661,439,875</b>	<b>100.00</b>
<b>Direct Wages and Salaries</b>	<b>1,289,087,753</b>	<b>77.6</b>
Pay for Normal/Regular Working Time	1,038,838,597	62.5
Bonus, Productivity, Performance and Other Incentive Schemes	122,795,130	7.4
Overtime, Night Shift and Premium Pay	76,681,097	4.6
Cost of Living Allowances and Other Regularly Paid Allowances	30,092,231	1.8
Commissions/ Share in Service Charges	20,680,698	1.2
<b>Remuneration for Time Not Worked</b>	<b>10,321,554</b>	<b>0.6</b>
<b>Bonuses and Gratuities</b>	<b>157,902,167</b>	<b>9.5</b>
Year-End, Seasonal and Other One-Time Bonuses	145,078,517	8.7
Profit Sharing Bonuses	6,664,620	0.4
Additional Payments in Respect of Vacation, Supplementary to Normal Vacation Pay	6,159,030	0.4
<b>Payments in Kind</b>	<b>2,201,332</b>	<b>0.1</b>
<b>Workers' Housing Shouldered by Employers</b>	<b>7,181,563</b>	<b>0.4</b>
Cost of Establishment-Owned Dwellings	2,668,778	0.2
Cost of Dwellings Not Owned by Establishment and Other Housing Cost	4,512,785	0.3
<b>Social Security Expenditures</b>	<b>176,273,084</b>	<b>10.6</b>
Compulsory Social Security Expenditures	124,601,348	7.5
Collectively Agreed, Contractual and Non- Obligatory Contributions to Private Social Security Schemes and Insurance	13,223,825	0.8
Direct Payments by Employer to Employees Regarded as Social Security Benefits	2,885,191	0.2
Cost of Medical Care and Health Services	14,419,830	0.9
Retirement and Termination/ Separation Pay	21,142,890	1.3
<b>Cost of Training</b>	<b>5,122,182</b>	<b>0.3</b>
<b>Cost of Welfare Services</b>	<b>4,380,978</b>	<b>0.3</b>
<b>Other Labor Costs</b>	<b>8,969,263</b>	<b>0.5</b>
Cost of Work Clothes/Protective Gear	3,287,577	0.2
Transport of Workers to and from Work Undertaken by Employers	3,283,589	0.2
Recruitment Cost	2,398,096	0.1

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

*Source: Philippine Statistics Authority, 2019/2020 Integrated Survey on Labor and Employment (ISLE).*