

STRUCTURE OF LABOR COST IN THE PHILIPPINES (Last 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.

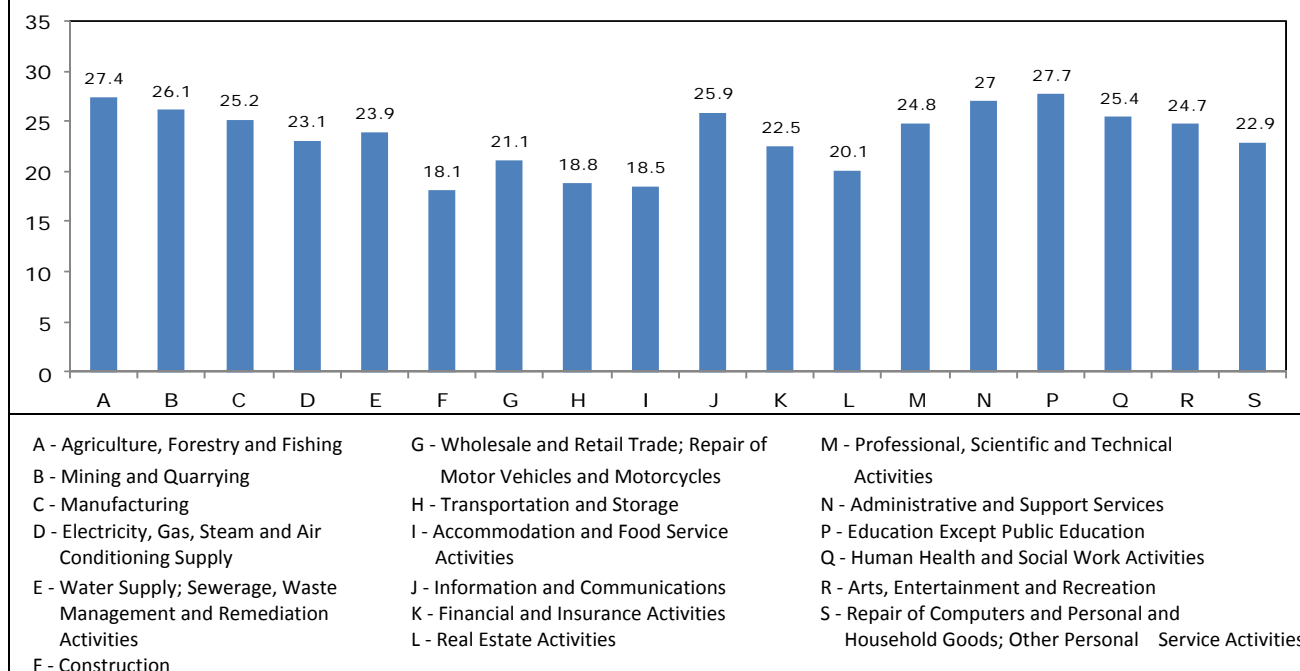
This issue of LABSTAT Updates delves on the average share of labor cost to total cost by employment size across industries for 2013. The metadata and the statistical tables of the survey are posted on the PSA website.

Total labor cost in the country was posted at ₱1,065.7 billion in 2013. Labor cost is only a portion of total expenses incurred by employers in managing their businesses.

Share of labor cost to total cost highest in private education industry

- The average share of labor cost spent by employers in hiring employees accounted for more than one-fourth or 26.6 percent of the total cost incurred in handling business operations in 2013.
- Among major industry groups, private education led all other industries in recording the highest proportion of labor cost to total cost at 27.7 percent. This was followed by agriculture, forestry and fishing (27.4%); administrative and support service activities (27.0%); mining and quarrying (26.1%); information and communications (25.9%); human health and social work activities (25.4%); and manufacturing (25.2%). (Figure 1)
- Meanwhile, establishments in construction industry registered the lowest share of labor cost to total cost at 18.1 percent.

Figure 1 - Average Share of Labor Cost to Total Cost in Establishments Employing 20 or More Workers by Major Industry Group, Philippines: 2013 (In Percent)



Source of data: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment.

Small establishments had higher shares of labor cost to total cost compared to medium-sized and large-sized establishments

- By employment size, employers in small establishments with 20-99 workers relatively spent a higher share of labor cost at 24.0 percent in order to engage the services of their workers. Meanwhile, medium-sized establishments employing 100-199 workers and large establishments with 200 or more workers paid around 23.3 percent and 23.7 percent, respectively of their total costs in labor cost. (Table 1)
- Across industries, the share of labor cost to total cost of establishments is predominantly higher in small establishments than medium-sized and large-sized establishments. This is evident in the following industries: information and communications (28.0%); human health and social work activities except public health activities (27.2%); electricity, gas, steam and air conditioning supply (26.2%); agriculture, forestry, and fishing (25.2%); wholesale and retail trade (23.4%); manufacturing (22.2%); and accommodation and food service activities (21.0%).
- Meanwhile, the share of labor cost to total cost for medium-sized establishments was highest in arts, entertainment and recreation (32.6%); administrative and support service activities (29.6%); water supply, sewerage, waste management and remediation activities (26.9%); real estate activities (26.7%); repair of computers and personal and household goods and other personal service activities (25.9%); and construction (25.0%).
- For large establishments employing 200 or more workers, the share of labor cost to total cost was highest in private education (29.8%); financial and insurance activities (27.1%); mining and quarrying (26.7%); and transportation and storage (23.8%).

Establishments in manufacturing spent one-fourth of total expenditures on labor cost

- Labor cost in the manufacturing industry comprised 25.2 percent of the total cost spent by establishments in their businesses in 2013. By employment size, small manufacturing establishments had the biggest share of labor cost to total cost at 22.2 percent. (*Table 2*)
- Classified by minor industry group, industries which recorded the highest shares of average labor cost to total cost include: manufacture of coke and refined petroleum products (27.0%); manufacture of other non-metallic mineral products (24.8%); other manufacturing and repair and installation of machinery and equipment (24.7%); and manufacture of beverages (24.4%).
- By employment size, majority of small manufacturing establishments had relatively higher shares of labor cost to total cost compared with medium and large establishments. Specifically, these industries include manufacture of basic metals (29.4%); manufacture of other non-metallic mineral products (27.1%); manufacture of furniture (27.0%); manufacture of motor vehicles, trailers and semi-trailers (26.7%); and other manufacturing and repair and installation of machinery and equipment (26.4%) among others.
- Meanwhile, medium-sized establishments posted the highest shares of labor cost to total cost in the manufacture of tobacco products (29.5%); manufacture of wearing apparel (27.4%); manufacture of computer, electronic and optical products (23.7%); manufacture of other transport equipment except building of ships and boats (22.8%); and manufacture of chemicals and chemical products (23.0%).
- On the other hand, large establishments employing 200 or more workers had the highest share of labor cost to total cost in the following industries: manufacture of machinery and equipment, n.e.c. (30.3%); manufacture of leather and related products (29.5%); manufacture of beverages (25.1%); and manufacture of electrical equipment (20.3%).

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

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Or visit our website at <http://www.psa.gov.ph>

TABLE 1 - Average Share of Labor Cost to Total Cost in Agricultural and Non-Agricultural Establishments Employing 20 or More Workers by Major Industry Group and Employment Size, Philippines: 2013

MAJOR INDUSTRY GROUP	All Sizes	Employment Size		
		20-99 Workers	100-199 Workers	200 or More Workers
ALL INDUSTRIES	26.6	24.0	23.3	23.7
AGRICULTURE, FORESTRY AND FISHING	27.4	25.2	22.3	23.6
INDUSTRY				
Mining and Quarrying	26.1	23.7	24.9	26.7
Manufacturing	25.2	22.2	21.0	20.5
Electricity, Gas, Steam and Air Conditioning Supply	23.1	26.2	23.3	22.6
Water Supply; Sewerage, Waste Management and Remediation Activities	23.9	24.4	26.9	25.1
Construction	18.1	21.8	25.0	24.3
SERVICES				
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	21.1	23.4	22.4	22.6
Transportation and Storage	18.8	19.9	20.7	23.8
Accommodation and Food Service Activities	18.5	21.0	19.3	20.8
Information and Communications	25.9	28.0	26.8	27.4
Financial and Insurance Activities	22.5	23.9	25.6	27.1
Real Estate Activities	20.1	20.8	26.7	25.6
Professional, Scientific and Technical Activities	24.8	25.1	23.0	25.1
Administrative and Support Service Activities	27.0	29.0	29.6	26.3
Education Except Public Education	27.7	29.5	27.0	29.8
Human Health and Social Work Activities Except Public Health Activities	25.4	27.2	23.7	23.2
Arts, Entertainment and Recreation	24.7	24.5	32.6	29.2
Repair of Computers and Personal and Household Goods; Other Personal Service Activities	22.9	24.1	25.9	21.2

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

Source of data: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment.

**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: 2013**

MINOR INDUSTRY GROUP	All Sizes	Employment Size		
		20-99 Workers	20-99 Workers	200 or More Workers
MANUFACTURING	25.2	22.2	21.0	20.5
Manufacture of Food Products	17.4	18.5	15.3	18.0
Manufacture of Beverages	24.4	21.9	21.6	25.1
Manufacture of Tobacco Products	21.2	17.0	29.5	17.5
Manufacture of Textiles	18.9	22.1	21.7	19.5
Manufacture of Wearing Apparel	20.2	24.1	27.4	26.6
Manufacture of Leather and Related Products	22.7	23.7	25.8	29.5
Sawmilling and Planing of Wood	19.1	20.4	19.5	-
Manufacture of Products of Wood, Cork, Straw and Plaiting Materials	21.6	22.9	22.0	16.4
Manufacture of Paper and Paper Products	11.8	19.9	11.2	17.5
Printing and Reproduction of Recorded Media	17.3	20.6	18.2	18.3
Manufacture of Coke and Refined Petroleum Products	27.0	a	a	19.5
Manufacture of Chemicals and Chemical Products	20.8	22.3	23.0	19.5
Manufacture of Basic Pharmaceutical Products and Pharmaceutical Preparation	15.2	22.2	19.5	17.8
Manufacture of Rubber Products	21.6	25.6	16.4	17.8
Manufacture of Plastic Products	21.3	24.2	20.4	23.3
Manufacture of Other Non-Metallic Mineral Products	24.8	27.1	21.5	23.3
Manufacture of Basic Metals	20.3	29.4	16.2	15.6
Manufacture of Fabricated Metal Products except Machinery and Equipment	20.7	22.8	20.9	18.0
Manufacture of Computer, Electronic and Optical Products	20.7	17.9	23.7	20.7
Manufacture of Electrical Equipment	17.7	18.3	18.7	20.3
Manufacture of Machinery and Equipment, n.e.c.	21.2	24.9	19.5	30.3
Manufacture of Motor Vehicles, Trailers and Semi- Trailers	23.5	26.7	16.2	17.7
Manufacture of Other Transport Equipment except Building of Ships and Boats	15.9	17.8	22.8	17.8
Building of Ships and Boats	17.5	24.5	a	a
Manufacture of Furniture	23.9	27.0	24.7	22.5
Other Manufacturing; Repair and Installation of Machinery and Equipment	24.7	26.4	22.6	22.8

a Included in collapsed employment sizes.

Source of data: Philippine Statistics Authority, 2013/2014 Integrated Survey on Labor and Employment.