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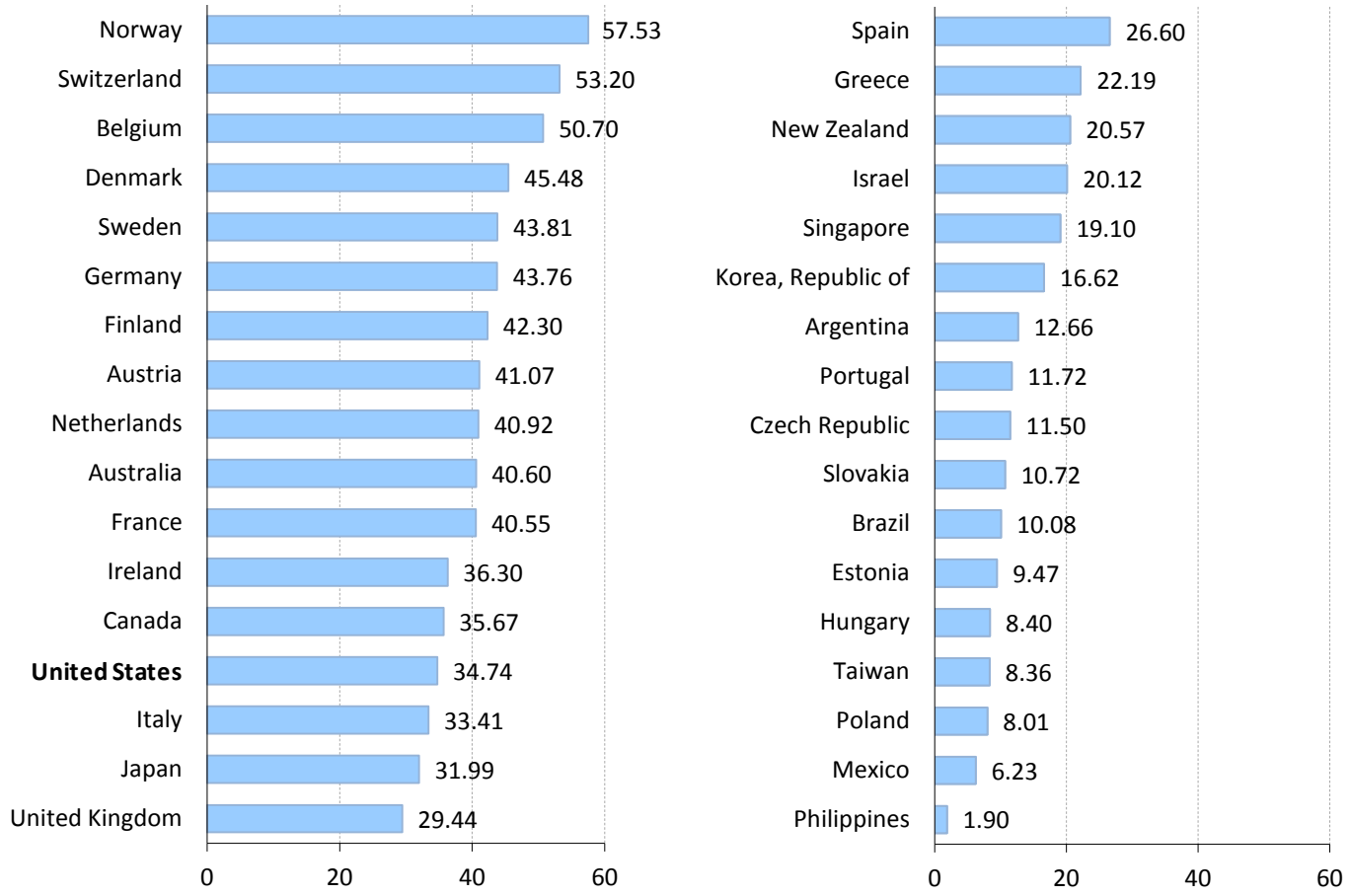
INTERNATIONAL COMPARISONS OF HOURLY COMPENSATION COSTS IN MANUFACTURING, 2010

Manufacturing hourly compensation costs in the United States in 2010 were lower than in several northern and western European countries, Australia, and Canada, but higher than in the United Kingdom and 19 countries in southern and eastern Europe, Asia, and South America, the U.S. Bureau of Labor Statistics reported today (see chart 1). U.S. hourly compensation costs rose about 2 percent from the previous year to $34.74 (see table 2).

From 1997 to 2010, U.S. compensation cost competitiveness in manufacturing improved relative to all but five countries covered: Brazil, Germany, Japan, the Philippines, and Taiwan (see table 1).

Chart 1. Hourly compensation costs in manufacturing, U.S. dollars, 2010



Changes in a country's compensation costs in U.S. dollars are roughly equivalent to the change in compensation costs in a country's national currency plus the change in the value of the country's currency relative to the U.S. dollar. This relationship is illustrated in chart 2, where the bars in the right panel for each country can be summed to equal the bars in the left panel. In 2010, many European countries had modest increases or declines in hourly compensation costs in national currency combined with larger depreciations in national currency relative to the U.S. dollar, resulting in declines in U.S. dollar-denominated hourly compensation costs. In contrast, all countries outside Europe saw increases in U.S. dollar hourly compensation costs much higher than in the United States.

Chart 2. Annual percent change in hourly compensation costs in manufacturing and exchange rates, 2009-2010

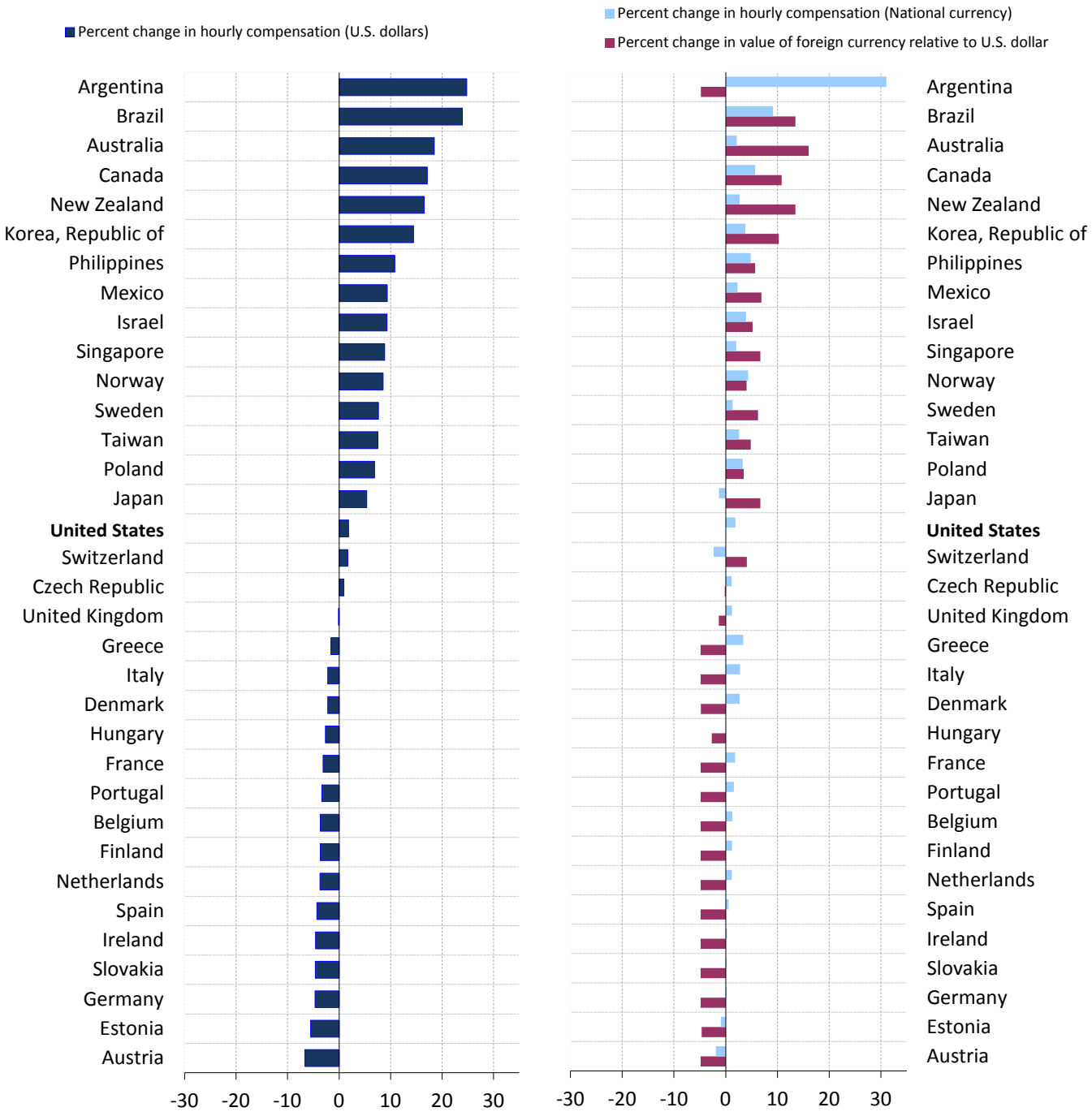
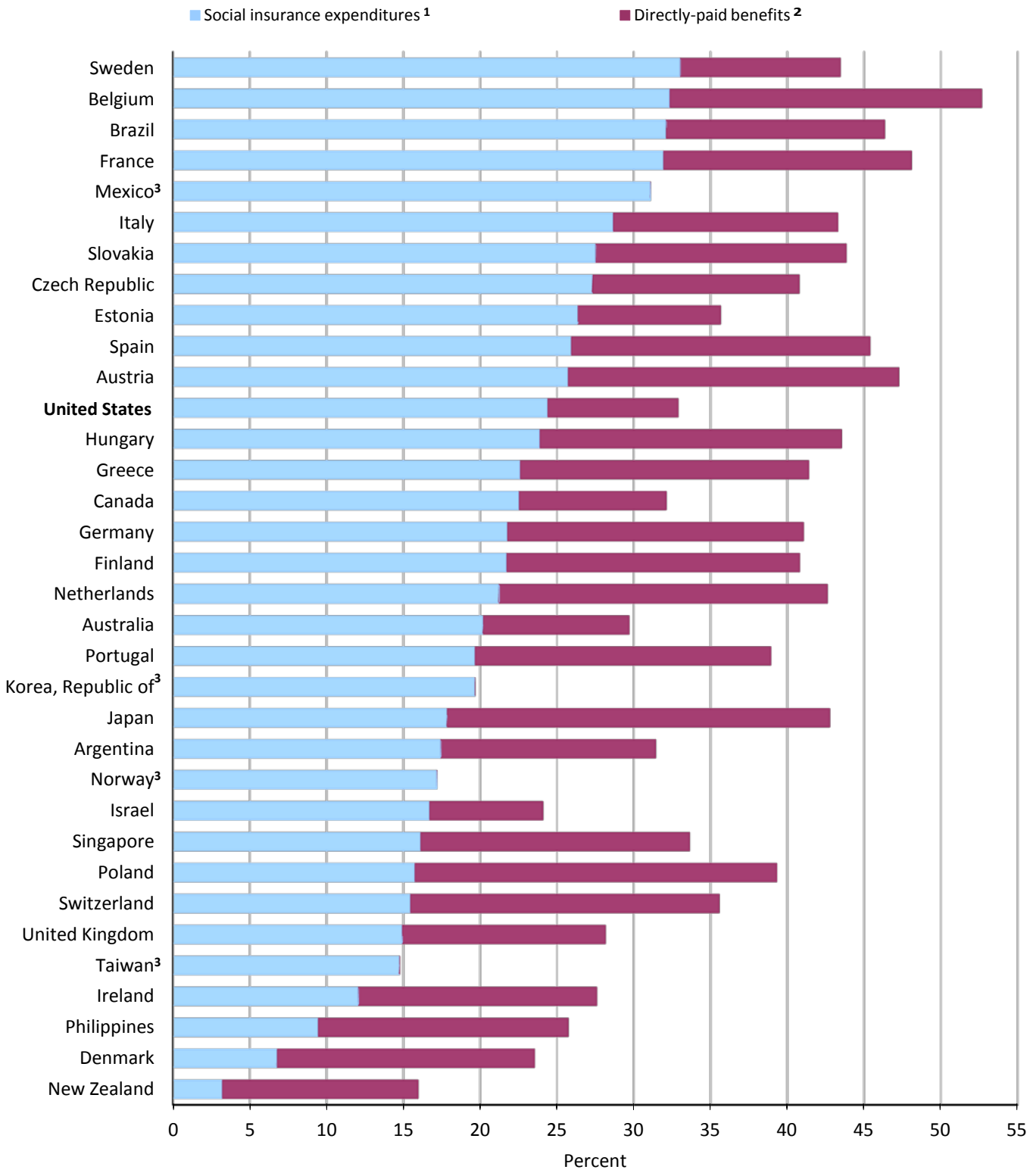


Chart 3. Benefit components of hourly compensation costs as a percent of total compensation, 2010



(1) Social insurance expenditures include labor-related taxes net of subsidies.
(2) Directly-paid benefits are primarily pay for leave time, bonuses, and pay in kind.
(3) For Mexico, Republic of Korea, Norway, and Taiwan, separate measures of directly-paid benefits are not available.

Chart 3 shows the benefit components of manufacturing employers' compensation costs as a percent of total costs. (See table 3 for data in U.S. dollars.) Economies are ordered based on social insurance expenditures as a percent of total compensation. In countries with the highest ratio of social insurance costs, such as Sweden, Belgium, and Brazil, social insurance makes up approximately one-third of total compensation costs. In the United States, social insurance costs account for about 24 percent of total compensation, while in the Asian countries social insurance is less than 20 percent.

Directly-paid benefits comprise pay for leave time, bonuses, and pay in kind. The percentage of compensation that is directly-paid benefits tends to be higher in many European countries (due in large part to leave pay) and in Japan (where seasonal bonuses are a large portion of costs). Directly-paid benefits are a relatively smaller portion of costs in countries such as the United States, Australia, and Canada.

The total benefits portion of compensation costs can be seen by combining social insurance with directly-paid benefits. Total benefits surpass 40 percent in 15 countries. In contrast, the ratio of benefit costs in the United States is about 33 percent.

Analyze trends with interactive dashboard.
The Excel version of the data tables includes an interactive dashboard that displays charts from a custom selection of variables, countries, and time periods at www.bls.gov/ilc/#compensation.

Find additional data.
Detailed time series tables of compensation costs in U.S. dollars, national currencies, and annual indexes for 1996-2010 are available at www.bls.gov/ilc/#compensation.

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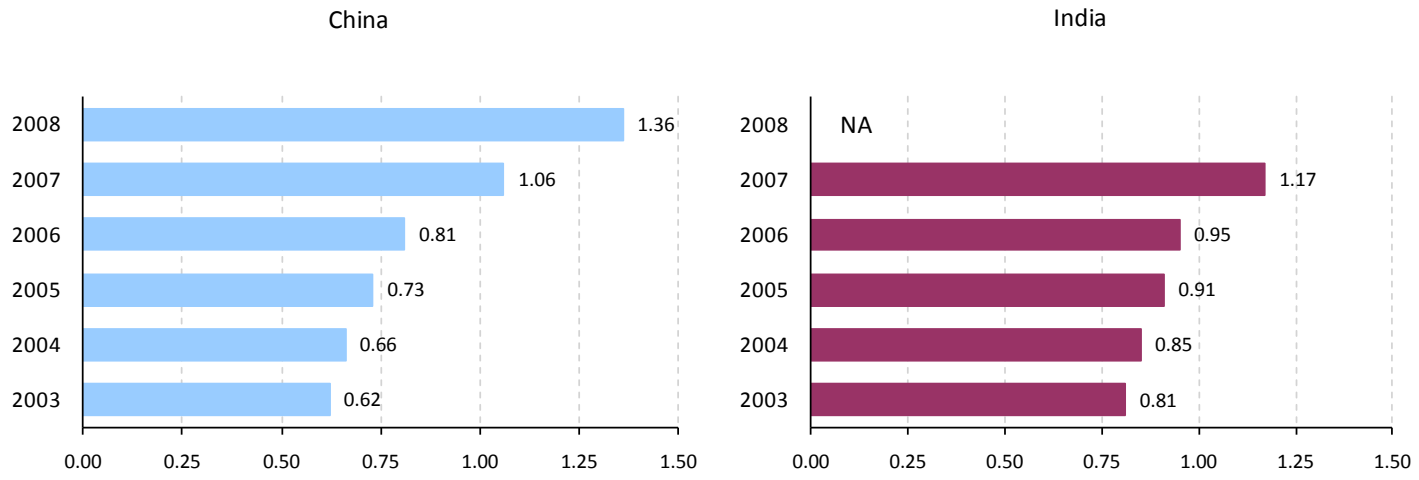
China and India

BLS has developed estimates of hourly compensation costs for employees in the Chinese and Indian manufacturing sectors.[1, 2] Due to various data gaps and methodological issues, compensation costs for China and India are not directly comparable to each other or with the data for other countries found in this release, and therefore are presented separately.[3] Data are available for China through 2008 and for India through 2007.

For China, BLS approximates average hourly compensation costs in manufacturing by filling important data gaps for hours worked per year and for benefit components of labor compensation. Further, the concepts and coverage of Chinese statistics on manufacturing employment and wages often do not follow international standards and can be difficult to understand. Largely because of these data gaps and challenges, BLS estimates for China cannot be considered as robust as the manufacturing statistics for the other countries in this news release.

For India, BLS estimates of compensation costs refer to organized (or formal) manufacturing only, rather than to total manufacturing in the country. Unorganized sector manufacturing workers account for approximately 80 percent of total manufacturing employment in India and earn substantially less than their organized sector counterparts. For this reason, employers' average compensation costs in organized manufacturing overstate average compensation costs for Indian manufacturing as a whole.[4]

Hourly compensation costs in manufacturing for China and India, in U.S. dollars, 2003-2008



(1) For the most recent BLS work on China, see Judith Banister and George Cook, "China's employment and compensation costs in manufacturing through 2008," *Monthly Labor Review*, March 2011, pp. 39-52, at www.bls.gov/opub/mlr/2011/03/art4full.pdf.

(2) For the most recent BLS work on India, see Jessica R. Sincavage, "Labor costs in India's organized manufacturing sector," *Monthly Labor Review*, May 2010, pp. 3–22, at www.bls.gov/opub/mlr/2010/05/art1full.pdf.

(3) For a discussion of the limitations associated with comparing compensation costs for China and India, see Sincavage, "Labor costs in India's organized manufacturing sector."

(4) For additional information on employment and compensation costs in China and India, see www.bls.gov/ilc/china.htm and www.bls.gov/ilc/india.htm.

TECHNICAL NOTES

The international comparisons of hourly compensation costs in manufacturing are prepared to assess differences in employer labor costs among countries. BLS compensation data permit more meaningful comparisons of employer labor costs than data based solely on average earnings. Definitions of average earnings differ considerably by country and do not include many items of labor cost that frequently make up a large portion of total cost. BLS compensation data include nearly all labor costs incurred by employers.

Below is a summary of the concepts used in this release. For more detailed information, see www.bls.gov/ilc/#compensation.

Definitions. Compensation costs include (1) direct pay (all payments made directly to the worker, before payroll deductions of any kind) (2) social insurance expenditures (employer payments to secure entitlement to social benefits for employees) and (3) labor-related taxes (net of subsidies).

The data relate to all employees in manufacturing, including part-time and temporary workers. The self-employed, unpaid family workers, contract workers, and workers in private households are excluded.

Compensation Costs		
Direct Pay		Employer Social Insurance Expenditures and Labor-related Taxes
Pay for Time Worked	Directly-Paid Benefits	
• Basic wages • Piece rate • Overtime premiums • Shift, holiday, or night work premiums • Cost-of-living adjustments • Bonuses and premiums paid each pay period	• Pay for time not worked (vacations, holidays, and other leave, except sick leave) • Seasonal and irregular bonuses • Payments in kind • Allowances for family events, commuting, etc. • Payments to employees' savings funds	• Retirement and disability pensions • Health insurance • Income guarantee insurance • Pay for sick leave • Life and accident insurance • Occupational injury and illness compensation • Unemployment insurance • Severance pay • Other social insurance expenditures • Taxes (net of subsidies) on payrolls or employment

Methodology. In general, total compensation for each economy is calculated by adjusting earnings series to include items of direct pay, social insurance, and labor-related taxes and subsidies not included in earnings. For economies for which earnings data are not available on a per hour worked basis, BLS makes adjustments in order to approximate compensation per hour worked. Compensation costs are converted to U.S. dollars using the average daily exchange rate for the reference year.

Earnings statistics are typically obtained from establishment surveys. Data on the other components of compensation are typically obtained from periodic labor cost surveys, censuses of manufacturers, employer confederations, and other sources.

For the United States, the results and methods used differ somewhat from those used for other BLS series on U.S. compensation costs.

The statistics are adjusted, where possible, to account for major differences in worker coverage, differences in industrial classification systems, and changes over time in survey coverage. More information on exceptions to these methods, as well as data sources used, can be found in “Country Notes and Data Sources” located at www.bls.gov/ilc/#compensation.

*Additional data***.** Detailed time series tables of compensation costs in U.S. dollars, national currencies, and annual indexes for 1996-2010 are available at www.bls.gov/web/ichcc.supp.toc.htm.

The compensation measures in this news release are based on statistics available to BLS as of October 2011. These measures may be subsequently revised as data are collected to update compensation measures for sub-manufacturing industries. Data for sub-manufacturing industries are available at www.bls.gov/ilc/flshcaeindnaics.htm.

Table 1. Hourly compensation costs in manufacturing, U.S. dollars, and as a percent of costs in the United States

	Hourly Compensation Costs			
	in U.S. dollars		U.S.=100	
	1997[(1)]	**2010**	**1997**[(1)]	**2010**
Norway	26.38	57.53	114	166
Switzerland	30.00	53.20	130	153
Belgium	29.12	50.70	126	146
Denmark	24.09	45.48	105	131
Sweden	24.97	43.81	108	126
Germany	29.15	43.76	126	126
Finland	22.35	42.30	97	122
Austria	25.52	41.07	111	118
Netherlands	23.40	40.92	102	118
Australia	19.10	40.60	83	117
France	24.88	40.55	108	117
Ireland	17.03	36.30	74	104
Canada	18.84	35.67	82	103
United States	**23.05**	**34.74**	**100**	**100**
Italy	19.67	33.41	85	96
Japan	22.28	31.99	97	92
United Kingdom	18.50	29.44	80	85
Spain	13.92	26.60	60	77
Greece	11.56	22.19	50	64
New Zealand	12.37	20.57	54	59
Israel	12.32	20.12	53	58
Singapore	12.15	19.10	53	55
Korea, Republic of	9.36	16.62	41	48
Argentina	7.43	12.66	32	36
Portugal	6.38	11.72	28	34
Czech Republic	3.24	11.50	14	33
Slovakia	2.86	10.72	12	31
Brazil	7.07	10.08	31	29
Estonia	NA	9.47	NA	27
Hungary	3.05	8.40	13	24
Taiwan	7.04	8.36	31	24
Poland	3.13	8.01	14	23
Mexico	3.47	6.23	15	18
Philippines	1.28	1.90	6	5

NA=data not available.
(1) With the exception of Estonia, 1997 is the first year data for all countries are available to BLS.

Table 2. Average annual percent change in hourly compensation costs in manufacturing and exchange rates

	1997-2010			2009-2010		
	National currency change	Exchange rate change(1)	U.S. dollar change(2)	National currency change	Exchange rate change(1)	U.S. dollar change(2)
Argentina	15.7	-9.9	4.2	31.0	-4.8	24.8
Brazil	6.7	-3.7	2.8	9.2	13.5	23.9
Australia	4.3	1.6	6.0	2.1	16.1	18.5
Canada	2.7	2.3	5.0	5.7	10.8	17.1
New Zealand	3.3	0.7	4.0	2.7	13.5	16.5
Korea, Republic of	6.1	-1.5	4.5	3.8	10.3	14.5
Philippines	6.5	-3.2	3.1	4.8	5.7	10.8
Mexico	8.4	-3.5	4.6	2.3	6.9	9.4
Israel	4.5	-0.6	3.8	3.9	5.2	9.3
Singapore	2.9	0.7	3.5	2.0	6.7	8.9
Norway	4.9	1.2	6.2	4.3	4.1	8.6
Sweden	3.9	0.5	4.4	1.3	6.2	7.7
Taiwan	2.0	-0.7	1.3	2.6	4.8	7.5
Poland	6.8	0.6	7.5	3.3	3.5	6.9
Japan	0.3	2.5	2.8	-1.3	6.7	5.4
United States	**3.2**	**0.0**	**3.2**	**1.9**	**0.0**	**1.9**
Switzerland	1.9	2.6	4.5	-2.3	4.1	1.7
Czech Republic	6.0	4.0	10.2	1.1	-0.2	0.9
United Kingdom	4.1	-0.4	3.6	1.2	-1.3	-0.1
Greece	4.7	0.5	5.1	3.4	-4.8	-1.6
Italy	2.9	1.2	4.2	2.8	-4.8	-2.2
Denmark	3.7	1.2	5.0	2.7	-4.8	-2.2
Hungary	9.0	-0.8	8.1	0.0	-2.7	-2.7
France	2.5	1.3	3.8	1.8	-4.8	-3.1
Portugal	3.6	1.2	4.8	1.6	-4.8	-3.4
Belgium	3.1	1.3	4.4	1.3	-4.8	-3.6
Finland	3.9	1.1	5.0	1.2	-4.8	-3.7
Netherlands	3.1	1.2	4.4	1.2	-4.8	-3.7
Spain	3.9	1.2	5.1	0.6	-4.8	-4.3
Ireland	5.1	0.8	6.0	0.3	-4.8	-4.6
Slovakia	7.4	3.1	10.7	0.2	-4.8	-4.6
Germany	1.9	1.3	3.2	0.2	-4.8	-4.6
Estonia	NA	NA	NA	-0.9	-4.7	-5.5
Austria	2.4	1.3	3.7	-1.9	-4.8	-6.6

NA=data not available.

(1) Exchange rates are value of foreign currency relative to the U.S. dollar.

(2) U.S. dollar changes are approximately equal to national currency changes plus exchange rate changes for each country.

Table 3. Components of hourly compensation costs in manufacturing, U.S. dollars, 2010

	Hourly Compensation Costs			
			Direct Pay	
	Total	Social Insurance[1]	Directly-Paid Benefits[2]	Pay for Time Worked[3]
Norway	57.53	9.88	47.65[4]	
Switzerland	53.20	8.22	10.69	34.29
Belgium	50.70	16.39	10.29	24.01
Denmark	45.48	3.07	7.62	34.78
Sweden	43.81	14.47	4.56	24.78
Germany	43.76	9.52	8.43	25.80
Finland	42.30	9.18	8.06	25.05
Austria	41.07	10.56	8.84	21.67
Netherlands	40.92	8.68	8.74	23.49
Australia	40.60	8.20	3.85	28.55
France	40.55	12.95	6.55	21.06
Ireland	36.30	4.37	5.63	26.29
Canada	35.67	8.03	3.42	24.23
United States	**34.74**	**8.47**	**2.95**	**23.32**
Italy	33.41	9.57	4.88	18.96
Japan	31.99	5.71	7.97	18.32
United Kingdom	29.44	4.39	3.89	21.16
Spain	26.60	6.89	5.17	14.53
Greece	22.19	5.01	4.17	13.01
New Zealand	20.57	0.66	2.62	17.29
Israel	20.12	3.36	1.48	15.28
Singapore	19.10	3.08	3.34	12.68
Korea, Republic of	16.62	3.27	13.36[4]	
Argentina	12.66	2.20	1.77	8.68
Portugal	11.72	2.30	2.26	7.16
Czech Republic	11.50	3.14	1.54	6.81
Slovakia	10.72	2.95	1.75	6.03
Brazil	10.08	3.24	1.43	5.41
Estonia	9.47	2.50	0.88	6.10
Hungary	8.40	2.00	1.65	4.74
Taiwan	8.36	1.23	7.13[4]	
Poland	8.01	1.26	1.89	4.86
Mexico	6.23	1.94	4.30[4]	
Philippines	1.90	0.18	0.31	1.41

(1) Social insurance includes labor-related taxes net of subsidies.

(2) Directly-paid benefits are primarily pay for leave time, bonuses, and pay in kind.

(3) Pay for time worked is wages and salaries for time actually worked.

(4) Separate measures of directly-paid benefits and pay for time worked are not available. Data relate to total direct pay.