

09 June 2020

Harmonised Labour Cost Index (HLCI). Base 2016
First quarter 2020. *Provisional data*

The quarterly variation of the cost per hour worked is 1.2%, after adjusting for seasonal and calendar effects

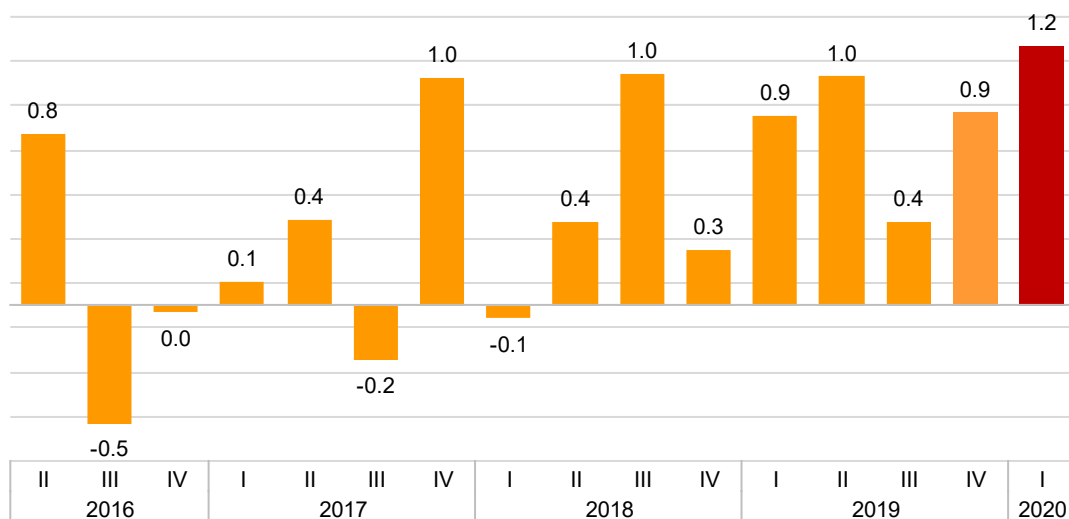
The cost per hour worked increases 3.5% in the annual rate in the series adjusted for calendar and seasonal effects, and 4.5% in the original series

Quarterly variation of the Index

The variation of the HLCI—which measures the labour cost per hour worked while maintaining the structure by branch of activity constant—stood at 1.2% between the first quarter of 2020 and the fourth of 2019, after adjusting for seasonal and calendar effects.

Labour Cost Index adjusted for seasonal and calendar effects

Quarterly rate. Percentage



Excluding seasonal and calendar adjustment, the quarterly rate is 9.1%, mainly due to the lower weight of extraordinary payments in the first quarter of 2020 compared to the previous quarter.

By cost components, after adjusting for seasonal and calendar effects, the cost of wages rose by 1.4% and other costs by 0.5%.

Harmonised Labour Cost Index in the first quarter 2020

Index and quarterly rates by cost components

| | General Index | | Index adjusted for season and calendar effects | |
|--|---------------|-------|--|------|
| | Index | Rate | Index | Rate |
| Total labour cost | 100.0 | -9.1 | 107.3 | 1.2 |
| Wages | 98.6 | -11.2 | 107.0 | 1.4 |
| Other costs | 104.4 | -2.3 | 108.3 | 0.5 |
| Labour costs excluding extraordinary and late payment: | 102.4 | -3.8 | 107.7 | 1.3 |

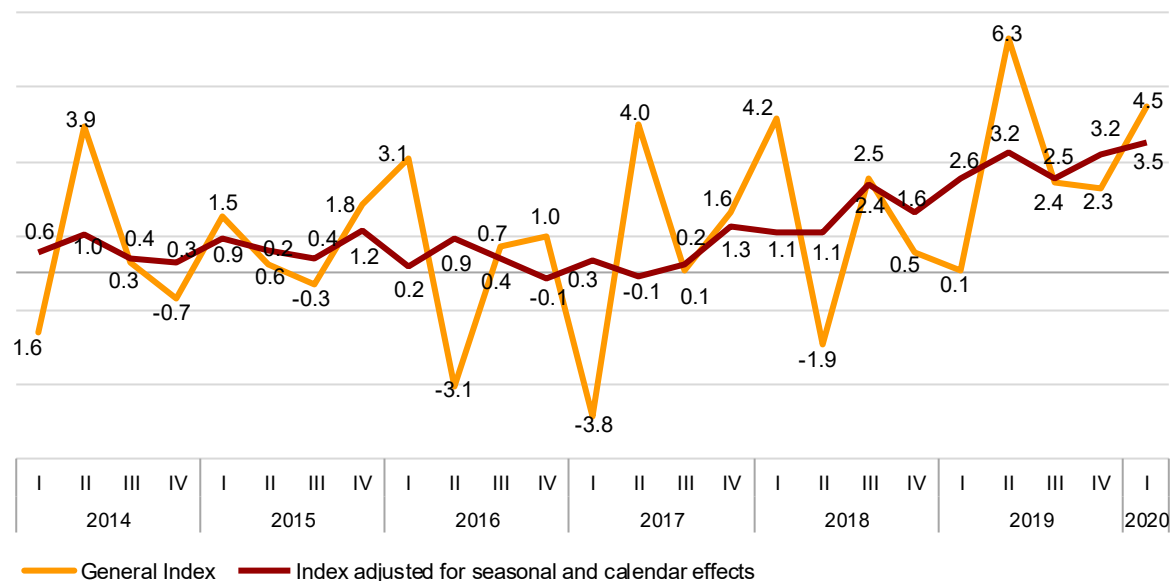
Annual variation of the Index

The cost per hour worked increased by 4.5% in the first quarter of 2020, as compared with the same period of the previous year. **This growth is due to a decrease in the number of hours worked in this quarter, primarily due to the pandemic caused by COVID-19 and the declaration of the state of alarm, which affected the final two weeks of March.**

The annual variation of the cost per hour was 3.5%, after adjusting for seasonal and calendar effects.

Variation of the general index and index adjusted for seasonal and calendar effects

Annual rate. Percentage



By cost component, wage costs recorded an annual variation of 3.5% in adjusted data and other costs increased by 3.6%.

Harmonised Labour Cost Index in the first quarter 2020

Index and annual rates by cost components

| | General Index | | Index adjusted for season and calendar effects | |
|--|---------------|------|--|------|
| | Index | Rate | Index | Rate |
| Total labour cost | 100.0 | 4.5 | 107.3 | 3.5 |
| Wages | 98.6 | 4.6 | 107.0 | 3.5 |
| Other costs | 104.4 | 4.2 | 108.3 | 3.6 |
| Labour costs excluding extraordinary and late payment: | 102.4 | 4.4 | 107.7 | 3.6 |

Results by activity sections

The sections that registered the largest annual increases in the first quarter of 2020 were *Arts, recreational and entertainment activities* (13.7%), *Real estate activities* (13.2%) and *Supply of electricity, gas, steam and air conditioning* (9.2%).

On the other hand, the lowest increases were in *Transportation and storage* (2.9%), *Manufacturing industry* (3.6%) and *Financial and insurance activities* (3.7%).

Harmonised Labour Cost Index in the first quarter 2020 by activity sections

General index and index adjusted for seasonal and calendar effects

| | General | | Adjusted for calendar effects | | Adjusted for season and calendar effects | |
|---|--------------------|-------------------|-------------------------------|-------------------|--|-------------------|
| | Index ² | Rate ¹ | Index ² | Rate ¹ | Index ² | Rate ¹ |
| TOTAL | 100.0 | 4.5 | 100.7 | 3.8 | 107.3 | 3.5 |
| B. Mining and quarrying industries | 109.2 | 5.1 | 109.6 | 4.5 | 101.6 | 3.8 |
| C. Manufacturing industries | 96.4 | 3.6 | 96.8 | 2.8 | 105.3 | 2.4 |
| D. Electricity, gas, steam and air conditioning supply | 117.3 | 9.2 | 118.0 | 8.7 | 116.8 | 8.2 |
| E. Water supply, waste management and remediation activities | 100.3 | 4.1 | 100.8 | 3.5 | 107.0 | 3.7 |
| F. Construction | 95.0 | 4.0 | 95.5 | 3.4 | 104.1 | 3.4 |
| G. Wholesale and retail trade, repair of motor vehicles and motorcycles | 105.4 | 3.7 | 105.9 | 3.0 | 109.2 | 2.7 |
| H. Transport and storage | 100.2 | 2.9 | 100.7 | 2.1 | 104.4 | 2.0 |
| I. Accommodation | 105.6 | 5.5 | 105.9 | 5.5 | 109.7 | 5.5 |
| J. Information and communications | 103.2 | 5.7 | 103.8 | 5.3 | 109.4 | 4.9 |
| K. Financial and insurance activities | 110.7 | 3.7 | 111.3 | 2.5 | 106.4 | 1.6 |
| L. Real estate activities | 120.7 | 13.2 | 121.3 | 12.5 | 121.4 | 11.9 |
| M. Professional, scientific and technical activities | 100.9 | 4.0 | 101.5 | 3.4 | 106.4 | 3.4 |
| N. Administrative and support services activities | 102.8 | 3.9 | 103.6 | 3.6 | 106.8 | 3.4 |
| O. Public Administration and defence, compulsory Social Security | 94.0 | 4.1 | 94.5 | 3.1 | 107.0 | 2.6 |
| P. Education | 92.2 | 4.2 | 94.6 | 3.8 | 104.6 | 3.1 |
| Q. Health and social services activities | 96.3 | 5.6 | 96.9 | 4.8 | 107.9 | 4.7 |
| R. Arts, entertainment and recreation | 113.8 | 13.7 | 114.5 | 13.3 | 121.5 | 13.3 |
| S. Other services | 107.4 | 9.1 | 108.0 | 8.5 | 113.3 | 8.6 |

¹ As compared to the same quarter of the previous year

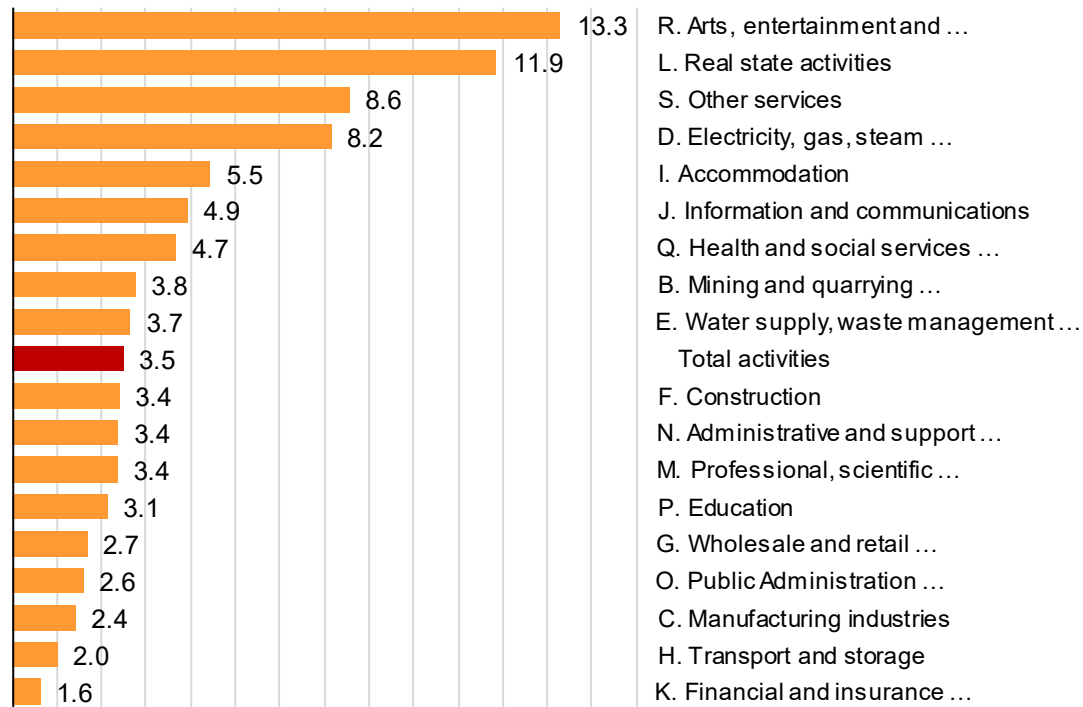
² Base year 2016

After adjusting for seasonal and calendar effects, the activities with the highest annual rates are *Arts, recreation and entertainment activities* (13.3%), *Real estate activities* (11.9%) and *Other services* (8.6%) .

For their part, *Financial and insurance activities* (1.6%), *Transportation and storage* (2.0) and the *Manufacturing industry* (2.4%) registered the lowest corrected annual rates.

Index adjusted for seasonal and calendar effects. Activity sections

First quarter 2020. Annual rate. Porcentaje



Results by activity sections and cost components. Original series

The areas with the largest annual increases in *salary costs* in the first quarter were *Real estate activities* (15.7%), *Artistic, recreational and entertainment activities* (14.9%) and *Supply of electricity, gas, steam and air conditioning* (11.8%).

On the other hand, the lowest variations were seen in *Transportation and storage* (1.6%), *Construction* (3.4%) and *Water supply, sanitation activities, waste management and decontamination* (3.6%).

In regard to *other costs*, the areas with the highest annual increases were *Artistic, recreational and entertainment activities* (10.2%), *Other services* (8.0%) and *Health and social work activities* (7 , 7%).

The lowest rates were in *Financial and insurance activities* (-1.8%), *Electricity, gas, steam and air conditioning supply* (-0.5%) and *Information and communications* (1.9%).

Harmonised Labour Cost Index in the first quarter 2020 by activity sections

Index by cost components

| | Wages | | Other costs | | Labour costs excluding extraordinary and late payments | |
|---|--------------------|-------------------|--------------------|-------------------|--|-------------------|
| | Index ² | Rate ¹ | Index ² | Rate ¹ | Index ² | Rate ¹ |
| TOTAL | 98.6 | 4.6 | 104.4 | 4.2 | 102.4 | 4.4 |
| B. Mining and quarrying industries | 113.4 | 4.5 | 97.4 | 7.1 | 94.6 | 4.7 |
| C. Manufacturing industries | 94.3 | 3.6 | 102.2 | 3.7 | 100.9 | 4.1 |
| D. Electricity, gas, steam and air conditioning supply | 120.9 | 11.8 | 104.2 | -0.5 | 107.9 | 6.4 |
| E. Water supply, waste management and remediation activities | 98.2 | 3.6 | 105.9 | 5.5 | 103.5 | 4.9 |
| F. Construction | 92.6 | 3.4 | 100.8 | 5.5 | 100.4 | 4.3 |
| G. Wholesale and retail trade, repair of motor vehicles and motorcycles | 104.5 | 3.8 | 107.9 | 3.5 | 106.7 | 3.5 |
| H. Transport and storage | 97.4 | 1.6 | 107.3 | 5.9 | 102.6 | 3.5 |
| I. Accommodation | 105.0 | 5.1 | 107.2 | 6.8 | 107.0 | 4.3 |
| J. Information and communications | 103.6 | 6.9 | 102.0 | 1.9 | 102.7 | 3.8 |
| K. Financial and insurance activities | 115.8 | 5.2 | 94.1 | -1.8 | 99.8 | 3.4 |
| L. Real state activities | 124.4 | 15.7 | 109.8 | 5.5 | 113.9 | 8.8 |
| M. Professional, scientific and technical activities | 100.8 | 4.0 | 101.3 | 3.9 | 103.8 | 5.0 |
| N. Administrative and support services activities | 102.5 | 4.5 | 103.8 | 2.2 | 103.4 | 3.4 |
| O. Public Administration and defence, compulsory Social Security | 90.9 | 4.7 | 104.2 | 2.4 | 97.6 | 4.1 |
| P. Education | 90.0 | 3.9 | 98.7 | 5.0 | 97.6 | 4.1 |
| Q. Health and social services activities | 92.6 | 4.9 | 108.6 | 7.7 | 100.9 | 5.7 |
| R. Arts, entertainment and recreation | 111.2 | 14.9 | 122.1 | 10.2 | 119.6 | 13.6 |
| S. Other services | 106.3 | 9.6 | 110.2 | 8.0 | 109.8 | 8.8 |

¹ As compared to the same quarter of the previous year

² Base year 2016

Revision and updating of data

Coinciding with today's publication, the HLCI provisional data for the fourth quarter of 2019 has been updated. The final index stands at 110.0 points.

The quarterly variation of the original series for that quarter stood at 1.4%, while that of the adjusted index was 0.9%. On the other hand, the annual rate of the original series was 2.3% and that for the index adjusted for seasonal and calendar effects, 3.2%. The results are available at INEBase.

Note regarding COVID-19's impact on the statistical operation of the Harmonised Labour Cost Index (HLCI)

The entry into force of Royal Decree 463/2020 of March 14, which declared a “state of alarm” for management of the health crisis situation caused by COVID-19, has caused many companies to lower production intensity, or to close entirely, following said date. The Quarterly Labour Cost Survey (QLCS) serves as a fundamental source for this statistic. The fact that contacts with companies are made by email and telephone, combined with the excellent work of our informants, meant that the survey was conducted in a manner similar to previous quarters.

On behalf of the INE, we would like to express our gratitude to all the companies that, in spite of the extraordinary situation in which we find ourselves, have made the effort to provide us with information.

The most significant impact of COVID-19 is the reduction in the number of hours actually worked. Since the HLCI measures labour cost per hour worked, keeping the productive structure by branches of activity constant, it has been particularly affected.

In regards to the series adjusted for seasonal and calendar effects, the INE carried out a methodological modelling approach in accordance with the guidelines set forth by the Statistical Office of the European Union (Eurostat)¹. In the data referring to March 2020 an additive outlier has thus been modelled to estimate the effect that COVID-19 has had on the series during this month.

When the data for subsequent quarters is available, the INE will re-analyse whether this impulse should be modified for another type of intervention², or if interventions should perhaps even be carried out on other data in the series.

¹ https://ec.europa.eu/eurostat/cros/content/flash-news_en

²This initial approach is consistent since, in the modelling of disturbances that occur in the last observation in a series, there is no difference in the adjusted seasonal and calendar series if this modelling is performed using an impulse, a step, a temporary change or a ramp. The difference between these types of interventions is reduced to assigning the effect to the cycle-trend component in some cases, or to the irregular one in others, but the adjusted series for seasonal and calendar effect includes both components and, therefore, it will not be affected by the type of initial intervention

Methodological note

The Harmonised Labour Cost Index (HLCI) is a quarterly continuous statistical operation whose objective is to provide a common and comparable measure of labour cost per hour worked for the whole of the European Union, allowing the monitoring of the evolution of said labour costs.

Indices with base 2016 are provided for total labour costs, wages and salaries and other costs net of subsidies received for the use of labour factor (includes social contributions payable by employers and non-wage payments). The index for total labour cost is also provided excluding extraordinary payments and delayed payments.

Type of operation: Statistics presented mainly in the form of indices.

Base year: 2016.

Population scope: Employees in local units.

Sources of information: The Quarterly Labour Cost Survey which is conducted on the basis of the Social Security contribution accounts. General Scheme: Sections B to S of CNAE-09 and Special Scheme for Seafarers: Sea Transport (Division 50 of CNAE-09). In order to cover all employees of the general government, information from the DARETRI file is used.

Geographical scope: the entire national territory.

Reference period of the results: the calendar quarter.

Calculation method: Chained Laspeyres.

For more information you can access the methodology at:

https://www.ine.es/en/metodologia/t22/t2230211_en.htm

And the standardised methodological report at:

<https://www.ine.es/dynt3/metadatos/en/RespuestaDatos.html?oe=30211>

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