



# LABOUR COST SURVEY

2016

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## Preface

The report's aim is to publish the results of the Labour Cost Survey with reference year 2016, which measured the level and structure of labour costs in the reference year.

The report provides data on labour cost, hours of work and labour cost per hour, analysed by economic activity and enterprise size. The data refer to both the private and public sectors.

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Sincere thanks are expressed to all persons who provided assistance for the collection of the information necessary for the preparation of this report.

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## Labour Cost Survey 2016

### Data description

The Statistical Service of Cyprus has carried out the Labour Cost Survey (LCS) with reference year 2016. The Cyprus Statistical Service has carried out the LCS for the fifth time (2016, 2012, 2008, 2004, 2000), in compliance with the Council Regulation (EC) No 530/1999 concerning structural statistics on earnings and on labour costs and the Commission Regulation 1737/2005 of 21 October 2005 amending Regulation (EC) No 1726/1999 as regards the definition and transmission of information on labour costs. The purpose of the survey is the collection of data regarding the level and the structure of the labour costs, hours worked and hours paid. Data is broken down by economic activity and enterprise size.

### Classification system

Statistical Classification of economic activities NACE Rev.2. NACE Rev. 2 sections B to S are covered. The size of the enterprise, in terms of the number of employees, is classified using the following bands: 10 to 49, 50 to 249, 250 to 499, 500 to 999, 1000 and more employees.

### Statistical unit

The statistical unit is the enterprise or local unit. The government has a number of local units conducting different economic activities. Data were selected for each local unit separately.

### Reference area

Government controlled area of the Republic of Cyprus.

### Data collection period

The data collection period ran from April 2017 to October 2017 for the private sector, the wider public sector and municipalities. For the central government, Ministries/Departments/Services were contacted in September 2016, to inform about the Labour Cost Survey and the data collection from the central government ended in February 2018.

## Main results

### Labour cost

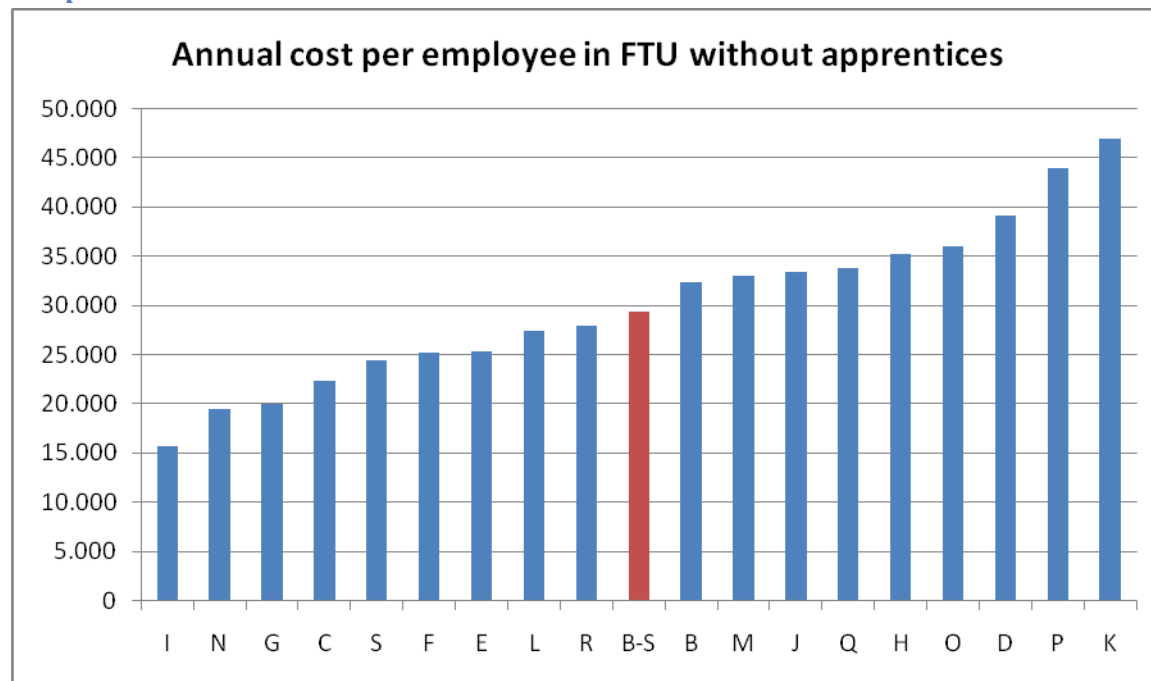
Labour costs are the aggregate of Compensation of Employees (Wages and salaries and Employers' social contributions), Vocational training, Other expenditures paid by the employer and Taxes paid by the employer, less Subsidies received by the employer. The annual labour cost per employee in full-time units (FTU) without apprentices and the monthly labour cost without apprentices by economic activity (NACE Rev.2) are shown in Table 1. Graph 1 shows the annual cost per employee by economic activity in ascending order. Accommodation and food service activities have the lowest annual cost per employee and Financial and insurance activities have the highest annual cost per employee among the economic activities. For the whole economy (B-S) the annual cost per employee in 2016 is €29.373.

*Table 1*

| <b>NACE Rev.2</b> | <b>Economic Activity</b>   | <b>Annual cost per employee in FTU without apprentices</b> | <b>Monthly cost without apprentices</b> |
|-------------------|--|--|---|
| B                 | Mining and quarrying   | 32.338   | 2.695                                   |
| C                 | Manufacturing  | 22.272   | 1.856                                   |
| D                 | Electricity, gas, steam and air conditioning supply                  | 39.130   | 3.261                                   |
| E                 | Water supply; sewerage, waste management and remediation activities  | 25.314   | 2.109                                   |
| F                 | Construction   | 25.149   | 2.096                                   |
| G                 | Wholesale and retail trade; repair of motor vehicles and motorcycles | 19.972   | 1.664                                   |
| H                 | Transportation and storage   | 35.257   | 2.938                                   |
| I                 | Accommodation and food service activities                            | 15.711   | 1.309                                   |
| J                 | Information and communication  | 33.335   | 2.778                                   |
| K                 | Financial and insurance activities                                   | 46.968   | 3.914                                   |
| L                 | Real estate activities   | 27.387   | 2.282                                   |
| M                 | Professional, scientific and technical activities                    | 32.992   | 2.749                                   |
| N                 | Administrative and support service activities                        | 19.500   | 1.625                                   |

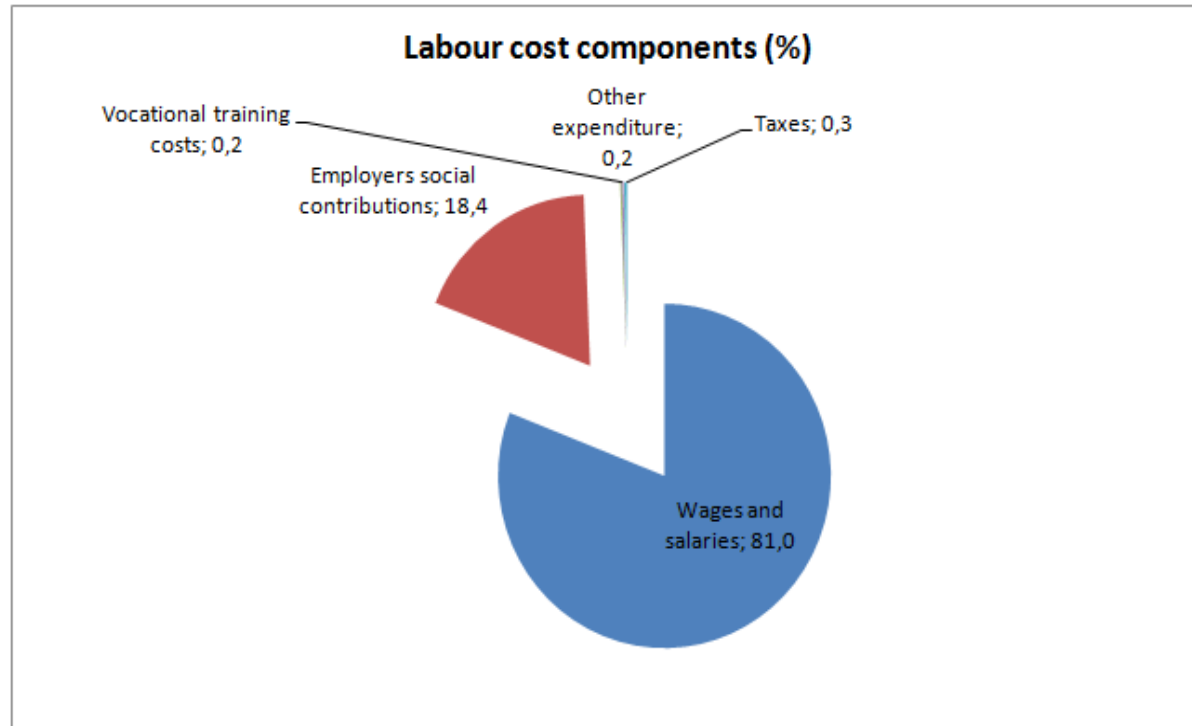
| NACE Rev.2 | Economic Activity   | Annual cost per employee in FTU without apprentices | Monthly cost without apprentices |
|------------|---|---|----------------------------------|
| O          | Public administration and defence; compulsory social security | 35.939  | 2.995                            |
| P          | Education   | 43.958  | 3.663                            |
| Q          | Human health and social work activities                       | 33.802  | 2.817                            |
| R          | Arts, entertainment and recreation                            | 27.931  | 2.328                            |
| S          | Other service activities                                      | 24.395  | 2.033                            |
| B-S        | Total - Industry, construction and services                   | 29.373  | 2.448                            |

*Graph 1*



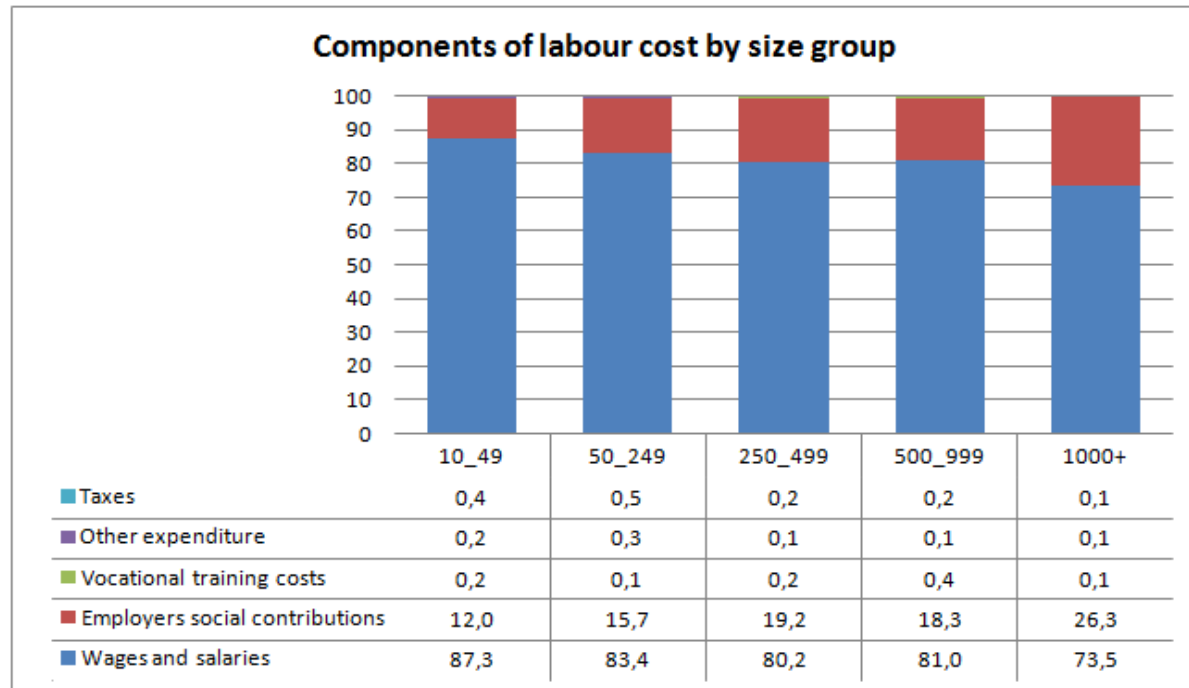
Graph 2 shows the components of labour costs as a percentage of total costs for the whole economy (Section B-S Industry, construction and services). The total labour cost is composed mainly of Wages and salaries (81%) and Employers' social contributions (18,4%). Other costs comprise a minor part of total costs.

*Graph 2*



Graph 3 shows the components of labour cost by size group. The graph shows a decrease of Wages and salaries as a percentage of Total Labour costs for larger size groups besides size group 500\_999 for which the percentage for Wages and salaries is slightly higher than for size group 250\_499.

*Graph 3*





## Hours of work

Table 2 and the corresponding Graphs, 4 and 5, show the average paid hours for full-time (FT) employees per year, the average hours actually worked by FT employees per year and the ratio of hours paid vs. hours worked by economic activity. The difference between hours worked and hours paid is that hours paid also include paid absences such as holidays and paid sick leave.

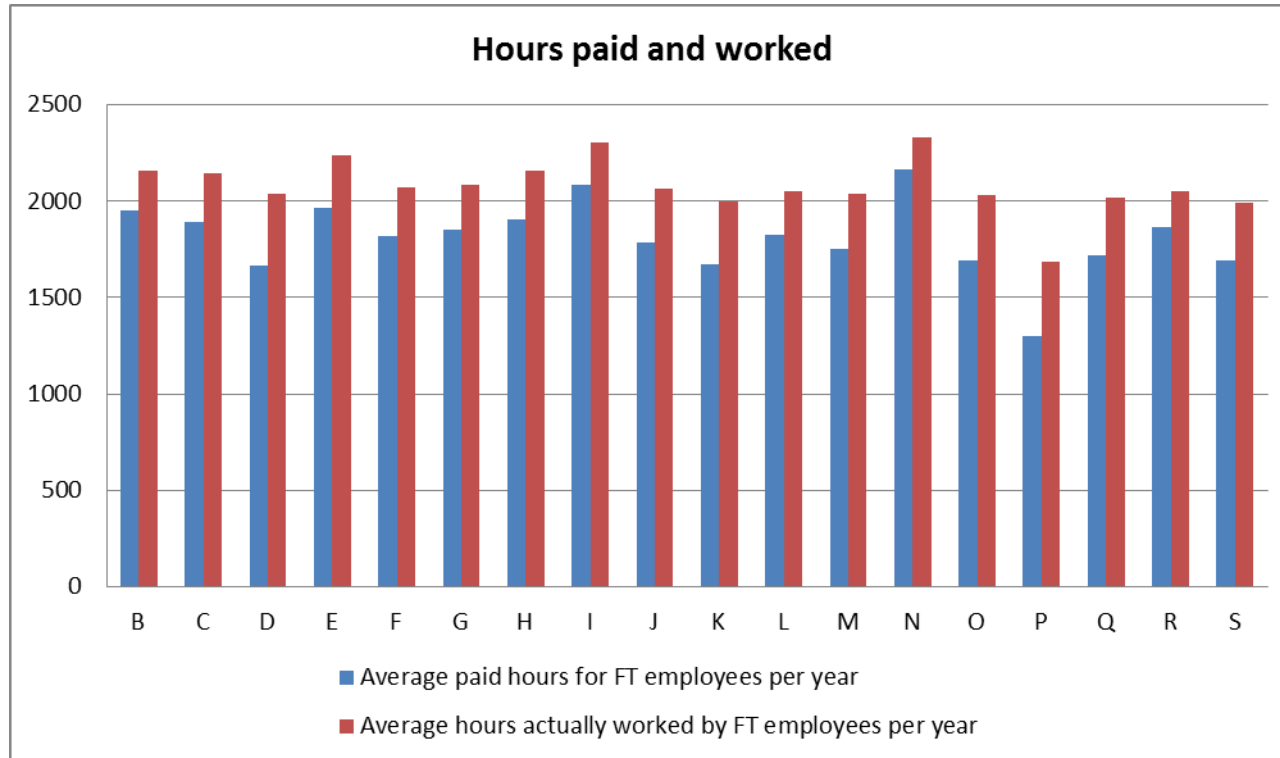
The average hours actually worked by FT employees per year range from 1.302 (Education) to 2.167 (Administrative and support service activities) and the average paid hours for FT employees per year range from 1.684 (Education) to 2.330 (Administrative and support service activities). Administrative and support service activities, has the lowest ratio of hours paid vs. hours worked (1,08) and Education, has the highest ratio (1,29).

**Table 2**

| <b>NACE Rev.2</b> | <b>Economic Activity</b>   | <b>Average hours actually worked by FT employees per year</b> | <b>Average paid hours for FT employees per year</b> | <b>Ratio hours paid vs. hours worked</b> |
|-------------------|--|---|---|--|
| B                 | Mining and quarrying   | 1.951   | 2.156   | 1,11                                     |
| C                 | Manufacturing  | 1.892   | 2.145   | 1,13                                     |
| D                 | Electricity, gas, steam and air conditioning supply                  | 1.663   | 2.037   | 1,22                                     |
| E                 | Water supply; sewerage, waste management and remediation activities  | 1.967   | 2.240   | 1,14                                     |
| F                 | Construction   | 1.819   | 2.072   | 1,14                                     |
| G                 | Wholesale and retail trade; repair of motor vehicles and motorcycles | 1.851   | 2.087   | 1,12                                     |
| H                 | Transportation and storage   | 1.905   | 2.155   | 1,13                                     |
| I                 | Accommodation and food service activities                            | 2.088   | 2.306   | 1,10                                     |
| J                 | Information and communication  | 1.788   | 2.063   | 1,14                                     |
| K                 | Financial and insurance activities                                   | 1.675   | 1.997   | 1,19                                     |
| L                 | Real estate activities   | 1.822   | 2.052   | 1,12                                     |
| M                 | Professional, scientific and technical activities                    | 1.752   | 2.036   | 1,16                                     |
| N                 | Administrative and support service activities                        | 2.167   | 2.330   | 1,08                                     |
| O                 | Public administration and defence; compulsory social                 | 1.691   | 2.029   | 1,20                                     |

| <b>NACE Rev.2</b> | <b>Economic Activity</b>                | <b>Average hours actually worked by FT employees per year</b> | <b>Average paid hours for FT employees per year</b> | <b>Ratio hours paid vs. hours worked</b> |
|-------------------|---|---|---|--|
|                   | security                                |   |   |  |
| P                 | Education                               | 1.302   | 1.684   | 1,29                                     |
| Q                 | Human health and social work activities | 1.718   | 2.018   | 1,17                                     |
| R                 | Arts, entertainment and recreation      | 1.866   | 2.049   | 1,10                                     |
| S                 | Other service activities                | 1.695   | 1.992   | 1,17                                     |

Graph 4



Graph 5

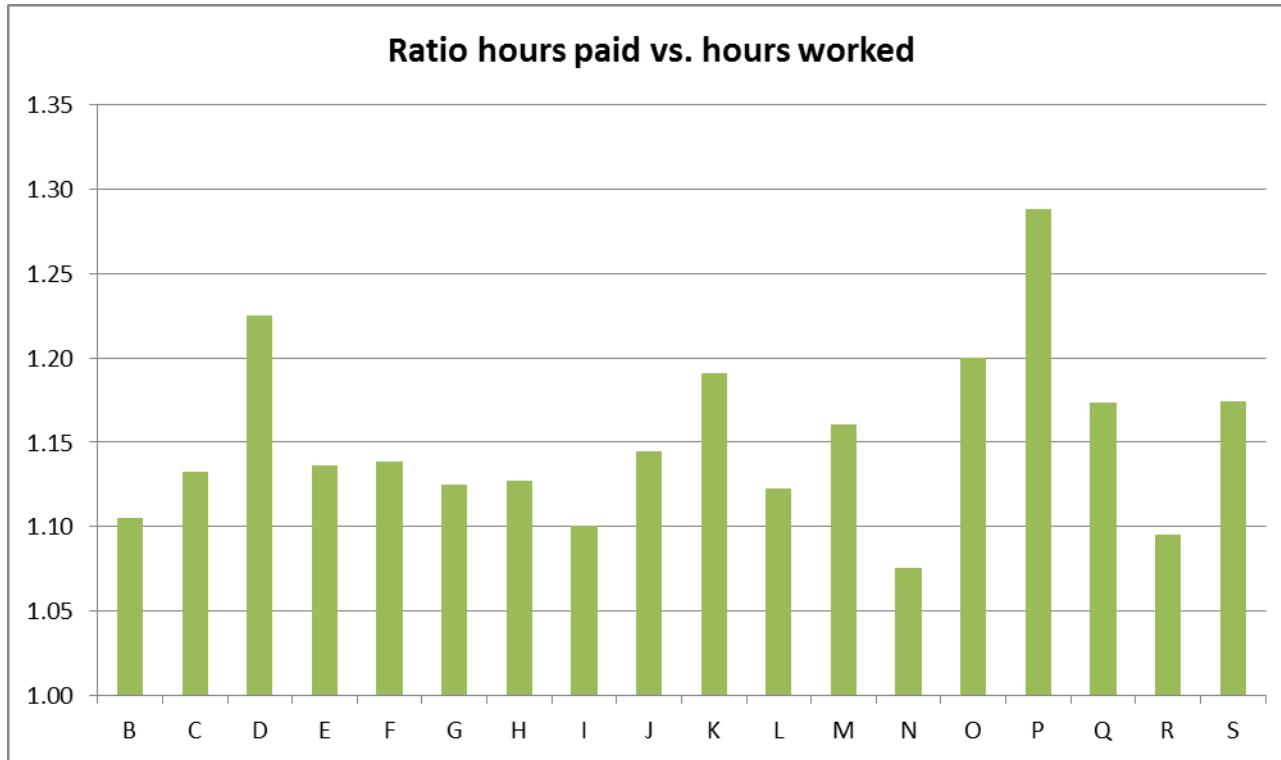
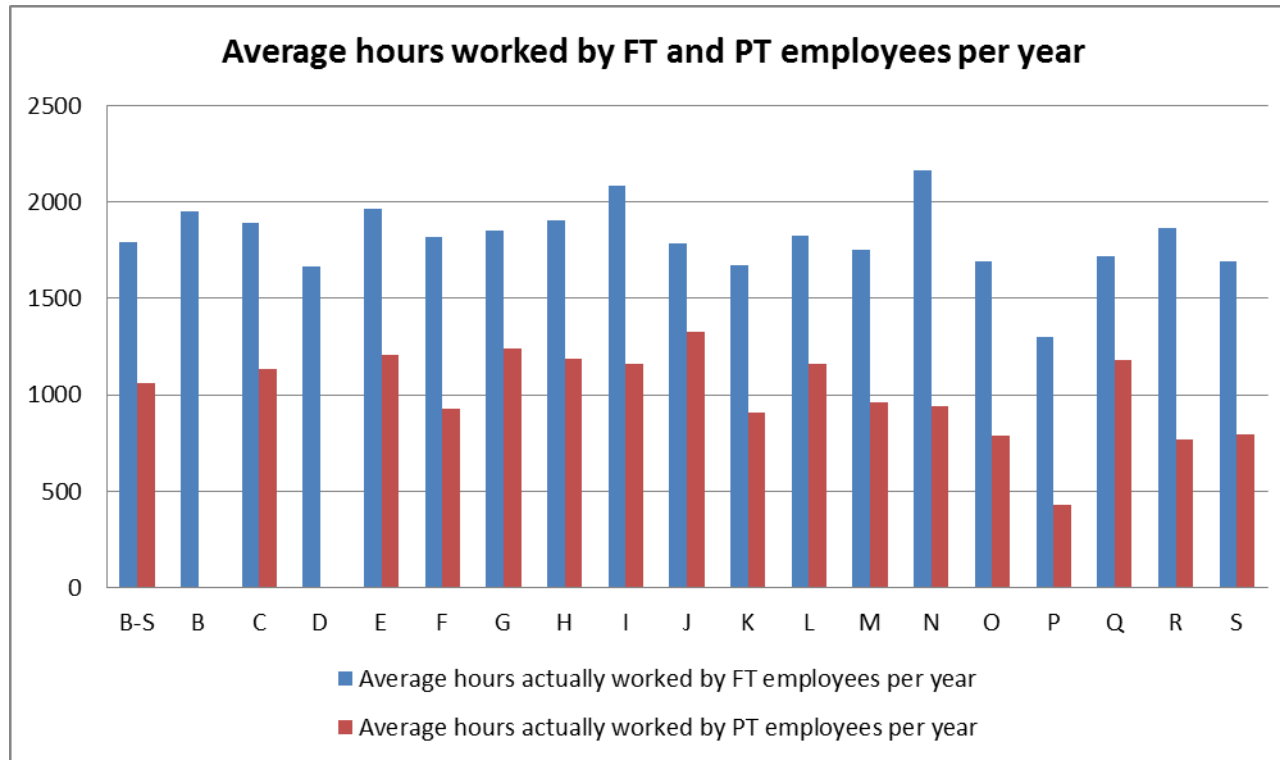


Table 3 and the corresponding Graph 6, show the average hours actually worked by full-time (FT) and part-time (PT) employees per year by economic activity.

**Table 3**

| <b>NACE Rev.2</b> | <b>Economic Activity</b>   | <b>Average hours actually worked by FT employees per year</b> | <b>Average hours actually worked by PT employees per year</b> |
|-------------------|--|---|---|
| B                 | Mining and quarrying   | 1.951   |   |
| C                 | Manufacturing  | 1.892   | 1.133   |
| D                 | Electricity, gas, steam and air conditioning supply                  | 1.663   |   |
| E                 | Water supply; sewerage, waste management and remediation activities  | 1.967   | 1.206   |
| F                 | Construction   | 1.819   | 931   |
| G                 | Wholesale and retail trade; repair of motor vehicles and motorcycles | 1.851   | 1.239   |
| H                 | Transportation and storage   | 1.905   | 1.190   |
| I                 | Accommodation and food service activities                            | 2.088   | 1.163   |
| J                 | Information and communication  | 1.788   | 1.328   |
| K                 | Financial and insurance activities                                   | 1.675   | 911   |
| L                 | Real estate activities   | 1.822   | 1.158   |
| M                 | Professional, scientific and technical activities                    | 1.752   | 963   |
| N                 | Administrative and support service activities                        | 2.167   | 939   |
| O                 | Public administration and defence; compulsory social security        | 1.691   | 788   |
| P                 | Education  | 1.302   | 431   |
| Q                 | Human health and social work activities                              | 1.718   | 1.178   |
| R                 | Arts, entertainment and recreation                                   | 1.866   | 769   |
| S                 | Other service activities   | 1.695   | 797   |
| B-S               | Industry, construction and services                                  | 1.793   | 1.064   |

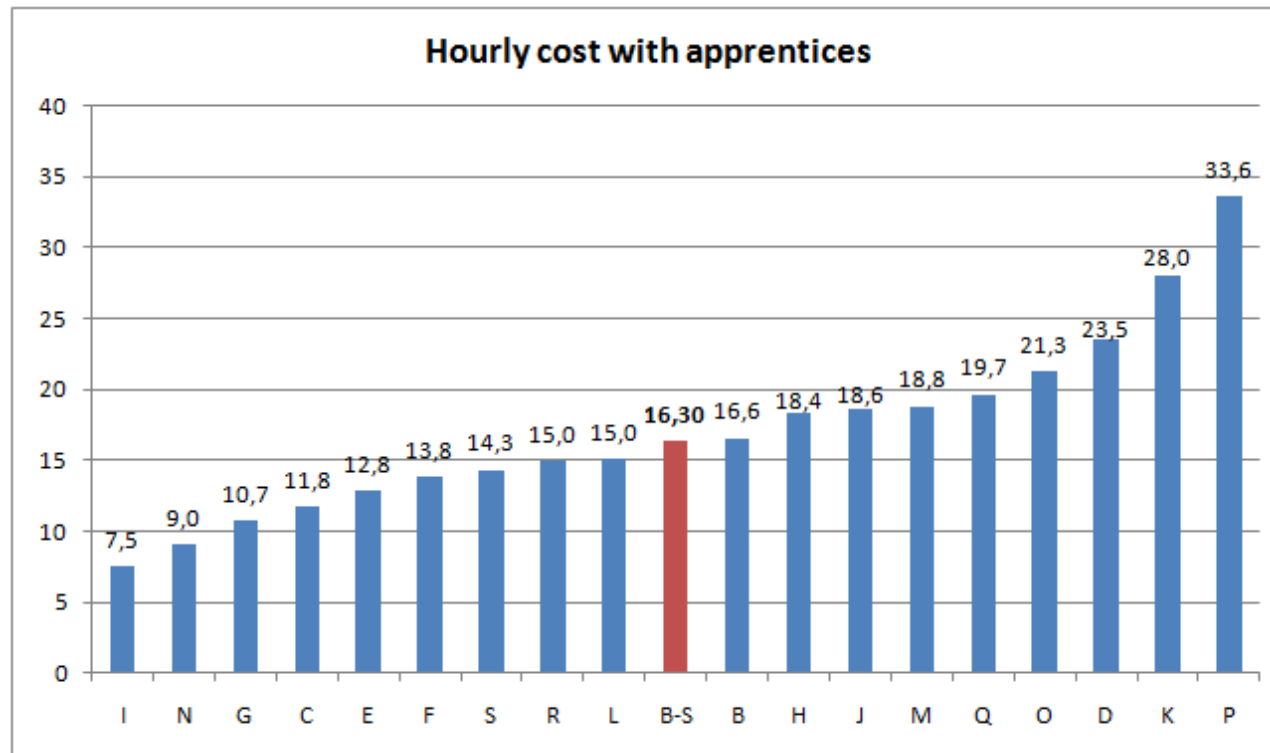
Graph 6



### Labour cost per hour

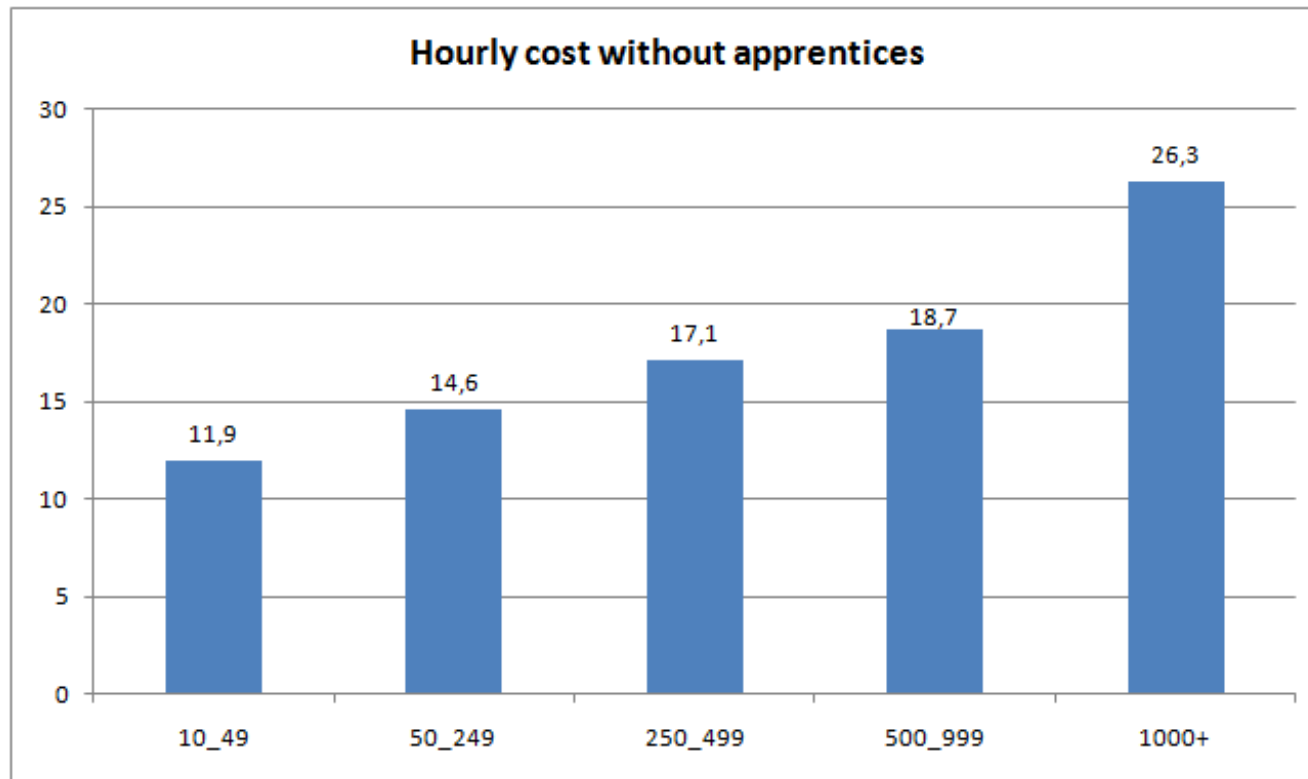
Graph 7 shows the hourly cost (labour cost per hour worked) by economic activity in ascending order and for the whole economy (B-S). For the whole economy (B-S) the labour cost per hour in 2016 is €16,30. Labour cost per hour though, ranges from €7,50 for Accommodation and food service activities to €33,60 for Education.

Graph 7



Graph 8 shows the hourly cost by size class. Hourly costs are higher the higher the size group. They range from €11,9 for size group 10\_49 to €26,3 for size group 1000+.

*Graph 8*





## Definitions

**Labour costs** mean the total expenditure borne by employers in order to employ staff. Labour costs include compensation of employees with wages and salaries in cash or in kind and employers' social contributions, vocational-training costs, other expenditures, taxes relating to employment regarded as labour costs, less any subsidies received.

**Wages and salaries** include also bonuses, pay for piecework and shift work, allowances, fees, tips and gratuities, commission and remuneration in kind.

The variable **employers' social contributions** refers to an amount equal to the value of the social contributions incurred by employers in order to secure for their employees the entitlement to social benefits (e.g. Social Insurance Fund, Redundancy and Industrial Training Funds, Social Cohesion Fund, Employer's Reliability Fund, Provident /Pension Fund, Medical Fund, Welfare Fund, Other insurance plans for the employees). Employers' social contributions may be either actual or imputed.

**Vocational training costs paid by the employer** include expenditure on vocational-training services and facilities (also those for apprentices but not their wages and salaries), small repairs and maintenance of buildings and installations, excluding staff costs; expenditure on participation in courses; the fees of instructors from outside the enterprise; expenditure on teaching aids and tools used for training; sums paid by the enterprise to vocational-training organisations, etc. Subsidies linked to vocational training should be deducted.

**Other expenditure paid by the employer** include in particular:

- recruitment costs (these are the sums paid to recruitment agencies, expenditure on job advertisements in the press, travel expenses paid to candidates called for interview, installation allowances paid to newly recruited staff, etc. This does not include administrative running costs (office expenses, staff wages, etc.),
- working clothes provided by the employer.

The variable **taxes paid by the employer** covers all taxes based on the wage and salary bill or on employment. These taxes are regarded as labour costs.

**Subsidies received by the employer** are all amounts received in the form of subsidies of a general nature intended to refund part or all of the cost of direct remuneration but not intended to cover social-security or vocational-training costs. They do not include refunds paid to the employer by social-security institutions or supplementary insurance funds.

**Hours actually worked** are defined as the sum of all periods spent on direct and ancillary activities to produce goods and services. Hours actually worked include hours worked during normal periods of work, overtime, short rest periods and hours spent in training. Hours worked don't include hours paid but not worked (vacations, public holidays, paid sickness and maternity leave) and hours not worked and not paid, for example during periods of unpaid sickness and maternity leave.

"Hours worked" should be "actual hours worked" rather than "contracted hours". However, these may not always be easy to obtain and it may be necessary to make use of contractual hours instead. This usually occurs for some professional groups – as in the case of teachers who generally work more overtime on an unpaid basis.

**Paid hours** cover the total number of hours paid during the year. The total number of paid hours is recorded separately for full-time, part-time employees and apprentices.

The annual number of paid hours is defined as:

- normal and overtime hours remunerated during the year,
- any hours for which the employee was paid at a reduced rate, even if the difference was made up by payments from social-security funds,
- hours not worked during the reference period but nevertheless paid (annual holidays/vacation, absence due to sickness, public holidays).

The variable **full-time employees (excluding apprentices)** covers employees (except apprentices) whose regular working hours are the same as the collectively agreed or customary hours worked in the enterprise or local unit, even if their contract is for less than one year. It is the average monthly number of full-time employees employed in the reporting unit during the reference year.

The variable **part-time employees (excluding apprentices)** covers employees (except apprentices) whose regular working hours are less than the collectively agreed or customary hours worked in the enterprise or local unit, whether daily, weekly or monthly (half-day, three quarter time, four-fifths time, etc.) It is the average monthly number of part time employees employed in the reporting unit during the reference year.

**Part-time employees converted into full-time units (excluding apprentices).** This conversion is to be carried out on the basis of the normal working hours of full-time workers in this enterprise/local unit. It is the average monthly number of part-time employees (converted into full-time units) employed in the reporting unit during the reference year.

The variable **apprentices** covers all employees, full-time or part-time, who do not yet fully participate in the production process and who work either under an apprenticeship contract or in a situation in which vocational training predominates over productivity. It is the average monthly number employed in the reporting unit during the reference year.

**Annual cost per employee in FTU without apprentices.** Annual labour cost, without the cost of employing apprentices, per employee in full-time units.

**Monthly cost without apprentices.** Annual cost per employee in FTU without apprentices divided by 12.

**Average hours actually worked by FT employees per year.** Hours actually worked (by full-time employees) per full-time employee (excluding apprentices).

**Average hours actually worked by PT employees per year.** Hours actually worked (by part-time employees) per part-time employee (excluding apprentices).

**Average hours actually worked in FTU per year.** Hours actually worked per employee in full-time units.

**Average hours paid in FTU per year.** Hours paid per employee in full-time units.

**Hourly labour cost.** Labour cost per actual hour worked.

## Appendix

### Statistical Classification of Economic Activities NACE, Rev. 2, of the European Union.

| NACE Rev.2 | Description  |
|------------|--|
| B          | Mining and quarrying   |
| C          | Manufacturing  |
| D          | Electricity, gas, steam and air conditioning supply                  |
| E          | Water supply; sewerage, waste management and remediation activities  |
| F          | Construction   |
| G          | Wholesale and retail trade; repair of motor vehicles and motorcycles |
| H          | Transportation and storage   |
| I          | Accommodation and food service activities                            |
| J          | Information and communication  |
| K          | Financial and insurance activities                                   |
| L          | Real estate activities   |
| M          | Professional, scientific and technical activities                    |
| N          | Administrative and support service activities                        |
| O          | Public administration and defence; compulsory social security        |
| P          | Education  |
| Q          | Human health and social work activities                              |
| R          | Arts, entertainment and recreation                                   |
| S          | Other service activities   |