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(A Statistical Digest on Labor Cost)

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Labor Cost in the Philippines (Seventh of a fourteen-part series)

Last year, the Bureau of Labor and Employment Statistics undertook a nationwide Labor Cost Survey (LCS) that covered **non-agricultural establishments employing at least 20 persons**. The inquiry fills one of the important gaps in the statistical measurement of wages in the country. Thus, it supplements the other statistical undertakings that collect data on wage rates, earnings and compensation of employees.

The LCS aims to measure the level and composition of labor cost in the Philippines and the evolution of the cost components over time. The reference period of the first LCS is calendar year 1998 and the periodicity of the survey is every four (4) years. The second LCS will be conducted in 2003 with 2002 as reference year.

This part of the series focuses on the main labor cost components in the **manufacturing industry**. Statistics on the sub-components are available at the Bureau upon request.

Major Labor Cost Components

- In 1998, employers in the manufacturing establishments spent around P105,000 million as labor cost. This amount was about one third (33.3%) of the total labor cost (P314,844 million) incurred by all responding non-agricultural establishments nationwide.
- Of this amount, 76.7 percent were direct wages and salaries, while less than 10.0 percent each were shared by bonuses and gratuities (7.6%); employer's social and security expenses (9.7%) and other labor costs (6.0%).
- Among manufacturing industries, the percent share of direct wages and salaries to respective industry total labor cost ranged from 60.7 percent (*manufacture of motor vehicles, trailers and semi-trailers*) to 85.8

percent (*tanning and dressing of leather; manufacture of luggage and handbags*). Only two (2) manufacturing industries had share of below 70.0 percent of direct wages and salaries to total labor cost while eight industries, paid more than 80.0 percent on direct wages and salaries. (Table 1)



¹ Include Remuneration for time not worked; Food, drink, fuel and other payments in kind; Cost of workers' housing shouldered by employer; Cost of training; Cost of welfare services; Other costs (cost of work clothes/uniform, transport of workers, travelling expenses, recruitment cost, etc.)

Source of data: Bureau of Labor and Employment Statistics, 1998 Labor Cost Survey.

- Bonuses and gratuities given to employees were highest in the manufacture of coke, refined petroleum and other fuel products (14.1%), manufacture of motor vehicles, trailers and semi-trailers (11.7%), publishing, printing and reproduction of recorded media (11.1%) and manufacture of chemicals and chemical products (10.3%). The rest of the manufacturing industries had proportions ranging from 4.2 percent to 9.8 percent .
- Although establishments engaged in manufacturing of transport vehicles recorded the lowest percent share of direct wages and salaries, they were noted to be giving the highest proportion of the employer's social security contributions among manufacturing establishments (17.5%), while the recycling business granted the least (4.4%).

Annual Labor Cost Per Employee

- Manufacturing industry posted an annual labor cost of ₱121,950 per employee. (Table 2)
- The biggest share went to direct wages and salaries (₱93,508) followed by employer's social security expenditures (₱11,823), bonuses and gratuities with ₱9,271 and other labor costs at the tailend, with ₱7,348.
- Manufacture of coke, refined petroleum and other fuel products (₱493,147) and manufacture of chemicals and chemical products (₱249,985) topped all other

manufacturing industries in expending for their employees. The least was noted in the manufacture of articles of bamboo, cane, rattan and the like; plaiting materials (₱66,870).

- In all major cost components, the manufacture of coke, refined petroleum and other fuel products was a stand out among manufacturing establishments. Each worker in this industry received the highest direct wages and salaries (₱324,883) and bonuses and gratuities (₱69,618). They were also the recipient of the highest employer's social security expenditures (₱46,986) and other labor costs (₱51,659).
- As in the total labor cost, workers in the manufacture of articles of bamboo, cane, rattan and the like, had the lowest direct wages and salaries (₱55,647) and employer's social security contributions (₱3,638) as well. The least bonuses and gratuities, however, went to workers in the manufacture of medical, precision and optical instruments, watches (₱4,370).
- The proportions of the annual employee-bonuses and gratuities relative to corresponding direct wages and salaries ranged from 5.5 percent to 21.4 percent. The manufacture of coke, refined petroleum and other fuel products; and manufacture of medical, precision and optical instruments and watches again, had the biggest and smallest shares, respectively.

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Table 1. - Percent Distribution of Labor Cost in Manufacturing Industry by Major Cost Component, Philippines: 1998
(In non-agricultural establishments employing 20 and over)

| Industry Group | Total | | Direct Wages and Salaries | Bonuses and Gratuities | Employer's Social Security Expenditures | Others ¹ |
|--|----------------|---------------|---------------------------|------------------------|---|---------------------|
| | Amount (P M) | Percent | | | | |
| Manufacturing | 104,994 | 100.00 | 76.68 | 7.60 | 9.69 | 6.03 |
| Manufacture of Food Products | 17,415 | 100.00 | 76.31 | 8.04 | 8.93 | 6.72 |
| Manufacture of Beverages | 6,734 | 100.00 | 77.14 | 6.84 | 10.90 | 5.12 |
| Manufacture of Tobacco Products | 832 | 100.00 | 78.98 | 7.45 | 9.76 | 3.82 |
| Manufacture of Textiles | 4,133 | 100.00 | 79.49 | 6.28 | 8.40 | 5.84 |
| Manufacture of Wearing Apparel | 9,893 | 100.00 | 75.20 | 6.02 | 14.73 | 4.05 |
| Tanning and Dressing of Leather; Mfg. of Luggage and Handbags | 719 | 100.00 | 85.76 | 5.93 | 6.22 | 2.09 |
| Manufacture of Footwear | 1,315 | 100.00 | 82.57 | 7.67 | 6.99 | 2.76 |
| Mfg of Articles of Bamboo, Cane, Rattan & the like; Plaiting Materials | 261 | 100.00 | 83.22 | 8.05 | 5.44 | 3.29 |
| Manufacture of Wood, Wood Products & Cork, Except Furniture | 1,135 | 100.00 | 80.53 | 6.34 | 8.26 | 4.87 |
| Manufacture of Paper and Paper Products | 1,823 | 100.00 | 80.46 | 6.49 | 7.74 | 5.32 |
| Publishing, Printing and Reproduction of Recorded Media | 2,853 | 100.00 | 77.32 | 11.10 | 7.71 | 3.86 |
| Manufacture of Coke, Refined Petroleum & Other Fuel Products | 1,072 | 100.00 | 65.88 | 14.12 | 9.53 | 10.48 |
| Manufacture of Chemicals and Chemical Products | 11,361 | 100.00 | 74.79 | 10.30 | 9.68 | 5.23 |
| Manufacture of Rubber Products | 890 | 100.00 | 78.99 | 6.08 | 7.30 | 7.64 |
| Manufacture of Plastic Products | 3,093 | 100.00 | 80.31 | 6.74 | 7.51 | 5.44 |
| Manufacture of Glass and Glass Products | 1,073 | 100.00 | 73.64 | 8.69 | 5.81 | 11.86 |
| Manufacture of Cement | 1,046 | 100.00 | 74.17 | 7.53 | 12.15 | 6.15 |
| Manufacture of Other Non-Metallic Mineral Products, N.E.C. | 2,251 | 100.00 | 77.88 | 6.89 | 8.69 | 6.54 |
| Manufacture of Basic Metals | 4,101 | 100.00 | 81.04 | 6.22 | 8.44 | 4.30 |
| Mfg of Fabricated Metal Products, Except Machinery & Equipment | 2,741 | 100.00 | 79.22 | 8.52 | 6.87 | 5.39 |
| Manufacture of Machinery & Equipment | 2,586 | 100.00 | 77.43 | 6.78 | 10.83 | 4.96 |
| Manufacture of Office, Accounting and Computing Machinery | 2,491 | 100.00 | 77.52 | 7.62 | 6.18 | 8.68 |
| Manufacture of Electrical Machinery and Apparatus | 6,110 | 100.00 | 76.51 | 7.32 | 9.77 | 6.40 |
| Manufacture of Radio, Television & Comm. Equip & Apparatus | 9,430 | 100.00 | 77.24 | 5.48 | 9.01 | 8.27 |
| Mfg of Medical, Precision and Optical Instruments, Watches | 1,820 | 100.00 | 76.18 | 4.20 | 13.79 | 5.83 |
| Manufacture of Motor Vehicles, Trailers and Semi-Trailers | 3,049 | 100.00 | 60.71 | 11.67 | 17.53 | 10.10 |
| Manufacture of Other Transport Equipment | 988 | 100.00 | 75.50 | 9.75 | 6.95 | 7.80 |
| Manufacture and Repair of Furniture | 2,321 | 100.00 | 81.88 | 6.55 | 6.17 | 5.41 |
| Recycling | 18 | 100.00 | 69.94 | 7.33 | 4.42 | 18.31 |
| Manufacturing, N.E.C. | 1,439 | 100.00 | 79.24 | 8.58 | 7.04 | 5.14 |

¹ Include Remuneration for time not worked; Food, drink, fuel and other payments in kind; Cost of workers' housing shouldered by employer; Cost of training; Cost of welfare services; Other costs (cost of work clothes/uniform, transport of workers, travelling expenses, recruitment cost, etc.).

Source of data: Bureau of Labor and Employment Statistics, 1998 Labor Cost Survey.

Table 2. - Annual Labor Cost Per Employee in Manufacturing Industry by Major Cost Component, Philippines: 1998

(In pesos. In non-agricultural establishments employing 20 and over)

| Industry Group | TOTAL | Direct Wages and Salaries | Bonuses and Gratuities | Employer's Social Security Expenditures | Others ¹ |
|--|----------------|---------------------------|------------------------|---|---------------------|
| Manufacturing | 121,950 | 93,508 | 9,271 | 11,823 | 7,348 |
| Manufacture of Food Products | 111,100 | 84,784 | 8,927 | 9,919 | 7,469 |
| Manufacture of Beverages | 183,024 | 141,187 | 12,513 | 19,946 | 9,379 |
| Manufacture of Tobacco Products | 116,652 | 92,127 | 8,687 | 11,386 | 4,452 |
| Manufacture of Textiles | 94,443 | 75,068 | 5,927 | 7,937 | 5,511 |
| Manufacture of Wearing Apparel | 93,301 | 70,163 | 5,614 | 13,744 | 3,780 |
| Tanning and Dressing of Leather; Mfg. of Luggage and Handbags | 83,024 | 71,198 | 4,921 | 5,167 | 1,738 |
| Manufacture of Footwear | 70,600 | 58,297 | 5,414 | 4,937 | 1,952 |
| Mfg of Articles of Bamboo, Cane, Rattan & the like; Plaiting Materials | 66,870 | 55,647 | 5,383 | 3,638 | 2,203 |
| Manufacture of Wood, Wood Products & Cork, Except Furniture | 77,253 | 62,214 | 4,901 | 6,379 | 3,760 |
| Manufacture of Paper and Paper Products | 122,015 | 98,170 | 7,914 | 9,441 | 6,491 |
| Publishing, Printing and Reproduction of Recorded Media | 139,932 | 108,202 | 15,537 | 10,788 | 5,405 |
| Manufacture of Coke, Refined Petroleum & Other Fuel Products | 493,147 | 324,883 | 69,618 | 46,986 | 51,659 |
| Manufacture of Chemicals and Chemical Products | 249,985 | 186,960 | 25,752 | 24,204 | 13,070 |
| Manufacture of Rubber Products | 110,426 | 87,221 | 6,709 | 8,059 | 8,438 |
| Manufacture of Plastic Products | 104,446 | 83,879 | 7,041 | 7,847 | 5,680 |
| Manufacture of Glass and Glass Products | 210,296 | 154,864 | 18,266 | 12,212 | 24,954 |
| Manufacture of Cement | 187,777 | 139,271 | 14,142 | 22,821 | 11,543 |
| Manufacture of Other Non-Metallic Mineral Products, N.E.C. | 107,840 | 83,990 | 7,427 | 9,369 | 7,054 |
| Manufacture of Basic Metals | 160,981 | 130,464 | 10,014 | 13,585 | 6,917 |
| Mfg of Fabricated Metal Products, Except Machinery & Equipment | 99,412 | 78,754 | 8,474 | 6,826 | 5,357 |
| Manufacture of Machinery & Equipment | 113,092 | 87,569 | 7,673 | 12,243 | 5,607 |
| Manufacture of Office, Accounting and Computing Machinery | 113,492 | 87,976 | 8,653 | 7,017 | 9,846 |
| Manufacture of Electrical Machinery and Apparatus | 150,192 | 114,907 | 10,995 | 14,679 | 9,611 |
| Manufacture of Radio, Television & Comm. Equipt & Apparatus | 110,770 | 85,564 | 6,067 | 9,980 | 9,159 |
| Mfg of Medical, Precision and Optical Instruments, Watches | 104,145 | 79,343 | 4,370 | 14,360 | 6,073 |
| Manufacture of Motor Vehicles, Trailers and Semi-Trailers | 159,395 | 96,767 | 18,597 | 27,935 | 16,095 |
| Manufacture of Other Transport Equipment | 120,501 | 90,978 | 11,748 | 8,377 | 9,399 |
| Manufacture and Repair of Furniture | 80,525 | 65,930 | 5,277 | 4,965 | 4,353 |
| Recycling | 92,277 | 64,534 | 6,763 | 4,080 | 16,899 |
| Manufacturing, N.E.C. | 96,331 | 76,336 | 8,263 | 6,780 | 4,952 |

¹ Include Remuneration for time not worked; Food, drink, fuel and other payments in kind; Cost of workers' housing shouldered by employer; Cost of training; Cost of welfare services; Other costs (cost of work clothes/uniform, transport of workers, travelling expenses, recruitment cost, etc.).

Source of data: Bureau of Labor and Employment Statistics, 1998 Labor Cost Survey.

