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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.

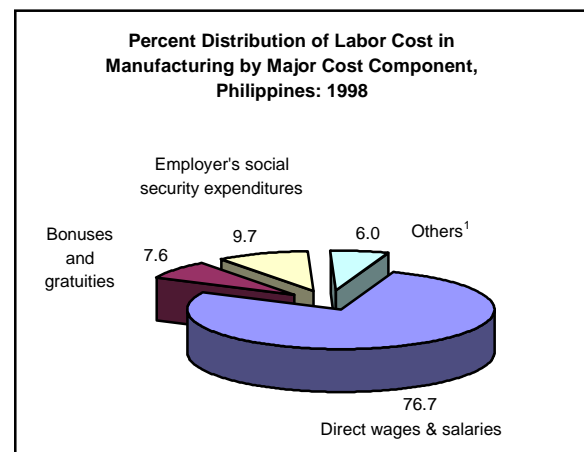
The LCS aims to measure the level and composition of labor cost in the Philippines and the evolution of the cost components over time. The reference period of the first LCS is calendar year 1998 and the periodicity of the survey is every four (4) years. The second LCS will be conducted in 2003 with 2002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

