

*Data extracted in April 2019.  
Planned article update: May 2019.*

This article compares and contrasts figures on wages and **labour costs** (employers' expenditure on personnel) in the **European Union (EU)** Member States and in EU candidate and **European Free Trade Association (EFTA)** countries.

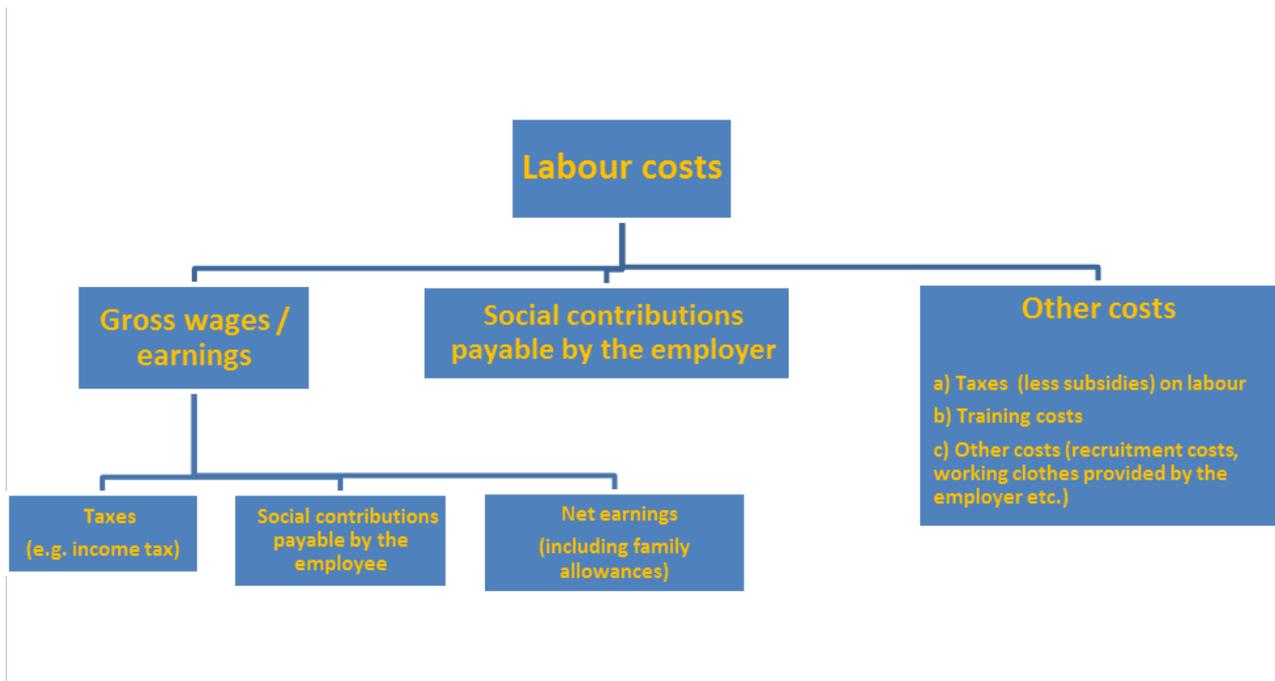
Labour plays a major role in the functioning of an economy. From the point of view of businesses, it represents a cost (labour costs) that includes not only the wages and salaries paid to employees but also non-wage costs, mainly social contributions payable by the employer. Thus, it is a key determinant of business competitiveness, although this is also influenced by the cost of capital (for example interests on loans and dividends on equity) and non-price elements such as entrepreneurship, skills and labour productivity, innovation and brand/product positioning within markets.

The diagram summarises the relation between net earnings, gross earnings/wages and labour costs.

## Labour cost components

As far as employees are concerned, the compensation received for their work, more commonly called wages or earnings, generally represents their main source of income and therefore has a major impact on their ability to spend and/or save. Whereas gross wages/earnings include the social contributions payable by the employee, **net earnings** are calculated after deduction of these contributions and any amounts which are due to government, such as income taxes. As the amount of taxes generally depends on the situation of the household in terms of income and composition, net earnings are calculated for several typical household situations.

The Diagram 1 summarises the relation between net earnings, gross earnings/wages and labour costs.

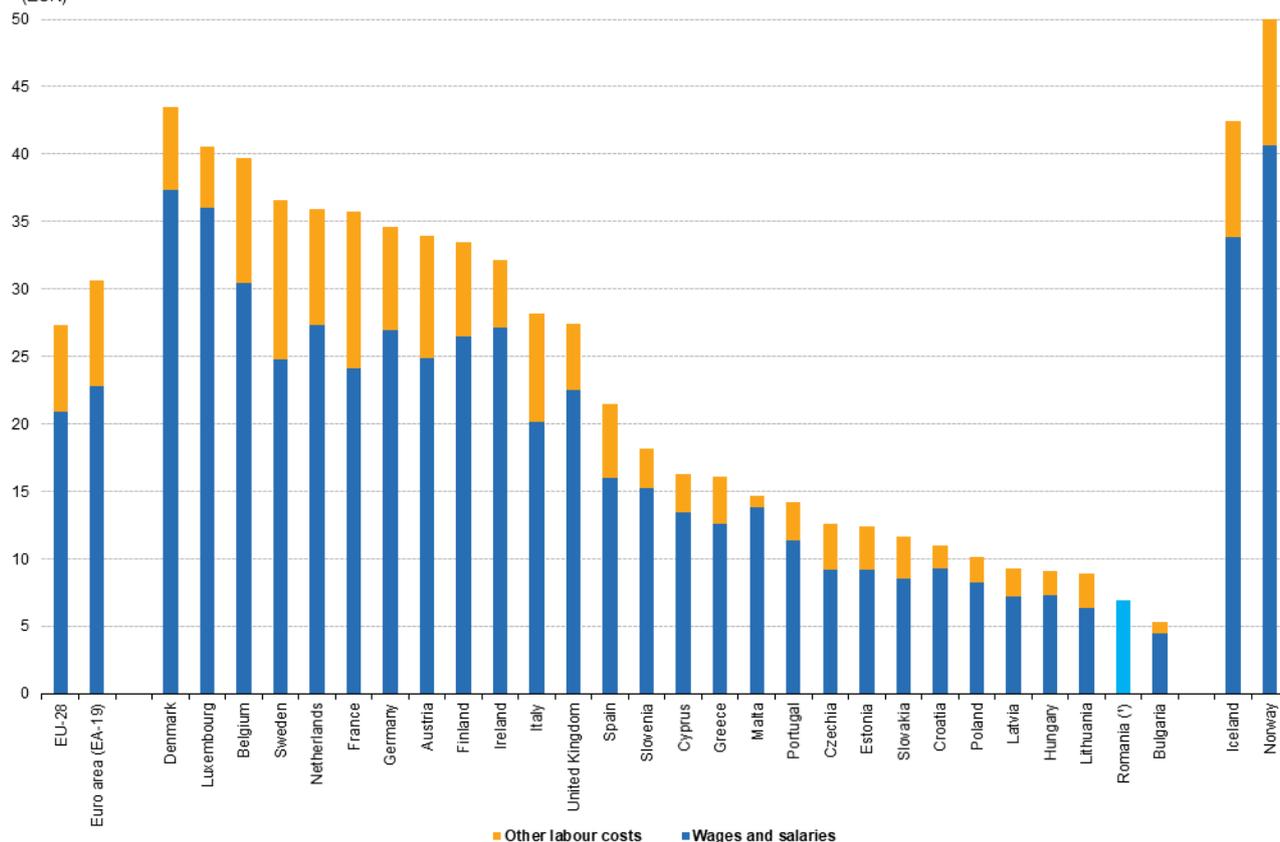


**Diagram 1: Labour cost components**

## Labour costs

The average hourly labour cost in 2018 was estimated at EUR 27.4 in the EU-28 and at EUR 30.6 in the euro area (EA-19). However, this average masks significant differences between EU Member States, with hourly labour costs ranging between EUR 5.4 in Bulgaria and EUR 43.5 in Denmark (see Figure 1); the average was higher still (EUR 50.0) in Norway.

## Estimated hourly labour costs, 2018 (EUR)



Notes: whole economy (excluding agriculture and public administration); in enterprises with 10 or more employees. Provisional data.

(\*) Only the total hourly labour cost is displayed. The wage and salary/non-wage breakdown is not published for 2018 as estimates are not comparable with previous years due to changes in national legislation.

Source: Eurostat (online data code: lc\_lci\_lev)

eurostat

**Figure 1: Estimated hourly labour costs, 2018(EUR)**Source: Eurostat (lc\_lci\_lev)

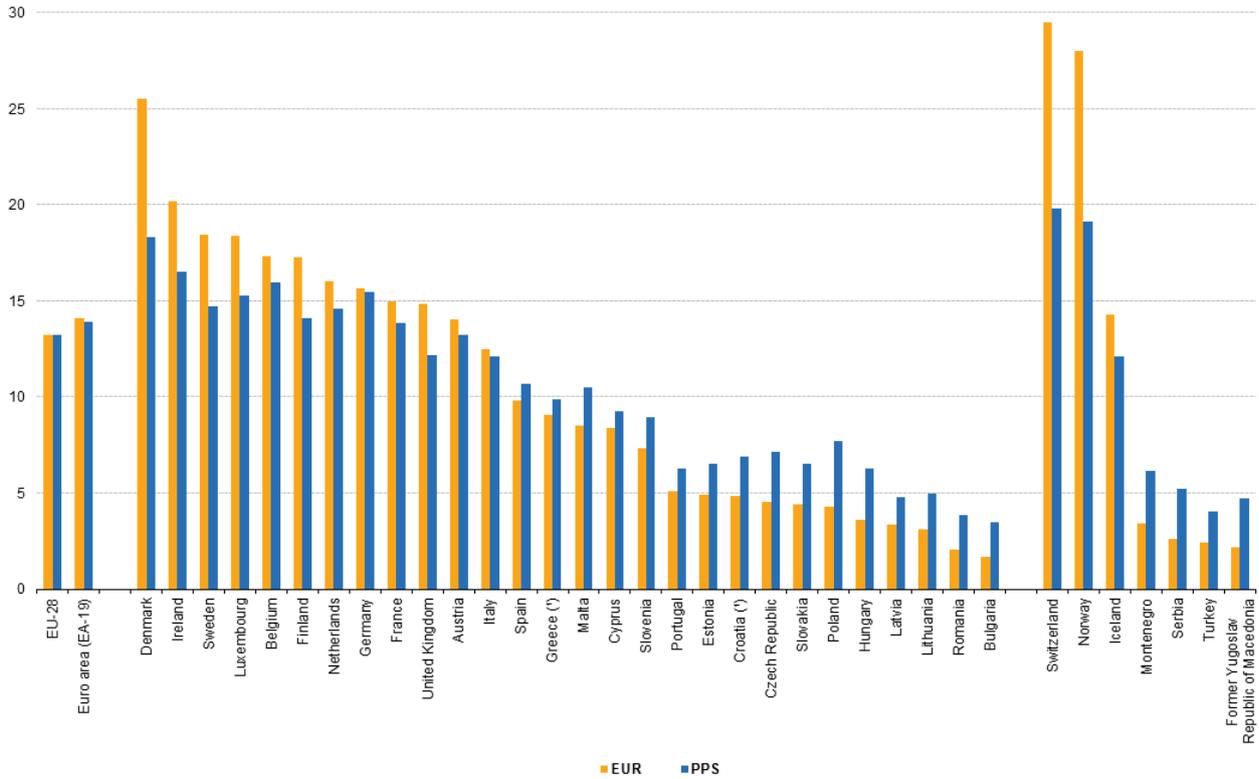
Labour costs consist of costs for wages and salaries plus non-wage costs such as employers' social contributions. In 2018, the share of non-wage costs in total labour costs, for the whole economy, was 23.7 % in the EU-28, while it was 25.6 % in the euro area. The share of non-wage costs also varied substantially across EU Member States: the highest shares of non-wage costs were recorded in France (32.6 %), Sweden (32.3 %), Lithuania (29.2 %) and Italy (28.4 %), while the lowest shares were recorded for Malta (6.1 %), Luxembourg (11.1 %), Denmark (14.1 %), Croatia (15.3 %) and Ireland (15.4 %).

## Gross wages/earnings

### Median earnings

Gross earnings are the largest part of labour costs. In 2014, the highest median gross hourly earnings in euro were recorded in Denmark (EUR 25.52), ahead of Ireland (EUR 20.16), Sweden (EUR 18.46), Luxembourg (EUR 18.38), Belgium (EUR 17.32) and Finland (EUR 17.24). By contrast, the lowest median gross hourly earnings in euro were registered in Bulgaria (EUR 1.67) and Romania (EUR 2.03), followed by Lithuania (EUR 3.11), Latvia (EUR 3.35) and Hungary (EUR 3.59). In other words, across EU Member States, the highest national median gross hourly earnings were 15 times higher than the lowest when expressed in euros; when adjusted for price levels (by converting to [purchasing power standards \(PPS\)](#) ) the highest average was five times as high as the lowest average, with Denmark and Bulgaria again representing the extremes at either end of the range.

Median gross hourly earnings, all employees (excluding apprentices), 2014



Note: enterprises with 10 or more employees. Whole economy excluding agriculture, fishing, public administration, private households and extra-territorial organisations.  
 (\*) 2010.  
 Source: Eurostat (online data code: earn\_ses\_pub2s)

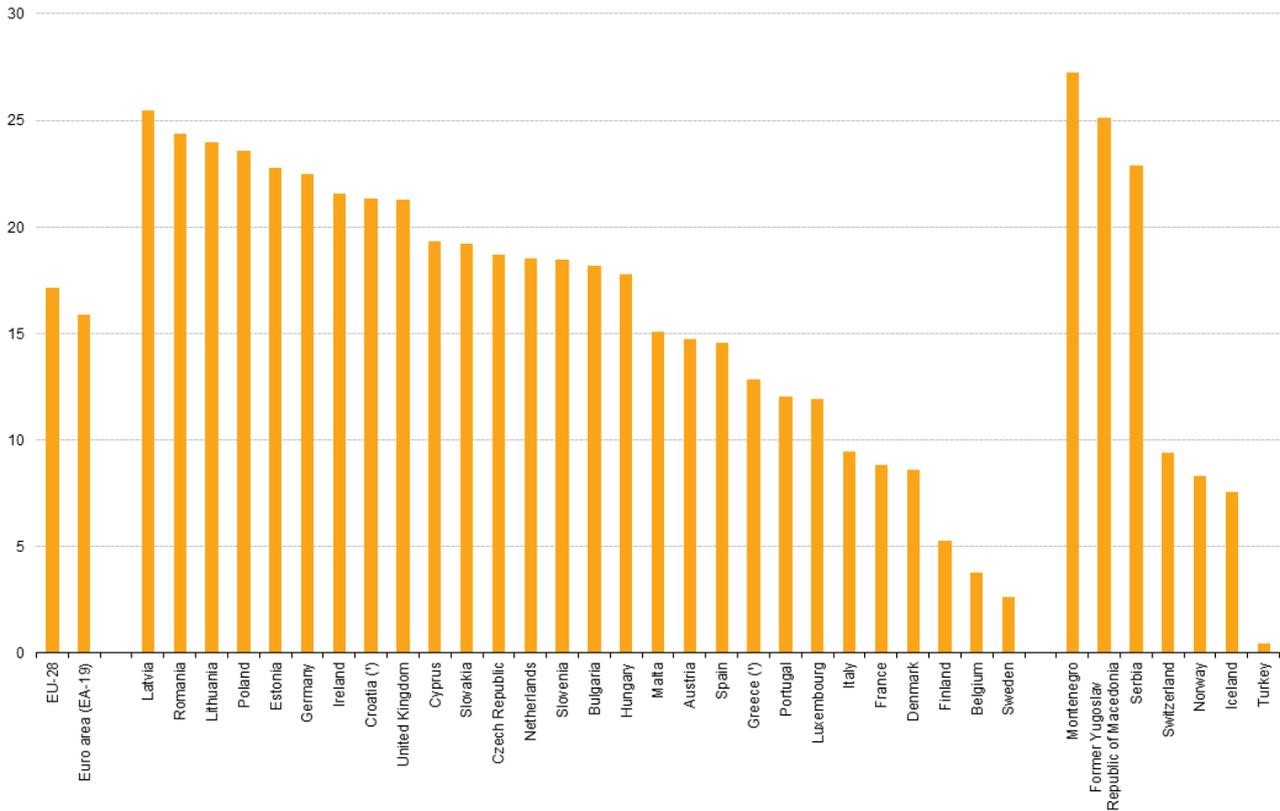


Figure 2: Median gross hourly earnings, all employees(excluding apprentices), 2014Source: Eurostat (earn\_ses\_pub2s)

### Low-wage earners

Low-wage earners are defined as employees who earn two thirds or less of national median gross hourly earnings. In 2014, 17.2 % of employees were low-wage earners in the EU-28, whereas the proportion was 15.9 % in the euro area. The proportion of low wage earners varied significantly between EU Member States in 2014: the highest shares were observed in Latvia (25.5 %), Romania (24.4 %), Lithuania (24.0 %) and Poland (23.6 %), followed by Estonia (22.8 %), Germany (22.5 %), Ireland (21.6 %) and the United Kingdom (21.3 %). By contrast, less than 10% of employees were low wage earners in Sweden (2.6 %), Belgium (3.8 %), Finland (5.3 %), Denmark (8.6 %), France (8.8 %) and Italy (9.4 %).

**Low-wage earners — employees (excluding apprentices) earning less than two thirds of the median gross hourly earnings, 2014**  
(% of employees)



Note: enterprises with 10 or more employees. Whole economy excluding agriculture, fishing, public administration, private households and extra-territorial organisations.  
(\*) 2010.  
Source: Eurostat (online data code: earn\_ses\_pub1s)



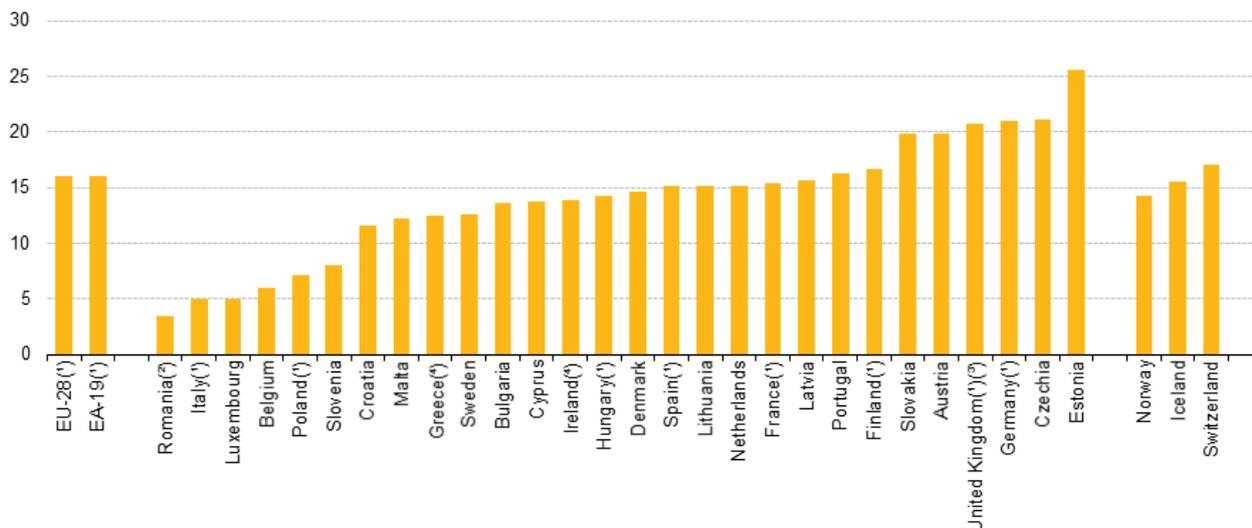
**Figure 3: Low-wage earners — employees(excluding apprentices) earning less than two thirds of the median gross hourly earnings, 2014(% of employees)Source: Eurostat (earn\_ses\_pub1s)**

### Gender pay gap

The [unadjusted gender pay gap](#) is an important indicator to measure differences between the average earnings of men and women in the EU. In 2017, in the EU-28 as a whole, women were paid, on average, 16.0 % less than men, while the difference was 16.1 % for the euro area. The smallest differences in average pay between the sexes were found in Romania, Italy, Luxembourg, Belgium, Poland and Slovenia (less than 10.0 % difference in each of these). The biggest gender pay gaps were identified in Estonia (25.6 %), the Czechia (21.1 %), Germany (21.0 %) and the United Kingdom (20.8 %) — see Figure 4.

### Unadjusted gender pay gap, 2017

(difference between average gross hourly earnings of male and female employees, as % of male gross earnings)



Note: For all the countries except Czechia and Iceland: data for enterprises employing 10 or more employees, NACE Rev. 2 B to S (-O); Czechia: data for enterprises employing 1 or more employees, NACE Rev. 2 B to S; Iceland: NACE Rev. 2 sections C to H, J, K, P, Q.

(\*) Provisional data.

(\*) Estimated data.

(\*) Estimated by Eurostat.

(\*) 2014 data.

Source: Eurostat (online data code: earn\_gr\_gpgr2)



**Figure 4: Unadjusted gender pay gap, 2017(% difference between average gross hourly earnings of male and female employees, as % of male gross earnings, unadjusted form)Source: Eurostat (earn\_gr\_gpgr2)**

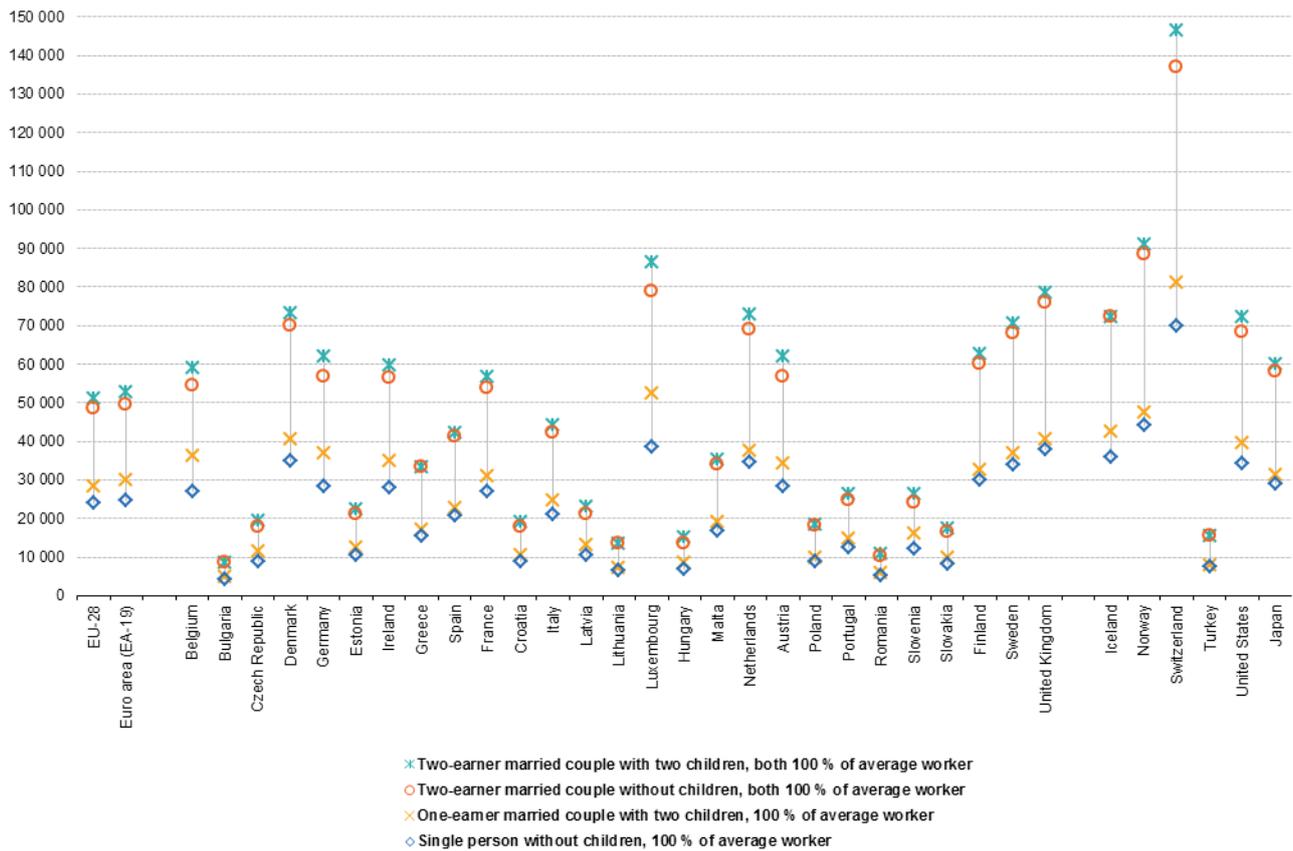
Various issues contribute to these gender pay gaps, such as: differences in labour force participation rates, differences in the occupations and activities that tend to be male- or female-dominated, differences in the extent to which men and women work on a part-time basis, as well as the attitudes of personnel departments within private and public bodies towards career development and unpaid and/or maternity/parental leave. Some underlying factors that may, at least in part, explain gender pay gaps include sectoral and occupational segregation, education and training, awareness and transparency, as well as direct discrimination. Gender pay gaps also reflect other inequalities, in particular, women's often disproportionate share of family responsibilities and associated difficulties of reconciling work with private life. Many women work part-time or under atypical contracts: although this permits them to remain in the labour market while managing family responsibilities, it can have a negative impact on their pay, career development, promotion prospects and pensions.

## Net earnings and tax burden

### Net earnings

Information on net earnings complements gross earnings data with respect to disposable earnings, in other words after the deduction of income taxes and employee social security contributions from the gross amounts and the addition of family allowances (cash transfers paid in respect of dependent children), in the case of households with children.

In 2015, the net earnings of a single person earning 100 % of the average earnings of a worker in the business economy, without children, ranged from EUR 4.3 thousand in Bulgaria to EUR 38.5 thousand in Luxembourg. The same two EU Member States recorded the lowest (EUR 4.9 thousand) and the highest (EUR 52.5 thousand) average net earnings respectively for a married couple with a single earner and two children (see Figure 5).



Note: Cyprus, not available.  
Source: Eurostat (online data code: earn\_nt\_net)

Figure 5: Annual net earnings, 2015(EUR)Source: Eurostat (earn\_nt\_net)

In the case when both parties of a married couple work (both earning an average worker’s earnings), Luxembourg recorded the highest annual net earnings, EUR 86.4 thousand when the couple had two children and EUR 78.8 thousand when the couple had no children; Bulgaria recorded the lowest net earnings EUR 8.7 thousand, irrespective of whether the couple had two children or not.

### Tax wedge

Information relating to the tax wedge measures the burden of tax and social security contributions relative to labour cost. This information is provided in relation to low-wage earners. The tax wedge for the EU-28 was 38.4 % in 2015 (see Table 1). The highest tax burdens on low-wage earners in 2015 were recorded in Belgium, Hungary, Germany, Austria, France, Italy, Latvia and Sweden (all above 40.0 %). On the other hand, the lowest tax burdens for low-wage earners were recorded in Malta, Ireland and the United Kingdom (all below 30.0 %).

	Tax wedge on labour cost	Unemployment trap	Low wage trap — single person without children	Low wage trap — one earner couple with two children
EU-28	38.4	74.0	44.6	59.8
Euro area (EA-19)	41.4	76.5	44.9	58.0
Belgium	49.5	92.0	60.6	48.4
Bulgaria	33.6	81.6	21.6	31.4
Czech Republic	39.9	80.3	49.3	87.5
Denmark	34.3	89.3	40.1	88.9
Germany	45.3	73.1	47.3	83.2
Estonia	38.0	62.9	22.9	42.9
Ireland	21.6	71.6	44.1	73.0
Greece	34.7	50.4	21.7	18.2
Spain	36.0	81.6	27.0	13.8
France	43.7	76.5	50.3	81.3
Croatia	35.3	80.1	28.1	23.7
Italy	42.0	80.7	41.0	5.2
Cyprus (*)	11.9	61.5	6.3	106.0
Latvia	41.9	88.1	31.1	34.2
Lithuania	39.2	81.6	27.1	84.8
Luxembourg	31.1	87.6	57.2	105.8
Hungary	49.0	78.4	34.5	36.7
Malta	19.0	57.1	22.4	22.8
Netherlands	31.0	82.4	75.2	68.7
Austria	45.0	68.1	44.0	97.9
Poland	33.7	82.2	56.0	46.1
Portugal	36.2	80.3	30.8	28.2
Romania	38.3	49.4	31.3	33.4
Slovenia	38.6	89.6	48.4	74.3
Slovakia	38.8	44.7	29.7	50.3
Finland	38.3	76.3	56.7	100.0
Sweden	40.7	68.6	38.2	68.7
United Kingdom	26.0	61.6	46.8	80.9
Iceland	29.9	84.7	48.0	60.7
Norway	33.7	75.6	33.7	95.1
Switzerland	19.5	:	:	:
Turkey	36.1	:	:	:
Japan	30.8	49.3	56.7	89.9
United States	29.5	70.7	28.5	71.4

(\*) 2007.

Source: Eurostat (online data codes: earn\_nt\_taxwedge, earn\_nt\_unemtrp and earn\_nt\_lowwtrp)

**Table 1: Tax rate indicators on low wage earners, 2015(%)**Source: Eurostat (earn\_nt\_taxwedge), (earn\_nt\_unemtrp) and (earn\_nt\_lowwtrp)

The other three indicators presented in Table 1 provide information on the proportion of gross earnings that is 'taxed away' (higher tax rates and social security contributions and/or reduction or loss of benefits) when people return to employment or move from lower to higher incomes. In 2015, the overall proportion of income 'taxed away' when an unemployed person moved into employment stood at 74.0 % in the EU-28 (76.5 % for the euro area). The highest rate was recorded in Belgium (92.0 %) whereas the lowest was in Slovakia (44.7 %).

For low wage earners seeking higher incomes a higher proportion of their earnings would be 'taxed away'. In the case of a single-earner married couple with two children, the low wage trap was recorded at 59.8 % in the EU-28 in 2015 (58.0 % for the euro area), with the lowest rate observed in Italy (5.2 %) and the highest rates in Luxembourg (105.8 %). By contrast, in the case of a single person without children the low-wage trap for the EU-28 in 2015 stood at 44.6 % (44.9 % for the euro area); the highest rate was observed in the Netherlands (75.2 %) and the lowest in Bulgaria (21.6 %) and Greece (21.7 %).

## Source data for tables and graphs

- [Wages and labour costs: tables and figures](#)

## Data sources

### Labour costs

Labour costs encompass employee compensation (including wages, salaries in cash and in kind, employers' social security contributions), [vocational training](#) costs, and other expenditure (such as recruitment costs, expenditure on work clothes, and employment taxes regarded as labour costs minus any subsidies received). These labour cost components and their elements are defined in [Regulation 1737/2005](#) of 21 October 2005.

Labour cost statistics constitute a hierarchical system of multi-annual, yearly and quarterly statistics, designed to provide a comprehensive and detailed picture of the level, structure and short-term development of labour

costs in the different sectors of economic activity in the EU Member States and some non-member countries. All statistics are based on a harmonised definition of labour costs. The labour cost levels are based on the latest labour cost survey (currently 2016) and an [extrapolation](#) based on the quarterly labour cost index. The labour cost survey is a four-yearly survey that collects levels of labour costs at a very detailed level. For the purpose of extrapolating with the labour cost index, data are only used at an aggregated level. The quarterly labour cost index (a [Euroindicator](#)) measures the cost pressure arising from the labour production factor. The data covered in the labour cost index collection relate to total average hourly labour costs and to two labour cost categories: wages and salaries; employers' social security contributions plus taxes paid minus subsidies received by the employer. Data are available for European aggregates (EU and euro area) and EU Member States for an aggregate covering industry, construction and services (except public administration, defence, compulsory social security) as covered by NACE Rev. 2 Sections B to N and P to S (the information is also disaggregated by economic activity), in working day and seasonally adjusted form.

## Gross wages/earnings

The main definitions for earnings are provided in [Regulation 1738/2005](#) of 21 October 2005. Data come from the four-yearly [structure of earnings survey \(SES\)](#) whose latest vintage dates from October 2014. Gross earnings cover monetary remuneration paid directly by the employer, before tax deductions and social security contributions payable by wage earners and retained by the employer. All bonuses, regardless of whether or not they are regularly paid (such as 13th or 14th month pay, holiday bonuses, profit-sharing, allowances for leave not taken, occasional commissions, and so on) are included.

Data on median earnings are based on gross hourly earnings of all employees (full-time and part-time, but excluding apprentices) working in enterprises with 10 or more employees and in all sectors of the economy except agriculture, fishing, public administration, private households and extra-territorial organisations. Median earnings are calculated such that half of the population earns less than the median and the other half earns more.

## Gender pay gap

The gender pay gap, in its unadjusted form, is defined as the difference between average gross hourly earnings of male paid employees and female paid employees, expressed as a percentage of average gross hourly earnings of male paid employees. The methodology for the compilation of this indicator is benchmarked on data collected from the structure of earnings survey (SES), which is revised every four years when fresh data from the structure of earnings survey become available.

According to the methodology used, the indicator concerning the unadjusted gender pay gap covers all employees (there are no restrictions for age and hours worked) of enterprises (with at least 10 employees) within industry, construction and services (as covered by NACE Rev. 2 Sections B to S excluding O). Some countries also provide information for NACE Rev. 2 Section O (public administration and defence; compulsory social security) although this is not obligatory. Information is also available with an analysis between the public and private sectors, by working time (full-time or part-time) and based on the age of employees.

## Net earnings and tax burden

Net earnings are derived from gross earnings and represent the part of remuneration that employees can actually keep to spend or save. Compared with gross earnings, net earnings do not include social security contributions and taxes, but do include family allowances.

[Tax rate indicators \(tax wedge on labour costs, unemployment trap and low wage trap\)](#) aim to monitor work attractiveness. The tax wedge on labour costs is defined as income tax on gross wage earnings plus employee and employer social security contributions, expressed as a percentage of total labour costs. This indicator is compiled for single people without children earning 67 % of the average earnings of a worker in the business economy (NACE Rev. 2 Sections B to N).

The unemployment trap measures the proportion of gross earnings that is 'taxed away' by higher tax and

social security contributions and the withdrawal of unemployment and other benefits when an unemployed person moves into employment; it is defined as the difference between gross earnings and the increase of net income when moving from unemployment to employment, expressed as a percentage of gross earnings. This indicator is compiled for single persons without children earning 67 % of the average earnings of a worker in the business economy (NACE Rev. 2 Sections B to N).

The low-wage trap measures the proportion (as a percentage) of gross earnings which is 'taxed away' through the combined effects of income taxes, social security contributions, and any withdrawal of benefits when gross earnings increase from 33 % to 67 % of the average earnings of a worker in the business economy (NACE Rev. 2 Sections B to N). This indicator is compiled for single persons without children and also for single-earner couples with two children between 6 and 11 years old.

## Context

The structure and development of labour costs and earnings are important features of any labour market, reflecting labour supply from individuals and labour demand by enterprises.

The EU seeks to promote equal opportunities implying progressive elimination of the gender pay gap. Article 157(1) of the [Treaty on the functioning of the European Union \(TFEU\)](#) sets out the principle of equal pay for male and female workers for equal work or work of equal value, and Article 157(3) provides the legal basis for legislation on the equal treatment of men and women in employment matters. In December 2015, the [European Commission](#) adopted a [Strategic engagement for gender equality 2016–2019](#). In this work programme, the European Commission reaffirmed its commitment to continue its work to promote equality between men and women. One of the thematic priority areas is reducing the gender pay, earnings and pension gaps and thus fighting poverty among women. The European Commission identified key actions to be implemented in this priority area. One of them is organising each year the [European Equal Pay Day](#) to raise awareness on the gender pay gap and its underlying causes.

## Other articles

- [Earnings statistics](#)
- [Gender pay gap statistics](#)
- [Hourly labour costs](#)
- [Labour cost structural statistics - levels](#)
- [Labour cost index - recent trends](#)
- [Labour market statistics at regional level](#)
- [Minimum wage statistics](#)
- [Regional labour market disparities](#)

## Tables

- [Earnings](#) (t\_earn), see:

Gender pay gap in unadjusted form (tsdsc340)

- [Labour costs](#) (t\_lc), see:

Labour cost index by NACE Rev. 2 (teilm100)

Labour cost index by NACE Rev. 2 - percentage change Q/Q-1 (teilm120)

Labour cost index by NACE Rev. 2 - percentage change Q/Q-4 (teilm130)

Labour cost index by NACE Rev. 2 - Index (2012=100) (teilm140)

## Database

- [Earnings](#) (earn)
- [Labour costs](#) (lc)

## Dedicated section

- [Labour market \(including the Labour Force Survey\)](#) , see:
  - [Labour costs](#)
  - [Earnings](#)

## Publications

- [Labour market statistics](#) — Pocketbook 2011 edition
- [Labour market statistics](#) — Pocketbook 2010 edition
- [In 2010, 17% of employees in the EU were low-wage earners](#) — Statistics in Focus, issue number 48/2012

## Methodology

- [Labour cost index](#) (ESMS metadata file — lci\_esms)
- [Labour costs survey 2008, 2012 and 2016 - NACE Rev. 2 activity](#) (ESMS metadata file — lcs\_r2\_esms)
- [Structure of earnings survey 2014](#) (ESMS metadata file — earn\_ses2014\_esms)
- [Gender pay gap in unadjusted form - NACE Rev. 2 activity](#) (ESMS metadata file — earn\_grpgg2\_esms)
- [Net earnings and tax rates](#) (ESMS metadata file — earn\_net\_esms)

## External links

- [International Labour Organisation](#) — Global Wage Report
- [International Labour Organisation](#) — Wages and income
- [OECD](#) — Tax and Benefit Systems: OECD Indicators
- [OECD](#) — Benefits and Wages: Models

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