

Labour cost or **total labour cost** is the total expenditure borne by employers for employing staff.

Total labour cost consists of:

- employee compensation (including wages, salaries in cash and in kind, employers' [social security contributions](#));
- [vocational training](#) costs;
- other expenditure such as recruitment costs, spending on working clothes and employment taxes regarded as labour costs;
- minus any subsidies received.

[Eurostat](#) publishes *annually* the following three core indicators:

- **average monthly labour cost** : total labour cost per month divided by the corresponding number of [employees](#) (including apprentices), expressed as [full-time equivalents](#) ;
- **average hourly labour cost** : total labour cost divided by the corresponding number of hours worked;
- **structure of labour cost** : wages and salaries, employers' social security contributions and other labour costs, expressed as a percentage of total labour cost.

Beside this annual labour cost data collection, Eurostat also publishes the detailed results of the four-yearly [Labour cost survey \(LCS\)](#) and the series of the quarterly labour cost index (LCI).

The Eurostat definition closely follows the international one laid down by the International Conference of Labour Statisticians (Geneva, 1966) in its [resolution on the statistics of labour cost](#) .

The labour cost includes both direct and indirect costs.

- Direct costs (compensation of employees):
 - gross wages and salaries paid in cash;
 - direct remuneration (pay) and bonuses;
 - wages and salaries in kind (company products, housing, company cars, meal vouchers, crèches, etc.).

Direct costs are dominated by wages and salaries paid in cash.

- Indirect costs:
 - employers' [actual social contributions](#) (i.e. statutory, collectively agreed, contractual and voluntary social security contributions);
 - employers' [imputed social contributions](#) (mostly guaranteed pay in the event of sickness or short-time working, plus severance pay and compensation instead of notice);
 - [vocational training](#) costs;
 - recruitment costs and work clothes given by the employer;
 - taxes paid by the employer (based on their wages and salaries bill or on the numbers they employ)
 - minus subsidies received by the employer (intended to refund part or all of the cost of direct pay).

Indirect costs are dominated by employers' actual social contributions, in particular by employers' statutory social security contributions.

Further information

- [Labour cost index](#) (ESMS metadata file — lci_esms)
- [Labour cost surveys](#) (ESMS metadata file — lcs_r2_esms)
- [Labour cost levels](#) (ESMS metadata file — lc_lci_lev_esms)
- [Regulation \(EC\) No 1737/2005](#) of 21 October 2005 amending [Regulation \(EC\) No 1726/1999](#) as regards the definition and transmission of information on labour costs implementing [Regulation \(EC\) No 530/1999](#) concerning structural statistics on earnings and labour costs

Related concepts

- [Labour cost survey \(LCS\)](#)

Statistical data

- [Labour cost index - recent trends](#)