

Resolution concerning statistics of labour cost,  
adopted by the Eleventh International Conference of Labour Statisticians  
(October 1966)

The Eleventh International Conference of Labour Statisticians,

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Considering that international standards for labour cost statistics, particularly as regards definitions, methods of compilation and classification, will promote the development of these statistics along sound lines and contribute to improvements of their international comparability;

Adopts this twenty-seventh day of October 1966 the following resolution:

**General objectives and scope**

1. Programmes for statistics of labour cost should be designed essentially to provide reliable measures on the level, composition and evolution of labour cost to the employer. Information collected in labour cost surveys may also be used to throw light on part of workers' income from employment, for instance, direct wages, supplementary wage elements not covered by regular wage statistics, average annual earnings, etc.

2. Each country should aim to develop statistics of employers' labour cost covering the principal sectors of the economy, especially selected branches of manufacturing, mining, building and construction industries, as well as other economic activities where possible.

**Definition of labour cost**

3. For purposes of labour cost statistics, labour cost is the cost incurred by the employer in the employment of labour. The statistics concept of labour cost comprises remuneration for work performed, payments in respect of time paid for but not worked, bonuses and gratuities, the cost of food, drink and other payments in kind, cost of workers' housing borne by employers, employers' social security expenditures, cost to the employer for vocational training, welfare services and miscellaneous items, such as transport of workers, work clothes and recruitment, together with taxes regarded as labour cost. The International Standard Classification of Labour Cost given in the annex to this resolution shows the components of labour cost in more detail.

4. Taxes which are imposed on employment or on payrolls directly affect the cost to employers of employing labour. These taxes, in those countries where they are considered as labour cost, should be identified separately in order that they may be included or excluded for purposes of international comparisons. These taxes should be included on a net basis, i.e. after deduction of any rebates or allowances made by the State.

**Comparability**

5. Some labour cost items, as a whole or in part, for example, social security and vocational training, in certain countries are not chargeable to employers, but represent expenditures by the State for social or other reasons. This must be taken into account in making international comparisons.

### **Classification**

6. (1) Labour cost data should be classified by economic activity and, wherever possible, distinguishing wage earners and salaried employees.

(2) Managerial staff remunerated predominantly by a share of profits should be excluded from labour cost statistics.

(3) In the absence of international standard definitions, wage earners and salaried employees should be distinguished according to the criteria most suitable for statistical operations in the country concerned.

7. The classification by economic activity should be in as much detail as possible and should be made according to the United Nations International Standard Industrial Classification of All Economic Activities, or according to a classification convertible into it.

8. (1) Labour cost data should be classified so as to distinguish wherever possible, at least the major groups of the annexed International Standard Classification of Labour Cost.

(2) It is desirable to prepare separate data for each minor group for which information can be obtained.

(3) Major groups I to IV correspond closely to earnings as compiled by many countries complying with the provisions of Convention No. 63 and may be called "direct labour cost" as distinct from the remaining items which may be called "indirect labour cost". Particular interest attaches to this subdivision of total labour cost.

9. Where statistics pertaining to labour cost exclude major or minor groups covered by the International Standard Classification, this should be indicated, together with estimates of the magnitude of the costs excluded, so far as possible.

10. In the International Standard Classification of Labour Cost annexed to this resolution, the wages and salaries of all personnel, comprising those engaged in activities such as housing, vocational training, medical care and health services, canteens, etc. are included in major groups I to IV and the cost of social security for this personnel is included in major group VI. Consequently, the costs as shown in the other major groups for these activities do not include the wages and salaries (including social security contributions) for personnel of the establishment running these services since many countries may find considerable difficulty in allocating such payments to the appropriate activities. However, in view of the importance in many countries of vocational training, housing and medical care and health services, countries may wish to compile in addition the total cost of these activities, where necessary by way of an estimate. In making such an estimate of total cost of vocational training, the wages and salaries (including social security contributions) paid to trainees and apprentices in respect of training hours should be included. Total cost of any one of these activities comprises also any other items which the country may regard as cost to the employer. Such items should be specified.

11. Where possible, additional classifications of labour cost would be useful for analytical purposes, in particular, classifications by size-groups of establishments, enterprises or firms and by region.

### **Collection and compilation**

12. The unit for which data are collected should be the establishment, where possible, rather than the enterprise or firm, so far as the accounting system used enables a multi-establishment enterprise to supply data for each establishment.

13. The observation period in comprehensive labour cost surveys should cover the 12 months of the calendar year, whenever possible, otherwise the usual accounting year, to take account of expenditures which occur only annually or irregularly.

14. For each economic activity covered by the national programme of labour cost surveys, it is desirable that data should be collected at intervals not exceeding five years. Until such time as major changes occur in labour cost components, due to changes in social legislation or other causes, data for the years intervening between two surveys could be estimated wherever suitable data on earnings and other elements of labour cost are available. Special investigations of limited scope during the interim period may provide a satisfactory basis for estimates of certain components of labour cost.

15. Labour cost statistics should be supplemented by employment data of the same scope, showing the number of each sex employed respectively, for instance, as wage earners, salaried employees and, where appropriate, apprentices.

16. Each country should compile statistics of average labour cost per unit of time (cost of labour input). In particular, data should, wherever possible, be compiled showing average labour cost per hour actually worked.

17. For the computation of average labour cost per hour, data on man-hours actually worked should be compiled in accordance with the Resolution concerning Statistics of Hours of Work adopted by the Tenth International Conference of Labour Statisticians, 1962, if necessary, by way of an estimate.

18. Wherever possible, data on man-hours worked should be obtained directly in the labour cost inquiry or from other inquiries with a similar coverage.

19. Employers should be given sufficient advance notice of comprehensive labour cost surveys to become familiar with the problems of the survey and be able to adjust their accounting accordingly.

### **Publication**

20. (1) A description of the concepts and methods used in any important new national labour cost inquiries should be published by the responsible statistical office.

(2) The description should indicate the difference (if any) between the classification of labour cost by components utilized in the national survey and the International Standard Classification.

(3) The methodological description should:

- (a) mention the types of bonuses (if any) which have been regarded as wages and included in the national labour cost data relating respectively to direct wages and salaries and to remuneration for time not worked;
- (b) give a description of any profit-sharing bonuses included in the national inquiry;
- (c) indicate the nature of taxes included.

(4) To facilitate analysis of the data, especially at the international level, the major report of the results of the national inquiry of labour cost to the employer should give particulars of the national system of financing statutory social security schemes for workers and, more especially, of the proportion of the cost covered by employers' contributions. Information should also be given on welfare services provided for workers by the State.

21. Countries which have made studies of the structure of wages and salaries and other elements of labour cost should communicate their results to the International Labour Office in order to facilitate international comparisons and interpretations of statistics of labour cost.

#### **Annex: International Standard Classification of Labour Cost**

##### **I. Direct wages and salaries:**

- (1) straight-time pay of time-rated workers<sup>1</sup>;
- (2) incentive pay of time-rated workers;
- (3) earnings of piece-workers (excluding overtime premiums)<sup>1</sup>;
- (4) premium pay for overtime, late shift and holiday work.

##### **II. Remuneration for time not worked:**

- (1) annual vacation, other paid leave, including long-service leave;
- (2) public holidays and other recognized holidays;
- (3) other time off granted with pay (e.g. birth or death of family member, marriage of employees, functions of titular office, union activities);
- (4) severance and termination pay where not regarded as social security expenditure<sup>2</sup>.

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<sup>1</sup> Including also responsibility premiums, dirt, danger and discomfort allowances, cash indemnities for meals, sandwiches, etc., payments under guaranteed wage systems, cost-of-living allowances and other regular allowances which are regarded as direct wages or salaries.

<sup>2</sup> Otherwise these should be classified under VI(5).

### **III. Bonuses and gratuities:**

- (1) year-end and seasonal bonuses;
- (2) profit-sharing bonuses;
- (3) additional payments in respect of vacation, supplementary to normal vacation pay and other bonuses and gratuities.

### **IV. Food, drink, fuel and other payments in kind**

### **V. Cost of workers' housing borne by employers:**

- (1) cost for establishment-owned dwellings<sup>3</sup>;
- (2) cost for dwelling not establishment-owned (allowances, grants, etc.);
- (3) other housing costs.

### **VI. Employers' social security expenditure:**

- (1) statutory social security contributions (for schemes covering: old age, invalidity and survivors; sickness, maternity; employment injury; unemployment; and family allowances);
- (2) collectively agreed, contractual and non-obligatory contributions to private social security schemes and insurances (for schemes covering: old age, invalidity and survivors; sickness, maternity; employment injury; unemployment; and family allowances);
- (3)
  - (a) direct payments to employees in respect of absence from work due to sickness, maternity or employment injury, to compensate for loss of earnings;
  - (b) other direct payments to employees regarded as social security benefits;
- (4) cost of medical care and health services<sup>3</sup>;
- (5) severance and termination pay where regarded as social security expenditure.

### **VII. Cost of vocational training<sup>3</sup>**

(Including also fees and other payments for services of outside instructors, training institutions, teaching material, reimbursements of school fees to workers, etc.)

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<sup>3</sup> Other than wages and salaries for personnel in the provision of the service, e.g. the depreciation on buildings and equipment, interest, repairs and maintenance and other cost, **less** grants-in-aid, tax rebates, etc. received from public authorities and receipts from workers. Capital investment made during the year is to be excluded.

**VIII. Cost of welfare services:**

- (1) cost of canteens and other food services<sup>3</sup>;
- (2) cost of education, cultural, recreational and related facilities and services<sup>3</sup>;
- (3) grants to credit unions and cost of related services for employees.

**IX. Labour cost not elsewhere classified**

(Such as costs of transport of workers to and from work undertaken by employer<sup>3</sup> (including also reimbursement of fares, etc.), cost of work clothes, cost of recruitment and other labour costs.)

**X. Taxes regarded as labour cost**

(For instance, taxes on employment or payrolls. Such taxes should be included on a net basis, i.e. after deduction of allowances or rebates made by the State.)