

### Compensation of employees by enterprise size

#### Key facts

- In most countries, compensation of employees constitutes the largest part of value added, particularly in SMEs, which tend to be less capital-intensive than larger firms.
- The share of compensation of employees in total value added is particularly low in Ireland, Japan, Korea and Mexico, both in large and in small firms. In other countries with high foreign ownership or control of supply chains, such as Hungary, shares are also typically below the OECD average. By contrast, in France, Germany and Norway, the share exceeds 70% of value added.
- Between 2008 and 2013, the share of compensation of employees in total value added fell for both SMEs and large enterprises in most countries.

#### Definitions

*Compensation of employees* includes the total remuneration, in cash or in kind, payable to an employee in return for work done by the latter during the reference period. No compensation of employees is payable in respect of unpaid work undertaken voluntarily, including the work done by members of a household within an unincorporated enterprise owned by the same household. Compensation of employees does not include any taxes payable by the employer on the wage and salary. It includes therefore wages and salaries of employees and other employers' social contributions.

*Compensation of labour for all persons employed* is equivalent to the sum of wages and salaries of all persons employed and other employers' social contributions for employees.

Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

#### Relevance

There has been increased attention in recent years on labour's share of value added, and in particular on the role that increasing/decreasing labour-capital wedges have on inequality.

#### Comparability

Many SMEs are unincorporated enterprises. The owners of these firms do not pay themselves a salary but instead receive compensation through *mixed income* (as defined in the 2008 *System of National Accounts*), which is a component of *value added*. This means that estimates that focus only on compensation of employees as share of total value added are likely to underestimate the relative contribution made by labour to SMEs compared to estimates for larger enterprises. This may help to explain the lower shares for example for Italy and Latvia.

Data for Australia, Brazil and Israel refer to compensation of all persons employed. Data for the United States are based on Annual National Accounts data and not on annual business surveys.

2013 data for Finland and Portugal present a break in the series. Data for the United Kingdom exclude an estimate of 2.6 million small unregistered businesses; these are businesses below the thresholds of the value-added tax regime and/or the "pay as you earn (PAYE)" (for employing firms) regime.

#### Source

OECD *Structural and Demographic Business Statistics (SDBS)* (database), <http://dx.doi.org/10.1787/sdbs-data-en>.

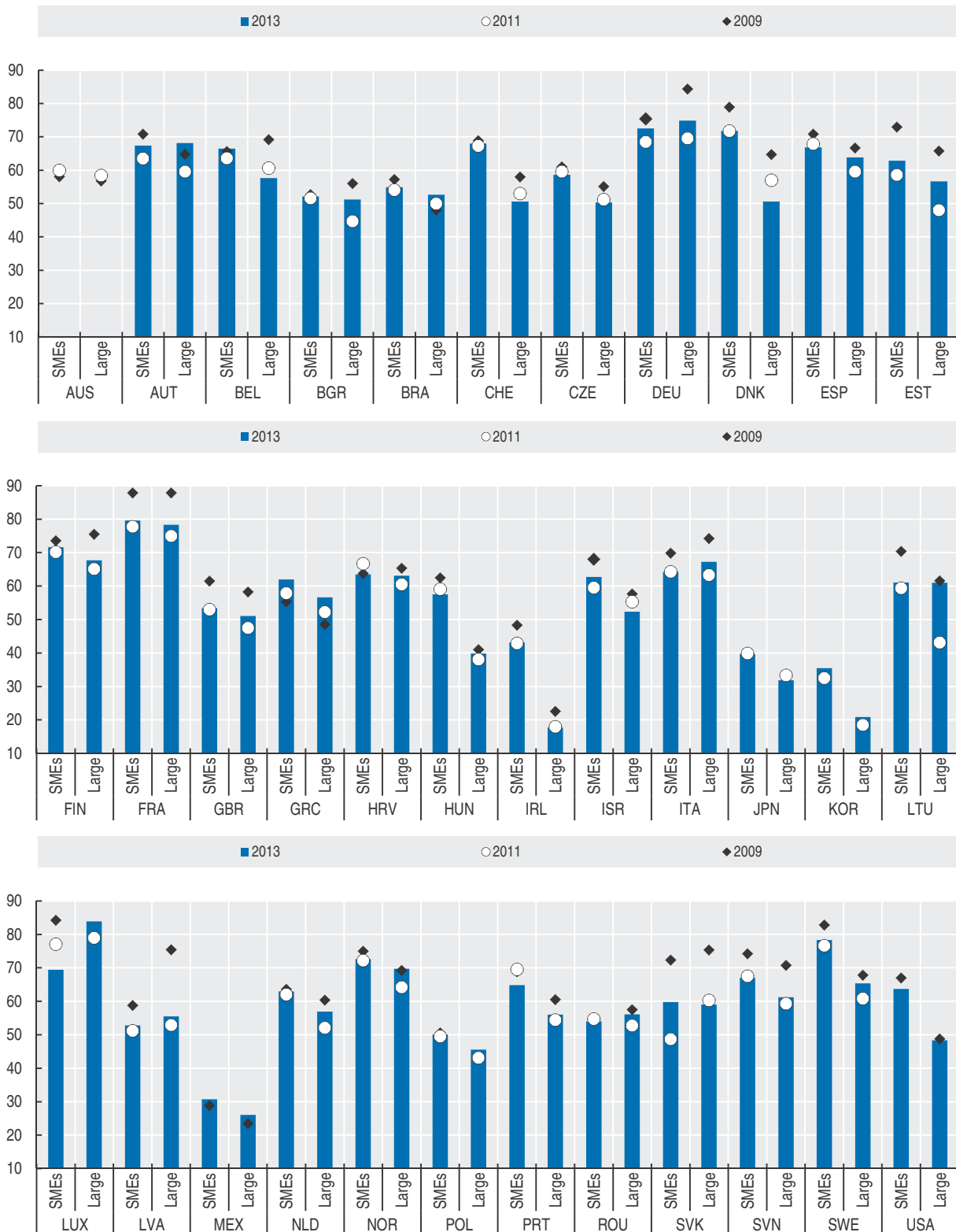
#### Further reading

OECD (2015), *OECD Employment Outlook 2015*, OECD Publishing, Paris, [http://dx.doi.org/10.1787/empl\\_outlook-2015-en](http://dx.doi.org/10.1787/empl_outlook-2015-en).

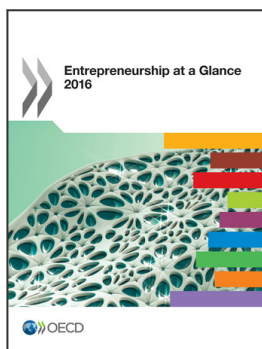
OECD (2010), *Structural and Demographic Business Statistics*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264072886-en>.

Figure 2.25. Compensation of employees over value added, manufacturing

Percentage



StatLink <http://dx.doi.org/10.1787/888933403891>



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