

15. Compensation of employees

Compensation of employees reflects the total remuneration in cash or in kind paid to employees and comprises wages and salaries and the value of social contributions paid by employers. They typically form the largest part of value added. Combined with estimates of labour input they provide the basis for a number of important statistics including unit labour costs and average earnings; which play an important role in many countries in monetary policy and cross country comparisons of labour costs.

Definition

Compensation of employees is made up of two components:

- *Wages and salaries payable in cash or in kind:* These include the values of any social contributions, income taxes, etc., payable by the employee even if they are actually withheld by the employer and paid on behalf of the employee.
- *The value of social contributions payable by employers:* These may be the actual social contributions payable by employers to Social Security schemes or to private funded social insurance schemes to secure social benefits for their employees; or imputed social contributions by employers providing social benefits through unfunded schemes.

Compensation of employees is not 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 excludes any taxes payable by the employer on the wage and salary bill (e.g. payroll tax, fringe benefits tax).

It's important to note that compensation of employees does not represent the entire costs of labour within production. Mixed income, which reflects the income paid to the owner(s) or members of the same household who contrib-

ute unpaid labour inputs in unincorporated enterprises owned by households, also contains a labour component.

Comparability

Comparability is generally very good across all countries. Some care should be taken in interpreting labour costs by activity however, especially in a cross-country context. In some countries, and notably in some sectors, the shares of self-employed in the labour force may be significant and, so, differences in the shares of compensation of employees across countries may reflect institutional differences, for example tax incentives to be self-employed or otherwise. This can also have implications in a temporal context. For example systematic declines in the contribution of compensation of employees to value added may reflect a move by individuals to become self-employed rather than a decline in the share of labour overall; this can be both through push and pull mechanisms. For example squeezes on wages and salaries and social benefits (push) or tax incentives (pull).

Source

- OECD (2011), *National Accounts of OECD Countries*, Vol. 2011/1, OECD Publishing
<http://dx.doi.org/10.1787/na-v2011-1-en>.

Online database

- OECD (2011), "Aggregate National Accounts: Gross domestic product", *OECD National Accounts Statistics* (database), <http://dx.doi.org/10.1787/data-00001-en>.

Further reading

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- OECD (2000), *System of National Accounts, 1993 – Glossary*, OECD Publishing,
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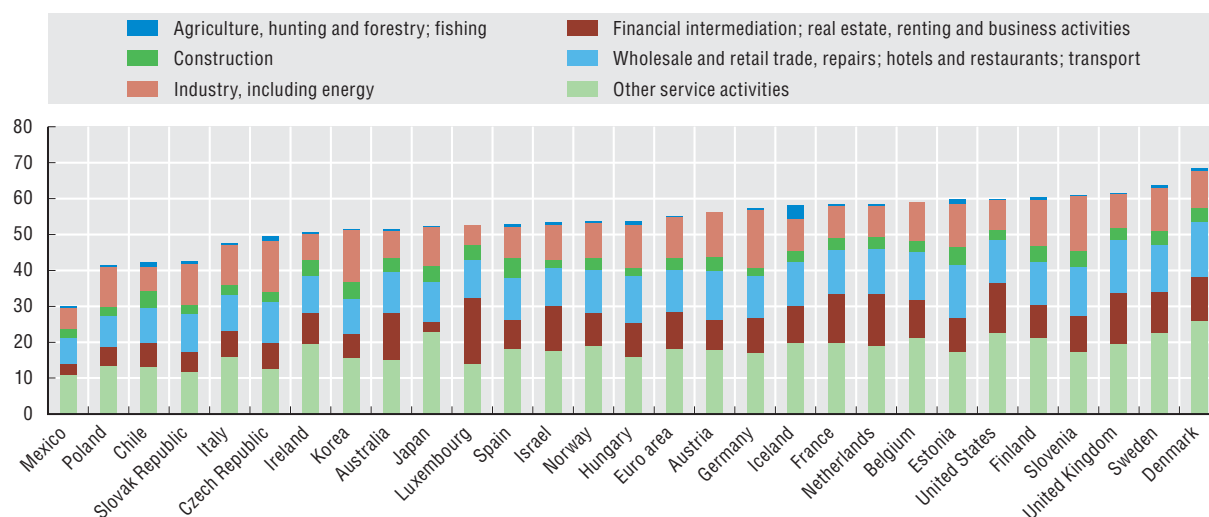
Table 15.1. **Compensation of employees**
Percentage of gross value added

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Australia	54.4	54.9	54.4	54.6	53.4	53.4	52.9	53.0	52.8	53.3	53.3	51.6	51.5	..
Austria	58.4	58.2	58.2	57.3	56.7	56.0	56.0	54.9	54.5	53.8	53.4	54.0	56.3	55.5
Belgium	57.0	56.8	57.8	57.2	58.4	58.7	58.1	56.9	56.5	56.3	56.2	57.4	59.1	58.0
Canada	55.5	56.2	55.3	54.5	55.2	55.5	55.0	54.7	54.3	54.9	54.9	..	..	..
Chile	42.6 e	44.5 e	45.8 e	44.7 e	44.7 e	44.8 e	43.4	41.3	39.8	36.7	37.0	41.7	42.3	..
Czech Republic	48.5	46.4	46.2	46.3	46.6	47.5	48.2	47.5	48.0	47.7	47.7	49.2	49.3	49.7
Denmark	60.9	62.9	63.2	61.2	62.5	63.2	63.5	62.7	62.9	63.2	64.7	66.1	68.3	65.2
Estonia	55.2	53.5	51.5	50.6	49.8	49.7	49.6	50.1	49.9	50.5	53.2	57.6	59.7	53.4
Finland	56.3	55.6	55.5	54.2	54.5	54.6	55.8	55.3	56.4	56.1	54.4	56.4	60.2	58.1
France	57.8	57.4	58.1	57.9	58.1	58.4	58.4	58.2	58.0	58.0	57.4	57.4	58.4	..
Germany	58.3	58.1	58.6	59.4	58.9	58.4	58.1	56.9	55.9	54.8	54.1	54.9	57.3	56.2
Greece	36.3 e	36.8 e	38.1 e	37.6 e	37.1 e	39.8 e	38.9 e	38.9 e	39.3	39.5	40.2	41.2	42.1	41.1
Hungary	51.1	50.8	49.9	51.5	51.8	52.2	53.8	53.5	54.5	53.3	54.0	54.3	53.7	52.0
Iceland	58.9	61.1	64.6	65.8	62.8	63.9	65.9	66.3	68.3	70.9	72.2	65.2	58.0	..
Ireland	48.0	46.2	45.6	44.8	44.5	43.1	43.7	44.9	46.5	46.7	47.4	50.0	50.5	..
Israel ¹	57.7	57.2	57.7	57.5	59.0	57.2	56.5	54.7	54.1	54.7	55.2	55.7	53.3	..
Italy	46.3	44.4	44.6	43.9	43.9	44.3	44.5	44.4	45.3	46.0	45.7	46.6	47.5	47.2
Japan	52.1	52.4	51.9	51.8	52.1	51.2	50.5	49.6	49.5	50.2	49.4	50.8	52.3	..
Korea	51.3	48.8	47.9	48.1	49.1	49.0	50.0	49.8	51.1	51.5	51.3	51.6	51.5	..
Luxembourg	53.3	53.2	51.1	51.8	54.9	55.1	52.6	52.8	51.5	48.6	47.7	48.5	52.6	50.8
Mexico	30.8 e	31.3 e	31.8 e	32.3 e	33.5 e	33.2 e	32.5	30.8	30.4	29.2	28.7	28.2	30.0	..
Netherlands	55.9	56.8	57.3	56.7	57.2	57.6	57.8	57.5	55.8	55.3	55.2	55.7	58.5	56.6
New Zealand	44.4	44.4	42.9	42.7	42.6	43.1	43.5	44.1	44.8	45.2	..	..	..	..
Norway	53.1	57.6	56.3	49.0	50.1	52.7	51.7	49.5	46.8	46.1	48.9	47.8	53.6	52.0
Poland	47.3	47.2	47.1	45.2	46.0	44.3	43.3	40.7	40.7	40.4	40.6	42.6	41.5	..
Portugal	55.5	55.8	55.9	56.3	56.2	56.7	57.0	56.7	58.2	57.8	56.7	57.4	..	..
Slovak Republic	47.5	47.4	45.4	45.7	43.9	43.9	43.3	41.3	41.9	40.7	40.2	40.1	42.7	41.2
Slovenia	60.2	59.4	58.6	59.1	59.5	58.8	58.4	58.5	58.1	57.6	56.7	57.9	60.9	60.5
Spain	54.2	54.3	54.7	54.7	54.1	53.7	53.5	53.0	52.9	53.0	53.2	53.3	52.8	52.3
Sweden	61.6	61.5	60.2	62.4	64.4	63.9	63.2	62.2	62.0	60.4	61.2	61.4	63.5	61.6
Switzerland	64.1	63.5	64.2	64.2	66.6	67.5	67.1	65.2	65.8	64.9	64.2	64.5	67.2	65.9
Turkey	..	..	..	..	..	..	..	..	..	..	..	..	..	..
United Kingdom	58.1	59.6	60.3	61.6	62.2	61.4	60.8	60.4	60.7	60.2	60.1	59.4	61.5	61.4
United States	61.0	61.8	61.8	62.7	62.6	62.0	61.8	60.9	60.4	60.3	60.4	60.7	59.8	..
Euro area	55.1	54.7	55.1	55.0	54.8	54.8	54.7	54.0	53.8	53.4	53.0	53.7	55.2	54.6
OECD-Total	..	..	..	..	..	..	..	..	..	..	..	..	..	..


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

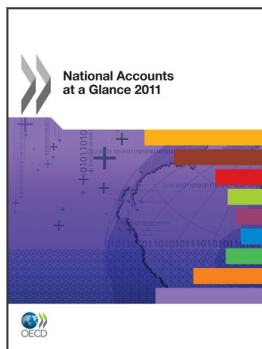
StatLink  <http://dx.doi.org/10.1787/888932550214>

Figure 15.1. **Compensation of employees by activity**
Percentage of gross value added, 2009



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

StatLink  <http://dx.doi.org/10.1787/888932549511>



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