Key findings

- 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 and Germany the share exceeds 70% of value added.
- Between 2008 and 2014, the share of compensation of employees in total value added fell for both SMEs and large enterprises in several countries, including Czech Republic, Denmark, Slovak Republic, Slovenia and the Baltic countries, but increased in others, such as Greece, Finland and Ireland.

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 establishments.

Data present a break in series in 2013 for Finland and Portugal, and in 2014 for France. 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.

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.

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.

Source


Further reading


Figure 2.21. Compensation of employees over value added, by enterprise size, manufacturing

Percentage

2014 2008

AUS AUT BEL BRA CHE CZE DEU DNK ESP EST
FIN FRA GBR GRC HUN IRL ISR ITA JPN KOR LTU
LUX LVA MEX NLD NOR POL PRT ROU SVK SVN SWE USA

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