

Sources

Hourly compensation costs (charts 3.1–3.6) measure employers' average hourly labor costs in the manufacturing sector. Average costs refer to all employees, are based on national establishment surveys, and are prepared for level comparisons. To permit meaningful level comparisons of employer labor costs across countries, earnings data from national surveys are adjusted to the BLS concept of hourly compensation. (See definition that follows.) Data for all countries are based on the BLS news release *International Comparisons of Hourly Compensation Costs in Manufacturing, 2010* and the related time series tables. Also, see the technical notes and country notes associated with this release. Because of various data gaps and methodological issues, compensation costs for China and India are not directly comparable with each other or with data for other countries. For further information, see the Country at a Glance pages for China and India at www.bls.gov/ilc/country.htm.

Average compensation costs for selected regions (charts 3.2 and 3.5) are calculated by weighting each country's compensation cost value by its relative importance to U.S. trade. The weights are calculated using the dollar value of U.S. trade (exports plus imports) in manufactured commodities with each country in 2010.

Data on productivity, output, hours, unit labor costs, and real hourly compensation (charts 3.7–3.12) refer to all employed persons (employees and the self-employed) in the manufacturing sector. These data

are based on national accounts and are prepared for trend (rather than level) comparisons. Data for most countries are based on the BLS news release *International Comparisons of Manufacturing Productivity and Unit Labor Cost Trends* and the related time series tables. See the technical notes associated with the news release.

Data for the remaining countries are based on data from the Organisation for Economic Co-operation and Development (OECD) database OECD.Stat.

In charts 3.4 and 3.7–3.11, the periods 2000–2007 and 2007–2010 are selected to compare a time of global recession (2007–2010) against a prerecessionary time (2000–2007). The charts show the average annual growth rate during each period. Although 2007 is included in both, it represents two different annual changes that do not overlap: 2006–2007 in the first period and 2007–2008 in the second period.

Definitions

Hourly compensation (labor cost) is the average cost to employers of using one hour of employee labor in the manufacturing sector. Compensation includes (1) pay for time worked, (2) directly paid benefits, and (3)

employer social insurance expenditures and labor-related taxes. **Pay for time worked** refers to wages and salaries for time actually worked, including basic wages, overtime pay, shift and holiday premiums, and regular bonuses. **Directly paid benefits** primarily include pay for vacations and other leave, irregular bonuses, and pay in kind. **Social insurance expenditures** are employer contributions to social benefit funds on behalf of workers, such as for unemployment insurance, workers' compensation, health insurance, and pension funds. **Labor-related taxes** are taxes on payrolls or employment, net of subsidies. **Total hourly direct pay** includes all payments made directly to the worker consisting of pay for time worked and directly paid benefits.

Productivity is real output per hour worked. **Output** is the market value in constant dollars of goods and services produced in a country. For international comparisons, output refers to gross output minus

intermediate inputs, or real value added. **Hours** refer to the hours worked by all persons engaged in the manufacturing process. **Unit labor costs** are nominal compensation costs divided by real value-added output. Unit labor costs can be expressed in national currency and in U.S. dollars. **Real hourly compensation** refers to the hourly labor cost for employed persons (employees and the self-employed), adjusted for inflation. It includes all payments made in cash or in kind directly to employees and employer social insurance expenditures. It includes labor-related taxes and excludes labor-related subsidies. ■

