

Components of Labour Cost

Labour Cost Statistics

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Jakarta- Indonesia

Presentation plan

- General Principles
- International Standard Classification of Labour Cost

General Principles

- Labour cost has been defined as the cost incurred by the employer in the employment of labour.
- Actual cost to the employer in the sense that it is treated by the employers as cost.
- Profit forgone by the employers in allowing employees to use certain facilities at reduced charges or to purchase goods from the establishment store at a special discount, but not below the employer's buying price, **should not** be treated as labour cost.
- Free services, such as free travel facilities provided by railways, bus services, etc. should not be taken into account as labour cost since employers, as a rule, do not treat them as costs.

General Principles

- Benefit to workers is one, but not the sole, criterion that is to be used in deciding whether or not to include specified employer expenses in labour cost.
- All payments by the employer which accrue as earnings of the employees are clearly labour costs.
- Indemnities incurred by the employee on behalf of his employer and paid or reimbursed by the latter should not be regarded as labour cost.
 - per diem and other travelling costs of employees in carrying out employers' instructions or business.
 - Payments such as tool allowances should not be included as labour cost

International Standard Classification of Labour Cost

International Standard Classification of Labour Cost was adopted by the Eleventh ICLS (1966) and was annexed to the resolution concerning statistics of labour cost adopted by that Conference. This standard classification comprises ten major groups of components

Major Groups of ISCLC

- I. Direct wages and salaries:
- II. Remuneration for time not worked:
- III. Bonuses and gratuities:
- IV. Food, drink, fuel and other payments in kind
- V. Cost of workers' housing borne by employers:
- VI. Employers' social security expenditure:
- VII. Cost of vocational training
- VIII. Cost of welfare services:
- IX. Labour cost not elsewhere classified
- X. Taxes regarded as labour cost

Direct wages and salaries:

- (1) Straight-time pay of time-rated workers
- (2) Incentive pay of time-rated workers
- (3) Earnings of piece-workers (excluding overtime premiums)
- (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

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
- (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)

VI. Employers' social security expenditure

(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

(5) Severance and termination pay where regarded as social security expenditure.

VII. Cost of vocational training

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

VIII Cost of welfare services:

- (1) Cost of canteens and other food services
- (2) Cost of education, cultural, recreational and related facilities and services
- (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 (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.

תודה
Dankie Gracias
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Kiitos Täname teid 谢谢
Thank You Tak
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ありがとうございます
Tack