

Statistical bulletin

Index of UK labour costs per hour, experimental: April to June 2017

Changes in the costs of employing labour, analysed by sector and industry.

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1 . Main points

- The whole economy Index of Labour Costs per Hour (ILCH), seasonally adjusted, increased by 1.4% in Quarter 2 (Apr to June) of 2017, compared with Quarter 2 2016 and recorded 0.9% growth compared with the previous quarter, Quarter 1 (Jan to Mar) 2017.
- Wage costs per hour worked increased by 1.2% in Quarter 2 2017 compared with Quarter 2 2016 and non-wage costs per hour worked increased by 3.9%.
- Labour costs per hour in the private sector increased 1.3% in Quarter 2 2017 compared with the second quarter of 2016, while public sector labour costs per hour increased by 2%.
- The financial and insurance activities industry saw the largest increase in Quarter 2 2017 compared with Quarter 2 2016, of 8.8%.
- The arts, entertainment and recreation industry had the largest decrease in Quarter 2 2017 compared with Quarter 2 2016, of 3.8%.

2 . Things you need to know about this release

The Index of Labour Costs per Hour (ILCH) is a measure of the cost of having an employee for an hour of work. It represents the total cost of employing an individual, which is primarily the earnings of the employee, but also includes non-wage costs. It is also known as the [Labour Cost Index \(LCI\)](#); the index is produced by all member countries of the EU and collated by Eurostat.

All estimates discussed in this statistical bulletin are seasonally adjusted except where otherwise stated.

The labour cost component of ILCH is mainly drawn from the Monthly Wages and Salaries Survey (MWSS); the hours worked component of ILCH is drawn from the Labour Force Survey (LFS). Other costs are estimated using a range of other sources including the Annual Business Survey (ABS) and the Annual Survey of Hours and Earnings (ASHE).

ILCH index figures are estimates in current prices, meaning that they are published not adjusted for inflation.

ILCH statistics are currently designated as experimental. Experimental Statistics are those that are in the testing phase, are not yet fully developed and have not been submitted for assessment to the UK Statistics Authority. [Further information on Experimental Statistics](#) is available.

3 . What's changed in this release

There are no methodological changes in this release.

4 . Whole economy labour costs increase by 1.1%

Year-on-year

Whole economy labour costs per hour increased by 1.4% in Quarter 2 (Apr to June) 2017 compared with Quarter 2 2016, before inflation is taken into account. Total labour costs include wages and salaries (including bonuses and arrears), benefits in kind and employer social contributions (pension and National Insurance contributions, sickness, maternity and paternity pay).

The growth in wage costs per hour worked in Quarter 2 2017 compared with the same quarter a year earlier was 1.2%, as seen in Figure 1. Non-wage costs per hour worked increased by 3.9%. Wage costs include benefits in kind, wages and salaries. Non-wage costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions.

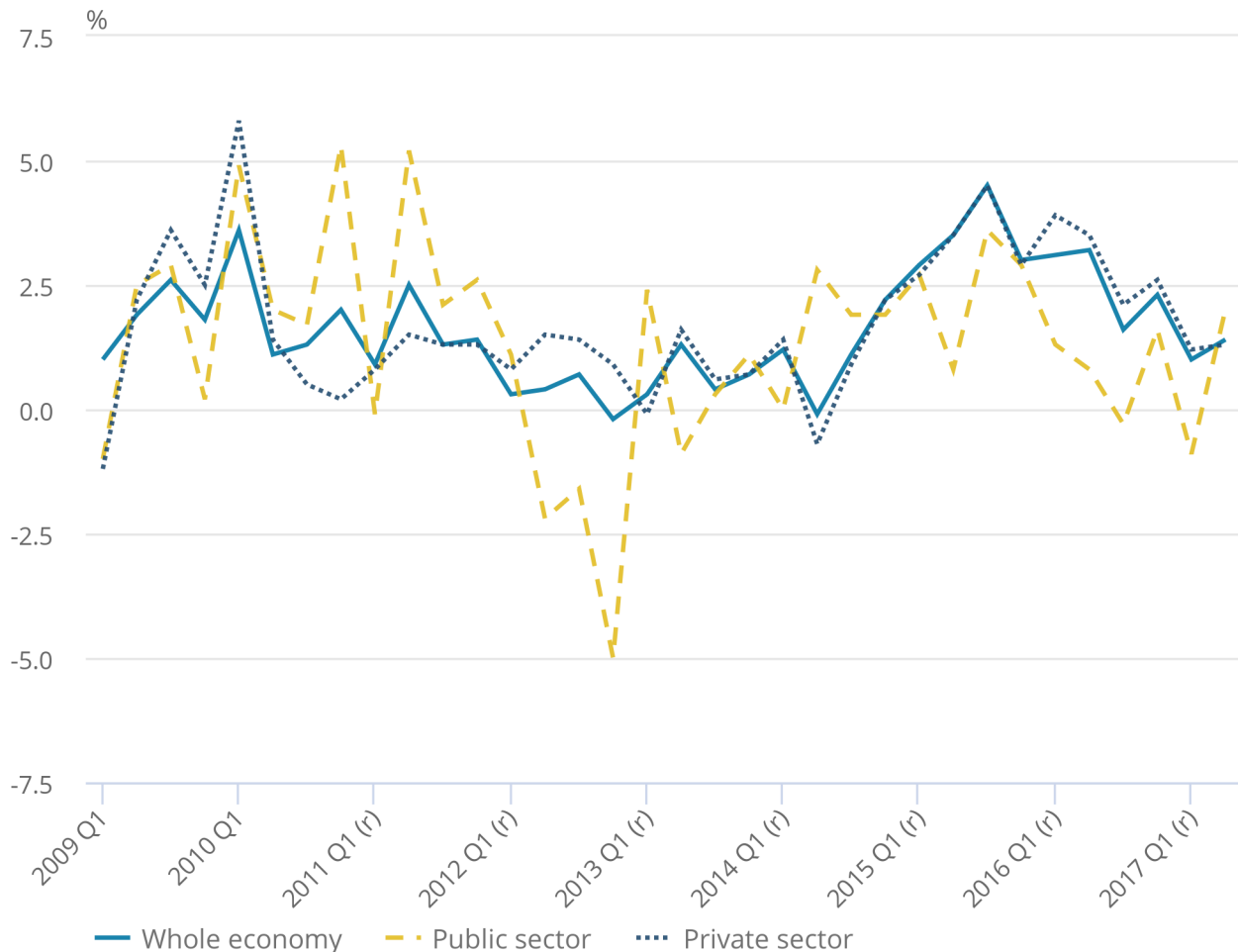
Private and public sector labour costs per hour increased by 1.3% and 2% respectively in Quarter 2 2017 compared with the same quarter a year earlier. Figure 1 helps illustrate the volatility of the latter series due to the small numbers included in the sample.

Figure 1: Labour costs per hour year-on-year growth, seasonally adjusted - whole economy, private sector and public sector

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2017

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UK, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2017



Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

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Notes:

1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

Quarter-on-quarter

Compared with the previous quarter, Quarter 1 (Jan to Mar) 2017, whole economy labour costs per hour increased by 0.9% in Quarter 2 2017, the largest quarter-on-quarter growth rate since Quarter 1 2016. Private and public sector labour costs increased by 0.7% and 0.6% respectively as shown in Figure 2.

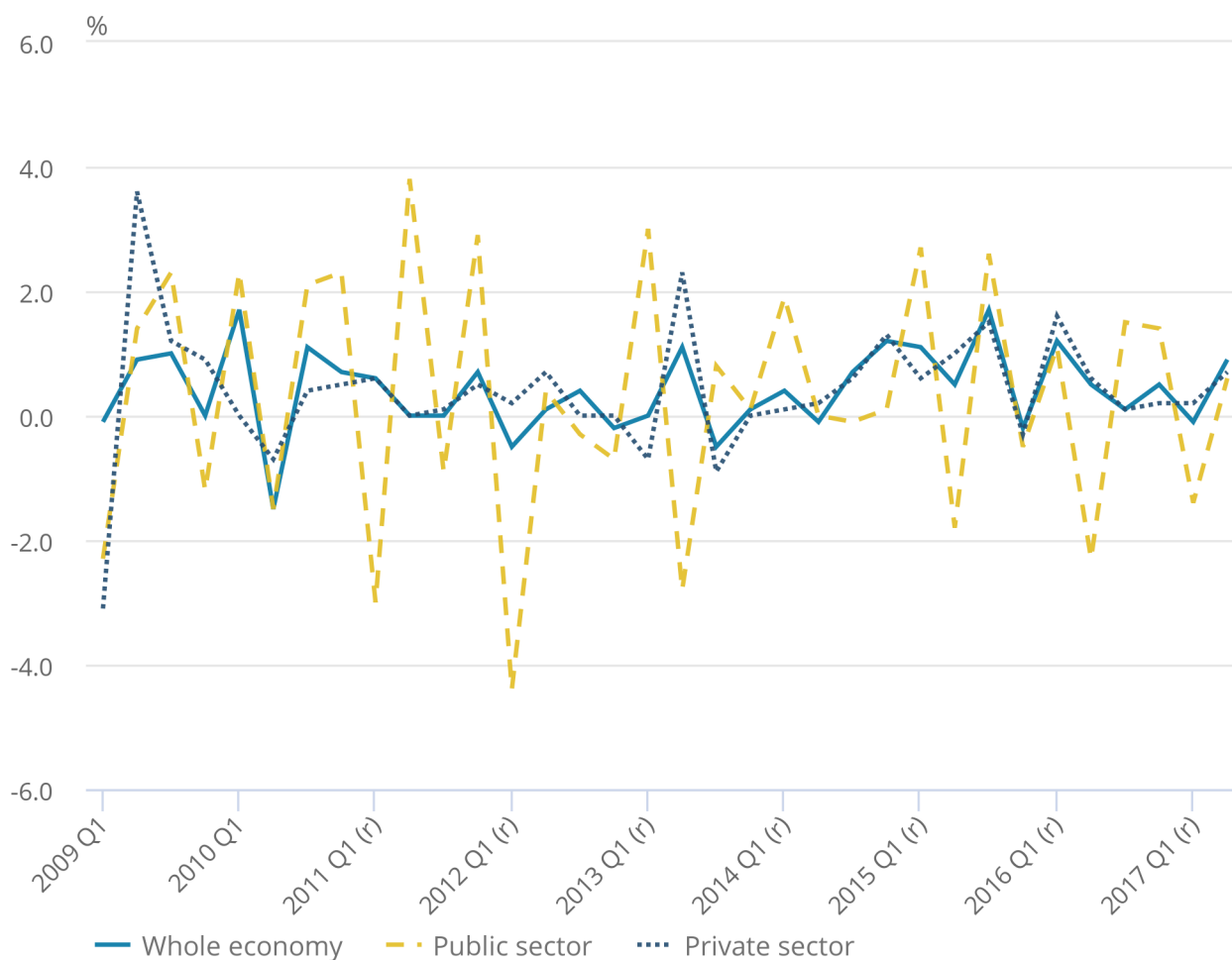
Total wage costs increased by 0.8% in Quarter 2 2017 compared with the previous quarter and total other costs increased by 2.5%.

Figure 2: Labour costs per hour quarter-on-quarter growth, seasonally adjusted – whole economy, private sector and public sector

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2017

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UK, Quarter 1 (Jan to Mar) 2009 to Quarter 2 (Apr to June) 2017



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5 . What are the trends in whole economy labour costs?

Total labour costs per hour worked and wage costs per hour worked are quite similar, as shown in Figure 3, with an increase of 64.8% and 60.5% since 2000 respectively. This reflects the structure of labour costs in the UK, which is driven largely by wages and salaries.

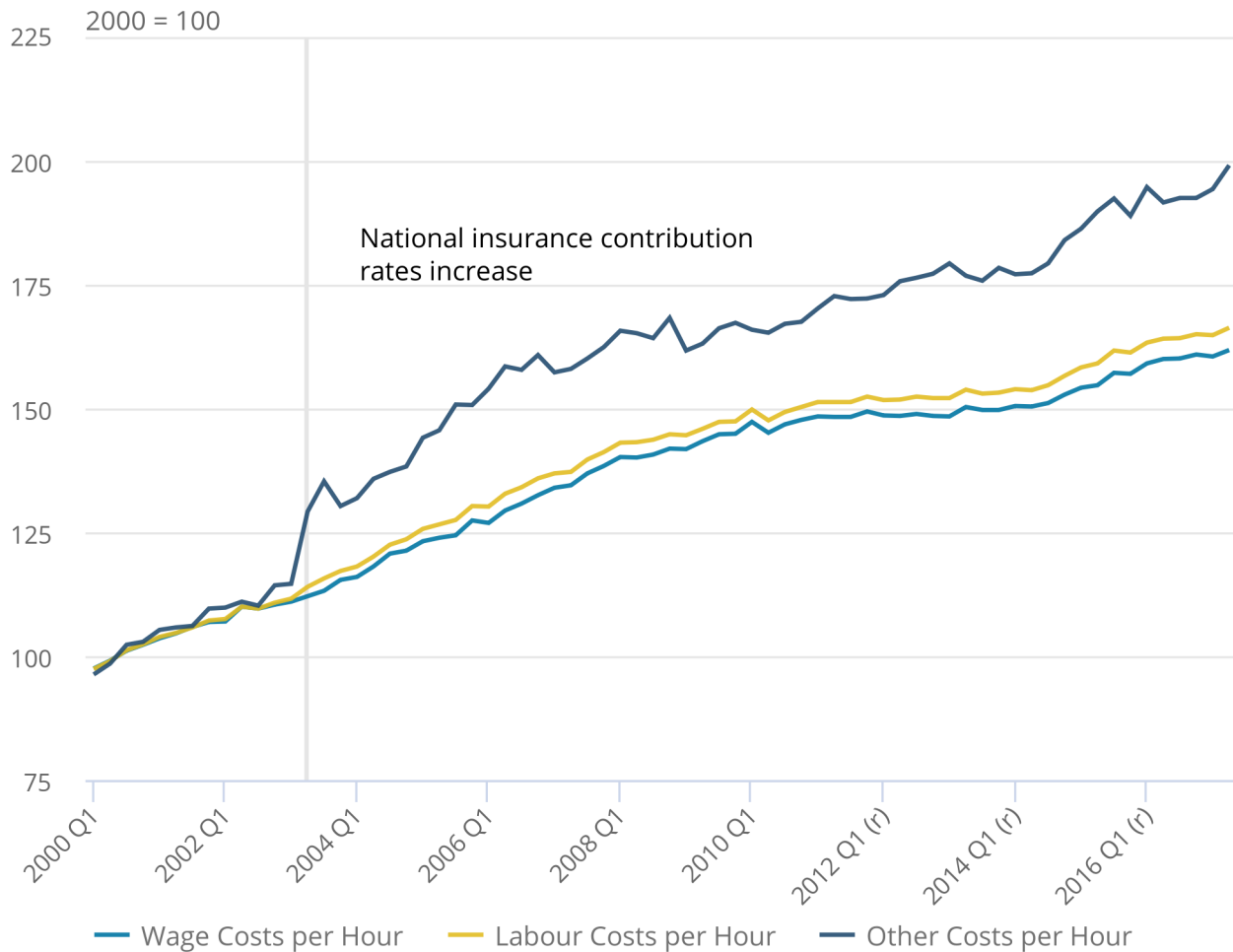
The path of other labour costs follows that of the total, as might be expected, but at points moves differently, as changes in non-wage costs affect the series. The largest move away from wage costs occurred in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced. Total other costs per hour have increased by 95.6% since 2000.

Figure 3: Whole economy Index of Labour Costs per Hour, by component, seasonally adjusted

UK, Quarter 1 (Jan to Mar) 2000 to Quarter 2 (Apr to June) 2017

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UK, Quarter 1 (Jan to Mar) 2000 to Quarter 2 (Apr to June) 2017



Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

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Notes:

1. Q1 refers to Quarter 1 (January to March), Q2 refers to Quarter 2 (April to June), Q3 refers to Quarter 3 (July to September) and Q4 refers to Quarter 4 (October to December).

6 . Financial and insurance activities industry sees highest year-on-year growth

The industry with the highest growth in labour costs was the financial and insurance activities industry, with labour costs per hour having increased by 8.8% in Quarter 2 (Apr to June) 2017 compared with a year earlier (Figure 4). This growth in labour costs is a combination of increases to wage costs and other costs such as pensions and National Insurance contributions.

The manufacturing: food products, beverages and tobacco industry experienced the second-largest growth in labour costs per hour in Quarter 2 2017, with an increase of 6.4% compared with a year ago. This is a trend of positive growth that is consistent throughout the manufacturing sector in Quarter 2 2017, with the exception of other manufacturing, which recorded a decrease of 1.4%.

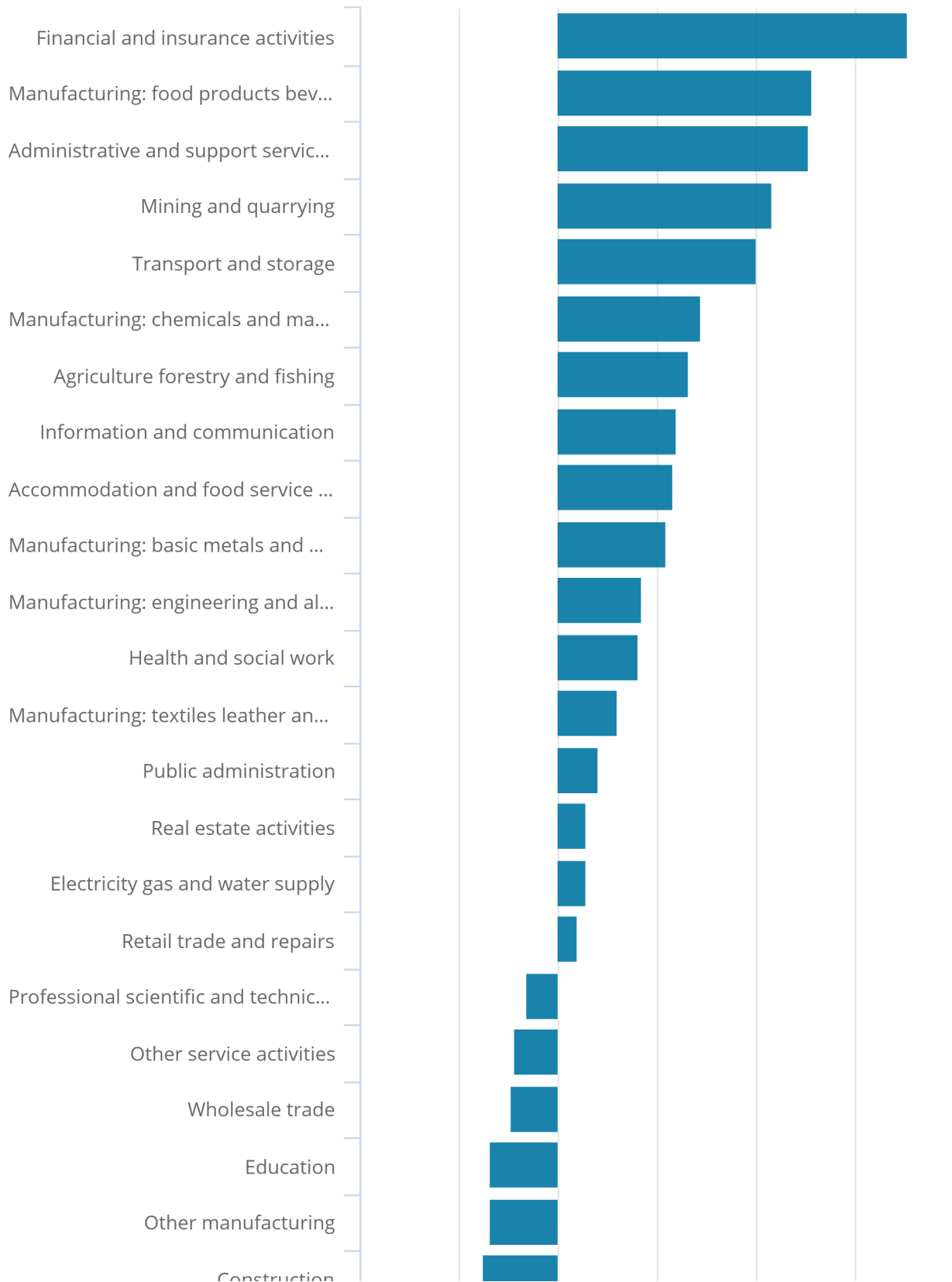
The arts, entertainment and recreation industry experienced the largest decline in labour costs per hour in Quarter 2 2017 compared with a year earlier, declining 3.8%. This is twice the rate of the next largest decline recorded by the construction industry, where labour costs per hour decreased by 1.9%. It is worth noting that 71% of industries reported an increase in labour costs in Quarter 2 2017 in comparison with Quarter 2 2016.

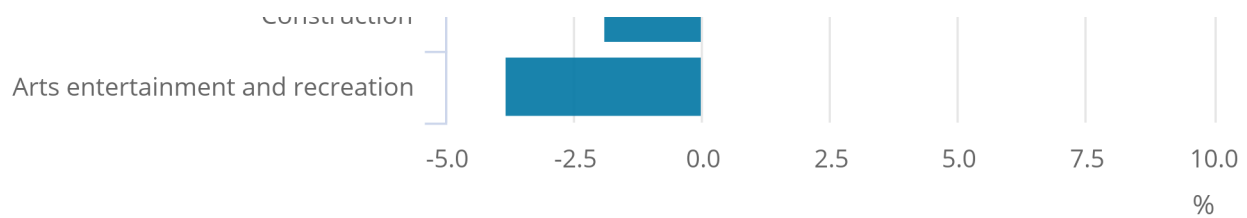
Figure 4: Labour costs per hour year-on-year growth by industry, seasonally adjusted

UK, Quarter 2 (Apr to June) 2017

Figure 4: Labour costs per hour year-on-year growth by industry, seasonally adjusted

UK, Quarter 2 (Apr to June) 2017





Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

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7 . Mining and quarrying industry sees highest quarter-on-quarter growth

The industry with the highest quarterly growth in labour costs was the mining and quarrying industry with labour costs per hour having increased by 9.7% in Quarter 2 (Apr to June) 2017 compared with Quarter 1 (Jan to Mar) 2017 (Figure 5). The chemicals and man-made fibres industry in the manufacturing sector experienced the second-largest growth in labour costs per hour in Quarter 2 2017, with an increase of 7.9% compared with the previous quarter.

Both these industries reported increases in quarter-on-quarter labour costs per hour at almost twice the rate of the next largest increase, which was recorded by the food products, beverages and tobacco industry in the manufacturing sector, having increased by 4.1% in Quarter 2 2017.

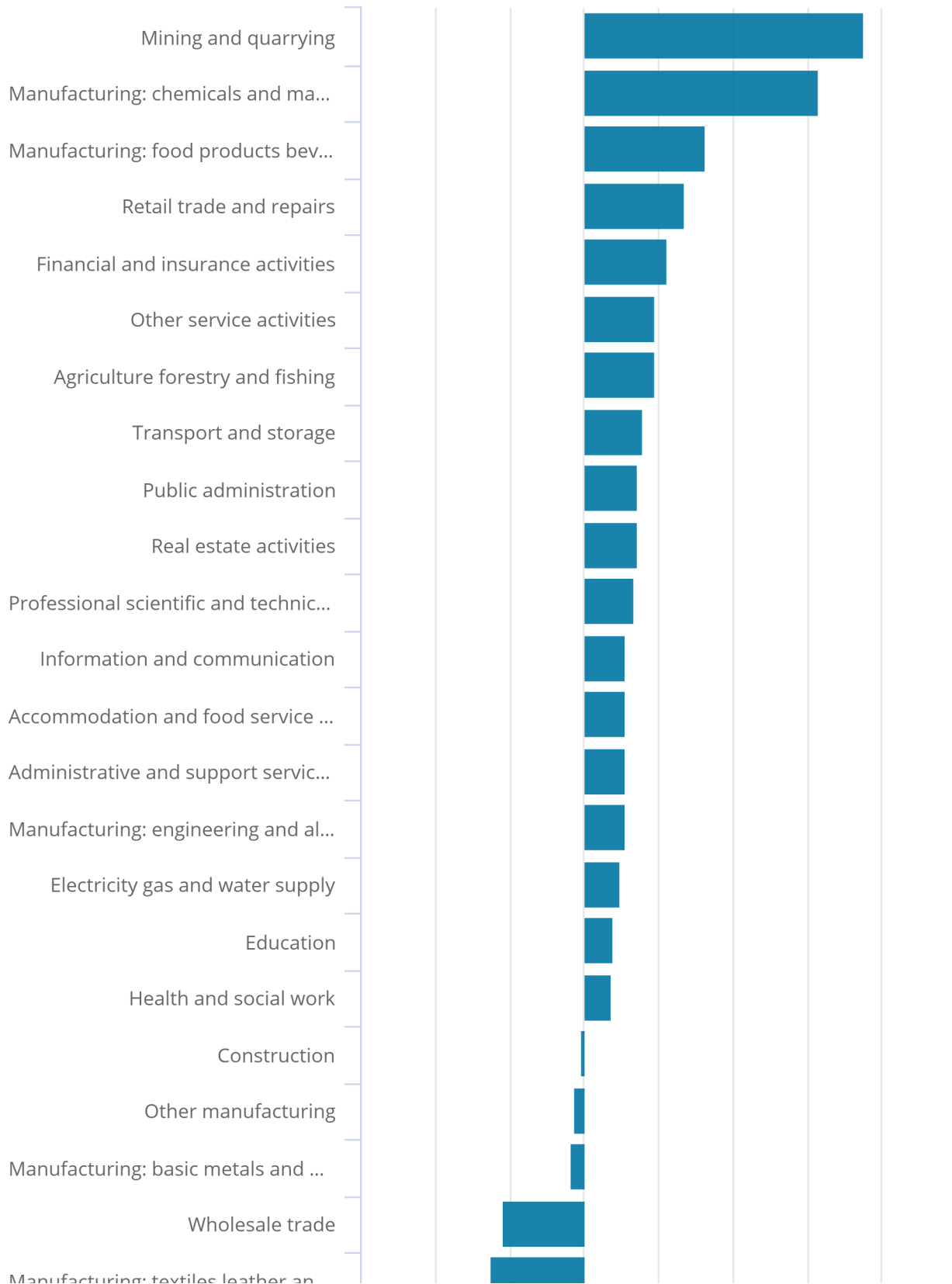
The arts, entertainment and recreation industry experienced the greatest decline in labour costs in Quarter 2 2017 compared with Quarter 1 2017. Labour costs per hour in this industry decreased by 5.7% on the previous quarter. It is worth mentioning that this industry also recorded the largest decline in year-on-year labour costs per hour in Quarter 2 2017. The second-largest decrease in labour costs per hour compared with the previous quarter was in the textiles, leather and clothing industry, by 3.1%.

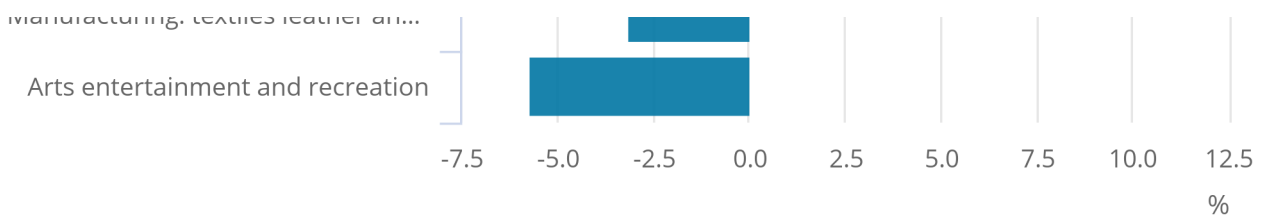
Figure 5: Labour costs per hour quarter-on-quarter growth by industry, seasonally adjusted

UK, Quarter 2 (Apr to June) 2017

Figure 5: Labour costs per hour quarter-on-quarter growth by industry, seasonally adjusted

UK, Quarter 2 (Apr to June) 2017





Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

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8 . User engagement

We aim to constantly improve this release and its associated commentary. We welcome any feedback you might have and are particularly interested to know how you make use of these data to inform our work.

Please contact us using the details at the beginning of this release.

9 . Quality and methodology

1. Quality

The Index of UK Labour Costs per Hour estimates Quality and Methodology Information report contains important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- the quality of the output
- how the output was created including the accuracy of the data

2. International comparisons

The UK Labour Costs Index (LCI) is comparable with other Labour Cost Index numbers produced by other EU member states. Eurostat regularly publishes a [news release detailing the main results in each quarter](#).