

Statistical bulletin

Index of labour costs per hour, UK: October to December 2018 (experimental statistics)

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

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Release date:
18 March 2019

Next release:
17 June 2019

Table of contents

1. [Main points](#)
2. [Things you need to know about this release](#)
3. [Whole economy labour costs increase by 3.4%](#)
4. [What are the trends in whole economy labour costs?](#)
5. [The electricity, gas and water supply industry sees highest year-on-year growth](#)
6. [User engagement](#)
7. [Quality and methodology](#)

1 . Main points

- The whole economy Index of Labour Costs per Hour (ILCH), seasonally adjusted, increased by 3.4% in Quarter 4 (Oct to Dec) 2018, compared with Quarter 4 2017.
- Wage costs per hour worked increased by 3.2% and estimated non-wage costs per hour worked increased by 3.8% in Quarter 4 2018, compared with Quarter 4 2017.
- Compared with Quarter 3 (July to Sept) 2018, the whole economy ILCH increased by 2%; wage costs increased by 1.7% and non-wage costs increased by 2.3% per hour.
- The electricity, gas and water supply industry saw the largest increase in labour costs per hour compared with the same quarter a year earlier, having increased by 10.3%; the basic metals and metal products industry within the manufacturing sector saw the largest decrease of 5.8%.
- The industry with the highest percentage quarterly growth in labour costs to Quarter 4 2018 was real estate activities, with an increase of 6.9%; none of the industries had a quarterly decrease in labour costs to Quarter 4 2018.

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.

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 \(ASHE\)](#).

Wage costs include benefits in kind, wages and salaries. Non-wage costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions.

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.

Revisions to the average weekly earnings (AWE) series have caused small changes in the non-seasonally adjusted ILCH data back to Quarter 2 (Apr to June) 2014. This was due to the [revision of factors used by AWE to estimate earnings for employees in small businesses](#). This revision to non-seasonally adjusted data back to Quarter 2 (Apr to Jun) 2014 has subsequently meant very small revisions in the seasonally adjusted series back to Quarter 1 (Jan to Mar) 2000.

3 . Whole economy labour costs increase by 3.4%

Year-on-year

Whole economy labour costs per hour increased by 3.4% in Quarter 4 (Oct to Dec) 2018 compared with Quarter 4 2017, before inflation is considered. 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).

Wage costs per hour worked in Quarter 4 2018 were 3.2% higher than in the same quarter a year earlier.

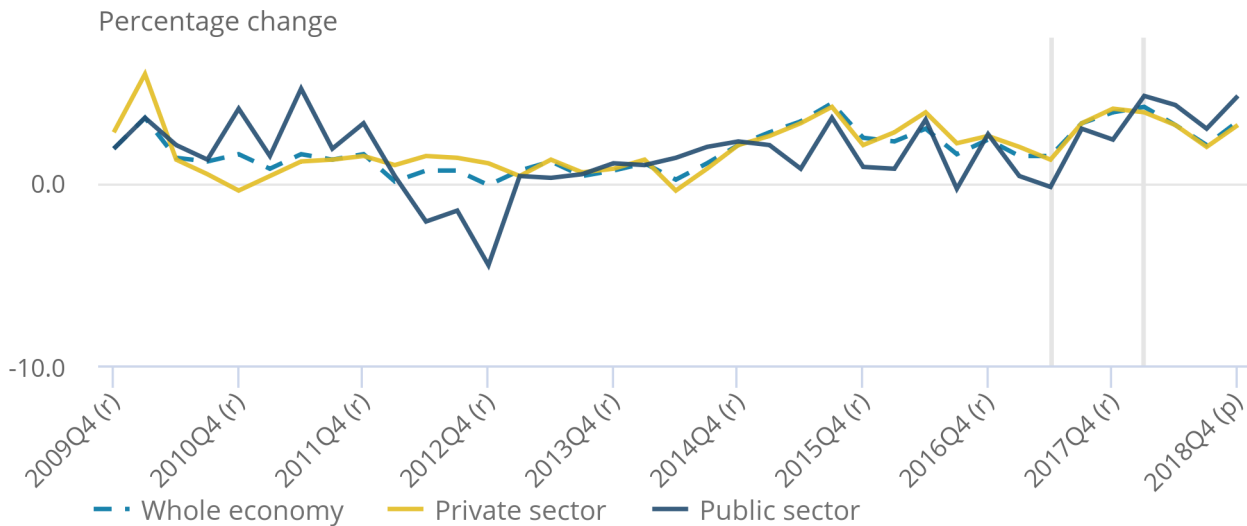
Figure 1: Labour costs per hour year-on-year growth, seasonally adjusted – whole economy, private sector and public sector

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 4 2018

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

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 4 2018

Method of estimating National Insurance contributions changed in Quarter 2 2017 affecting the year-on-year growth between Quarter 2 2017 and Quarter 1 2018



Source: Office for National Statistics – Monthly Wages and Salaries Survey, Labour Force Survey

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).
2. r = revised, p = provisional.

Quarter-on-quarter

Compared with the previous quarter, Quarter 3 (July to Sept) 2018, whole economy labour costs per hour increased by 2% in Quarter 4 2018. Private and public sector labour costs per hour increased by 1.7% and 2.0% respectively in Quarter 4 2018 compared with the previous quarter, as seen in Figure 2.

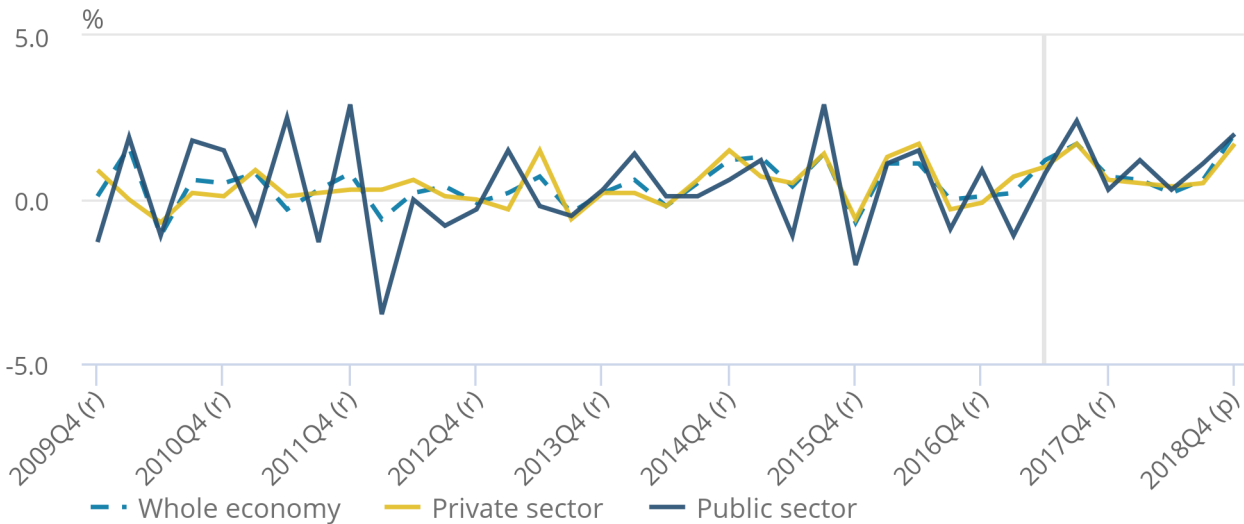
Total wage costs increased by 1.7% in Quarter 4 2018 compared with the previous quarter and total other costs increased by 2.3%.

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

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 4 2018

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

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 4 2018



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

Notes:

1. r = revised, p = provisional.

4 . 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. This reflects the structure of labour costs in the UK, which is largely driven by wages and salaries.

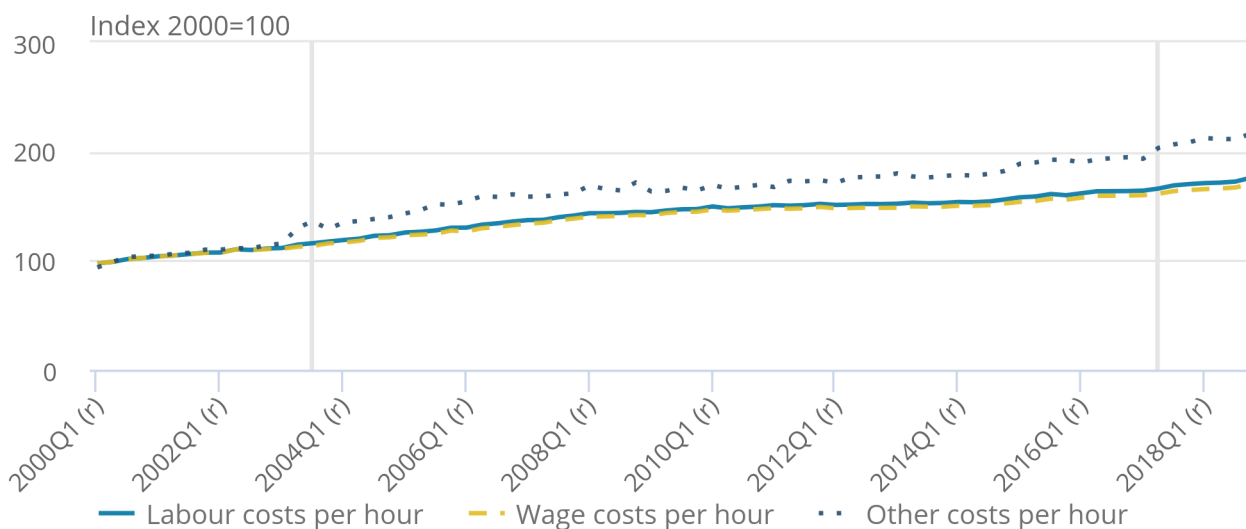
The path of other labour costs follows that of the total, as might be expected, but at points moves differently, as changes in non-wage costs affect the series. The largest move away from wage costs occurred in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced.

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

UK, Quarter 1 (Jan to Mar) 2000 to Quarter 4 (Oct to Dec) 2018

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

UK, Quarter 1 (Jan to Mar) 2000 to Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

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).
2. r = revised, p = provisional.

5 . The electricity, gas and water supply industry sees highest year-on-year growth

Year-on-year

The industry with the highest percentage growth in labour costs was electricity, gas and water supply industry, with labour costs per hour having increased by 10.3% in Quarter 4 (Oct to Dec) 2018 compared with a year earlier (Figure 4).

Real estate activities experienced the second-largest percentage growth in labour costs per hour in Quarter 4 2018, with an increase of 9.0% compared with the previous year.

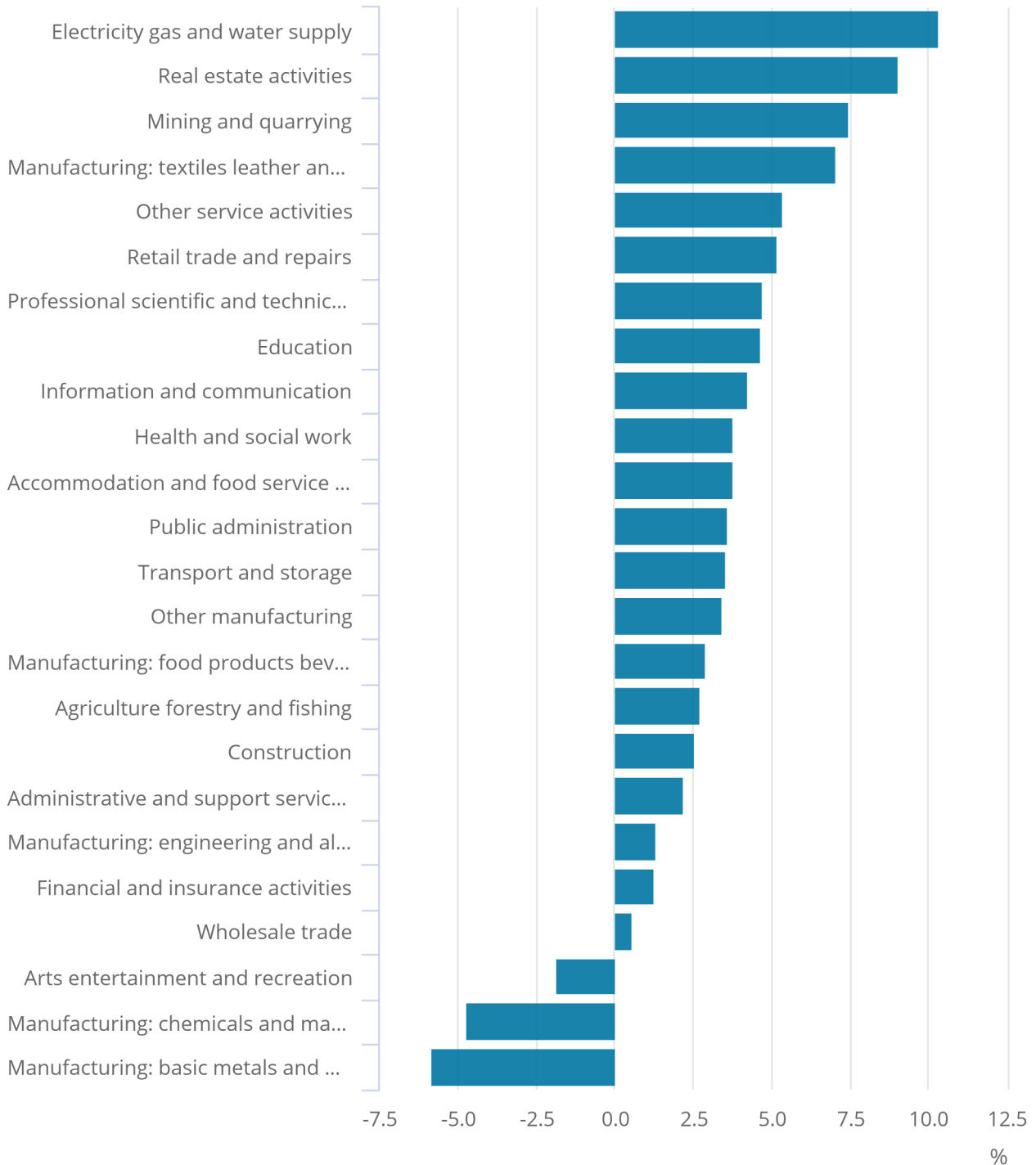
The basic metals and metal products industry within the manufacturing sector experienced the largest decline in labour costs in Quarter 4 2018 compared with a year earlier; labour costs per hour in this industry decreased by 5.8%. The chemicals and man-made fibres industry within the manufacturing sector had the second-largest decline in labour costs, decreasing 4.7% compared with the previous year.

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

UK, Quarter 4 (Oct to Dec) 2018

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

UK, Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

Quarter-on-quarter

The industry with the highest percentage quarterly growth in labour costs was the real estate activities industry, with labour costs per hour having increased by 6.9% in Quarter 4 2018 compared with Quarter 3 (July to Sept) 2018 (Figure 5).

The electricity, gas and water supply experienced the second-largest percentage growth in labour costs per hour in Quarter 4 2018, with an increase of 4.7% compared with the previous quarter.

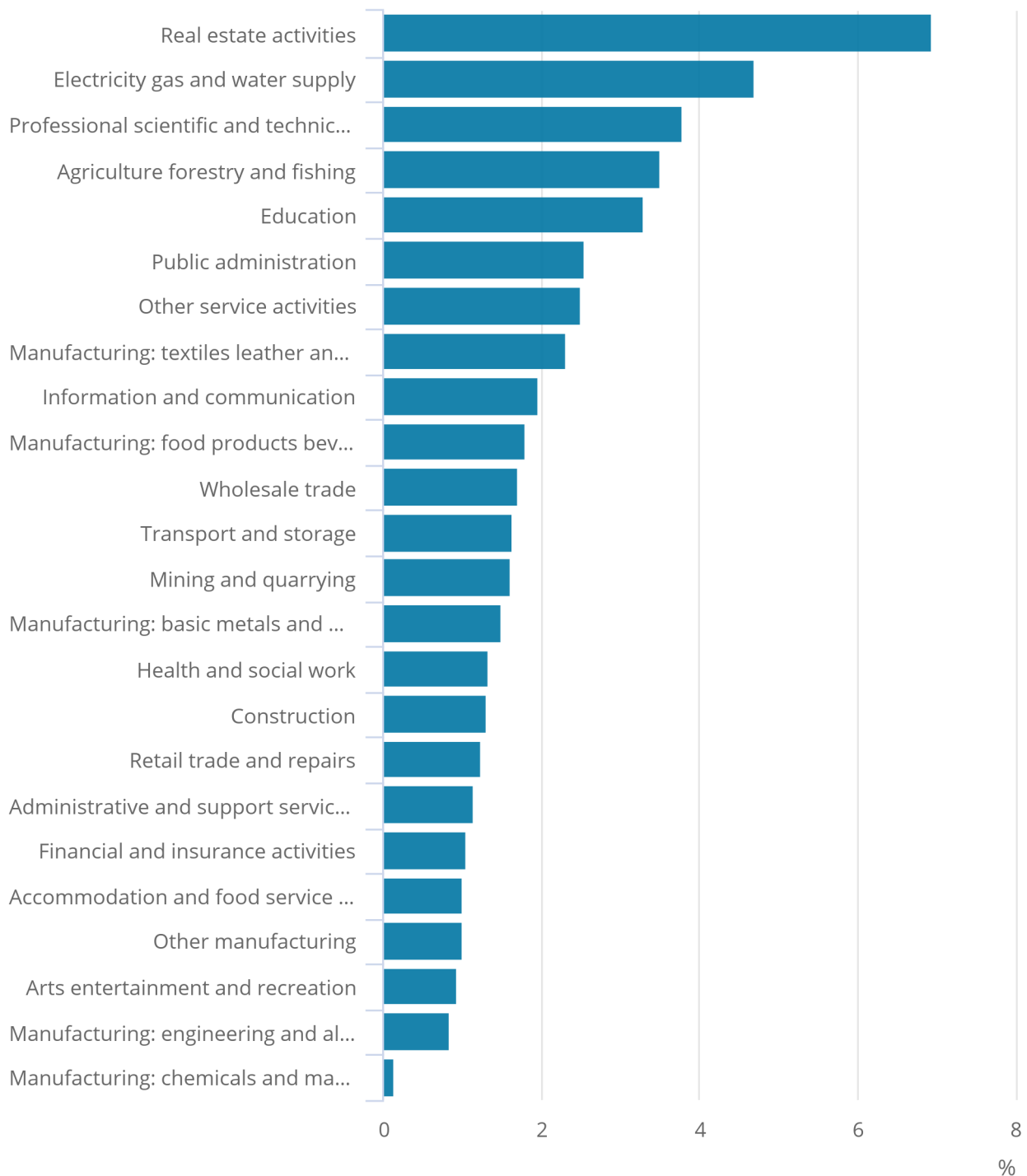
No industries experienced a decrease in labour costs in Quarter 4 2018 compared to Quarter 3 2018. The chemicals and man-made fibres industry within the manufacturing sector experienced the smallest increase in labour costs (0.1%) in Quarter 4 2018 compared with Quarter 3 2018.

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

UK, Quarter 4 (Oct to Dec) 2018

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

UK, Quarter 4 (Oct to Dec) 2018



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

6 . 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.

7 . Quality and methodology

Quality

The [Index of UK Labour Costs per Hour \(ILCH\) estimates Quality and Methodology Information](#) report contains important information on:

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

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](#).

Changes to methodology

In Quarter 2 (Apr to June) 2017, the methodology used to estimate the National Insurance contributions changed as a result of the discontinuation of a variable in the input data source, causing a break in the series. As a result, all other costs per hour series (and therefore the labour costs per hour series) were affected from Quarter 2 2017, as follows:

1. The year on year comparisons for Quarters 2, Quarter 3 (July to Sept) and Quarter 4 (Oct to Dec) 2017 and Quarter 1 (Jan to Mar) 2018
2. The quarter on quarter comparisons for Quarter 2 2017

The discontinued variable concerned the contracting out of state pensions, and so those industries predominantly in the public sector were most affected.

Revisions to the average weekly earnings (AWE) series have caused small changes in the non-adjusted ILCH data back to Quarter 2014. This was due to the [revision of factors used by AWE to estimate earnings for employees in small businesses](#).

Related publications

Earnings bulletins and time series information may be accessed via the summary [Earnings and working hours page](#).

These include other short term labour market statistics which are available in the [UK labour market bulletin](#).

[Annual Survey of Hours and Earnings \(ASHE\) 2018](#) provides structural information about earnings in the UK. It was published in October and has been used in the production of the Quarter 3 ILCH data.