

Statistical bulletin

Index of Labour Costs per Hour, UK: October to December 2019

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

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1 . Main points

- Estimated annual growth in labour costs per hour for employees across the whole economy, seasonally adjusted, increased by 2.7%.
- Wage costs per hour worked increased by 2.8% and estimated non-wage costs per hour worked increased by 1.8%, compared with Quarter 4 (Oct to Dec) 2018.
- The value of labour costs were estimated at £20.40 per hour at whole economy level; wage costs contributed £17.20 with non-wage costs, such as pensions and National Insurance contributions, making up the rest.
- The industry with the highest labour costs is the finance and insurance activities industry, with labour costs of £43.90 per hour; the accommodation and food service activities industry has the lowest labour costs, at £10.80 per hour.

2 . Changes in labour costs per hour

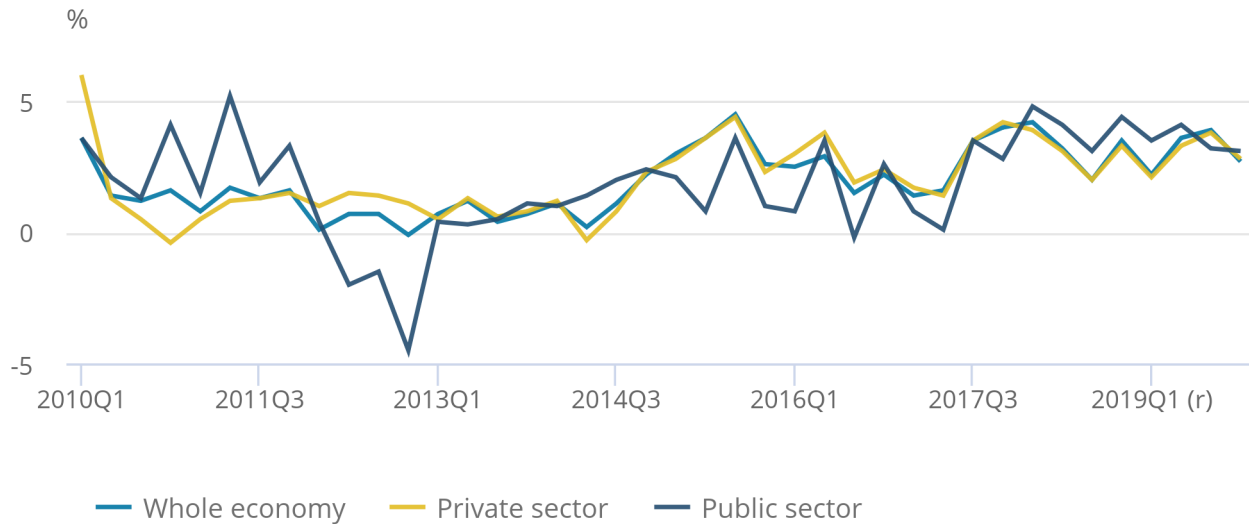
Labour Costs per Hour is a measure of the cost of having an employee for an hour of work. It represents the total cost of employing an individual, which is primarily the earnings of the employee, but also includes non-wage costs.

Figure 1: Whole economy labour costs per hour increased by an annual 2.7% in Quarter 4 2019

Labour costs per hour year-on-year growth, seasonally adjusted – whole economy, private sector and public sector, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 4 (Oct to Dec) 2019

Figure 1: Whole economy labour costs per hour increased by an annual 2.7% in Quarter 4 2019

Labour costs per hour year-on-year growth, seasonally adjusted – whole economy, private sector and public sector, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 4 (Oct to Dec) 2019



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. (p) = provisional
3. (r) = revised

Whole economy labour costs per hour increased by 2.7% in Quarter 4 (Oct to Dec) 2019 compared with Quarter 4 2018, before inflation is considered.

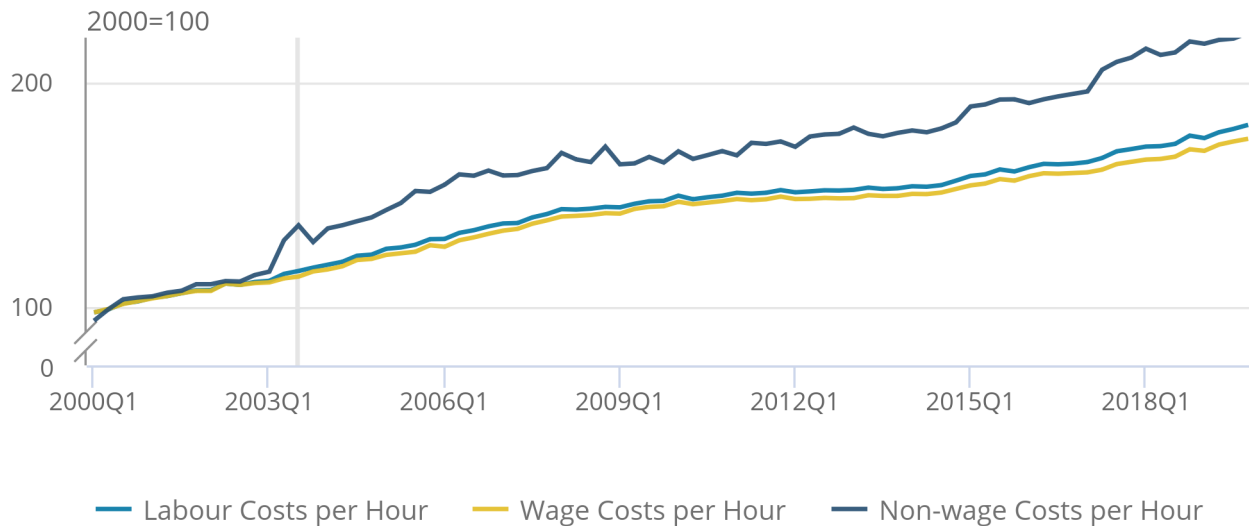
Growth was higher in the public sector (3.1%) than the private sector (2.8%). This pattern is consistent with the pattern seen from 2018 to early 2019, at which point the pattern was driven by changing levels of bonus and arrears payments, primarily in the health and social work sub-sector in which the timing of pay rises for some NHS staff is different in 2019 compared with 2018. This is described in Figure 4 of the [Average Weekly Earnings in Great Britain](#) publication. When both bonus and arrears payments are excluded, the difference in labour cost growth between private and public sectors is smaller.

Figure 2: Wage costs have stronger growth than non-wage costs in Quarter 4 2019

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) 2019

Figure 2: Wage costs have stronger growth than non-wage costs in Quarter 4 2019

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) 2019



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

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Wage costs per hour worked in Quarter 4 2019 were 2.8% higher than in Quarter 4 2018 and non-wage costs were 1.8% higher.

The longer time series highlights a pronounced relative increase in non-wage costs in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced.

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

3 . The value of labour costs

In response to user feedback, data and commentary associated with the value (£) of labour costs at whole economy or sectors and industry level were included in this bulletin for the first time in September 2019. These changes do not affect the methodology of the existing index-based estimates. For more information see: [Index of UK Labour Costs per Hour estimates Quality and Methodology Information](#).

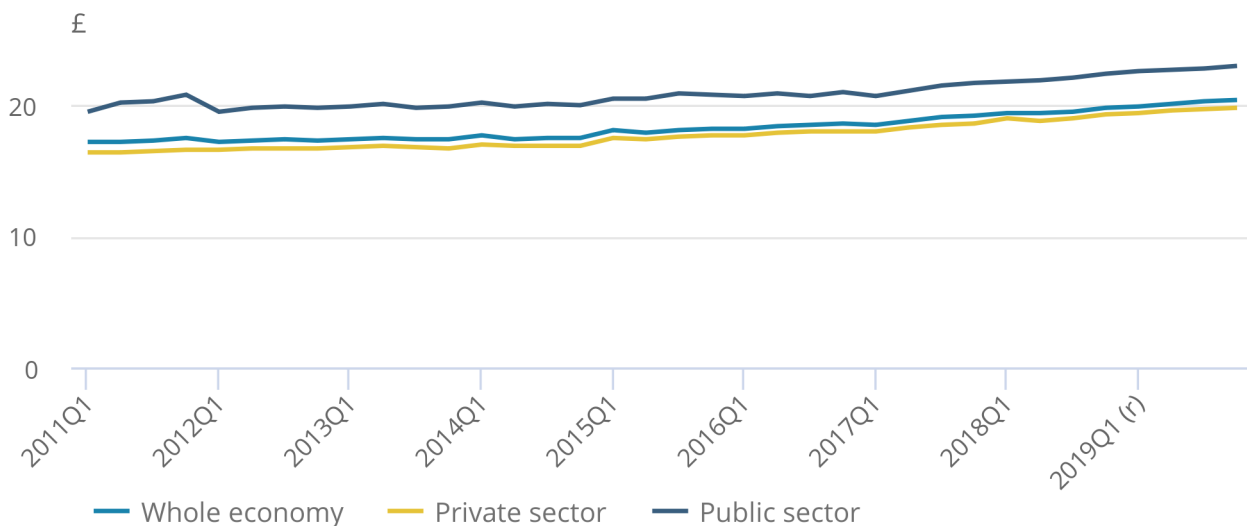
Labour costs increased to £20.40 per hour in Quarter 4 (Oct to Dec) 2019, which is the highest since the series began (not adjusted for inflation).

Figure 3: Labour costs increased to £20.40 per hour in Quarter 4 2019

Whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 4 (Oct to Dec) 2019

Figure 3: Labour costs increased to £20.40 per hour in Quarter 4 2019

Whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 4 (Oct to Dec) 2019



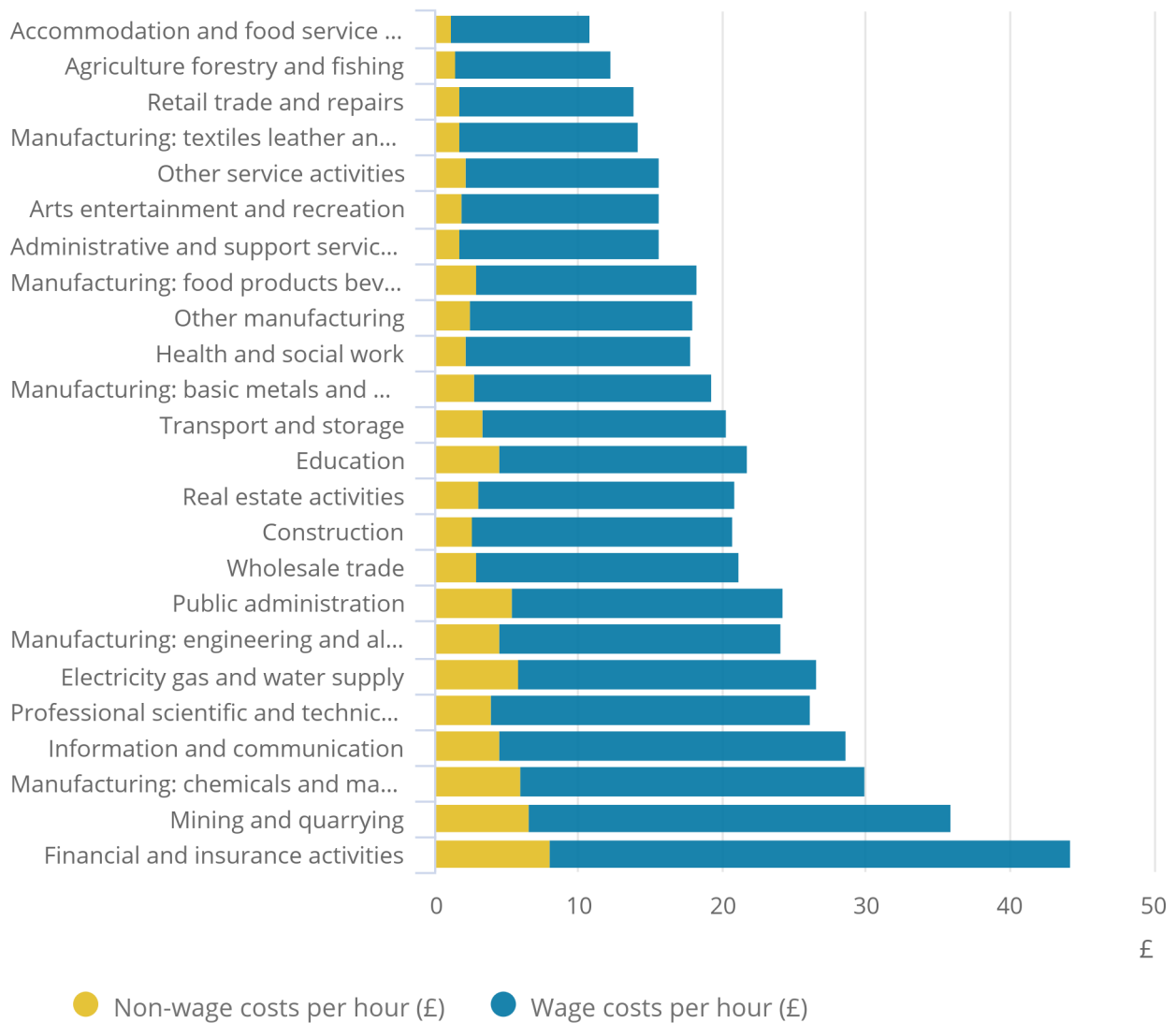
Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS), Labour Force Survey (LFS)

Wage costs increased to £17.20 per hour, which makes up 85% of total labour costs at whole economy level. Non-wage costs remained at £3.10 per hour in Quarter 4 2019. Total labour costs are higher in the public sector (£23.00) than the private sector (£19.80), with non-wage costs making a higher proportion of total labour costs in the public sector (18%) compared to the private (15%).

4 . Labour costs by industry

Figure 4: wage costs and non-wage costs per hour vary by industry

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

The industry with the largest labour costs per hour in Quarter 4 (Oct to Dec) 2019 was the finance and insurance activities industry, at £43.90 per hour, followed by the mining and quarrying industry at £36.00 per hour. Labour costs per hour were lowest in the accommodation and food service activities industry, at £10.80 per hour.

5 . Labour costs per hour data

[Index of Labour Costs per Hour, non-seasonally adjusted](#)

Dataset | Released on 17 March 2019

Index of Labour Costs per Hour (ILCH) values and yearly growth for industries and sectors, non-seasonally adjusted, UK.

[Index of Labour Costs per Hour, seasonally adjusted](#)

Dataset | Released on 17 March 2019

Index of Labour Costs per Hour (ILCH) values and yearly and quarterly growth for industries and sectors, seasonally adjusted, UK.

6 . Measuring the data

Quality

The [Index of UK Labour Costs per Hour estimates Quality and Methodology Information](#) report contains important information on aspects such as how the output is created and its strengths and limitations.

Index of Labour Costs per Hour (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.

International comparisons

ILCH 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 UK LCI is comparable with other Labour Cost Index numbers produced by other EU member states.

Recent 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:

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

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 . Strengths and limitations

The figures in this bulletin come from both household and business surveys, which gather information from a sample rather than from the whole population. The sample is designed to be as accurate as possible given practical limitations such as time and cost constraints. Results from sample surveys are always estimates, not precise figures. This can have an impact on how changes in the estimates should be interpreted, especially for short-term comparisons.

As the number of people available in the sample gets smaller, the variability of the estimates that we can make from that sample size gets larger. Estimates for small groups (for example, industries within the manufacturing sector), which are based on quite small subsets of the sample, are less reliable and tend to be more volatile than for larger aggregated groups (for example, labour costs for the private sector).

In general, short-term changes in the growth rates reported in this bulletin are not usually greater than the level that can be explained by sampling variability. Short-term movements in reported rates should be considered alongside longer-term patterns in the series and corresponding movements in other sources to give a fuller picture.

8 . Related links

[Average weekly earnings in Great Britain: March 2019](#)

Bulletin | Released 17 March 2019

Estimates of growth in earnings for employees before tax and other deductions from pay.

[Employee earnings in the UK: 2019](#)

Bulletin | Released 29 October 2019

Estimates of employee earnings, using data from our Annual Survey of Hours and Earnings (ASHE). Figures are presented mainly for full-time employees, although some detail for part-time workers is also included.

[Labour market economic commentary](#)

Article | Released 17 March 2019

Additional economic analysis of the latest UK labour market headline statistics and long-term trends.