

Statistical bulletin

Index of Labour Costs per Hour, UK: April to June 2020

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

Contact:
Chris Wojcikowski
earnings@ons.gov.uk
+44 (0)1633 456120

Release date:
15 September 2020

Next release:
15 December 2020

Table of contents

1. [Main points](#)
2. [The value of labour costs](#)
3. [Labour costs by industry](#)
4. [Labour Costs per Hour data](#)
5. [Glossary](#)
6. [Measuring the data](#)
7. [Strengths and limitations](#)
8. [Related links](#)

1 . Main points

- Estimated annual growth in labour costs per hour for employees across the whole economy, seasonally adjusted, increased by 21.3% in Quarter 2 (Apr to June) 2020 from the same period in 2019; this increase was driven by a substantial decrease in number of hours worked as furloughed employees whose wages were paid through the Coronavirus Job Retention Scheme (CJRS) worked no hours.
- Wage costs per hour worked increased by 21.8% and estimated non-wage costs per hour worked increased by 18.1%, compared with Quarter 2 2019.
- The value of labour costs was estimated at £24.70 per hour at whole economy level; wage costs contributed £21.00, with non-wage costs, such as pensions and National Insurance contributions, making up the rest.
- The industry with the highest labour costs was the finance and insurance activities industry, with labour costs of £45.20 per hour; the agriculture, forestry and fishing industry had the lowest labour costs, at £12.40 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.

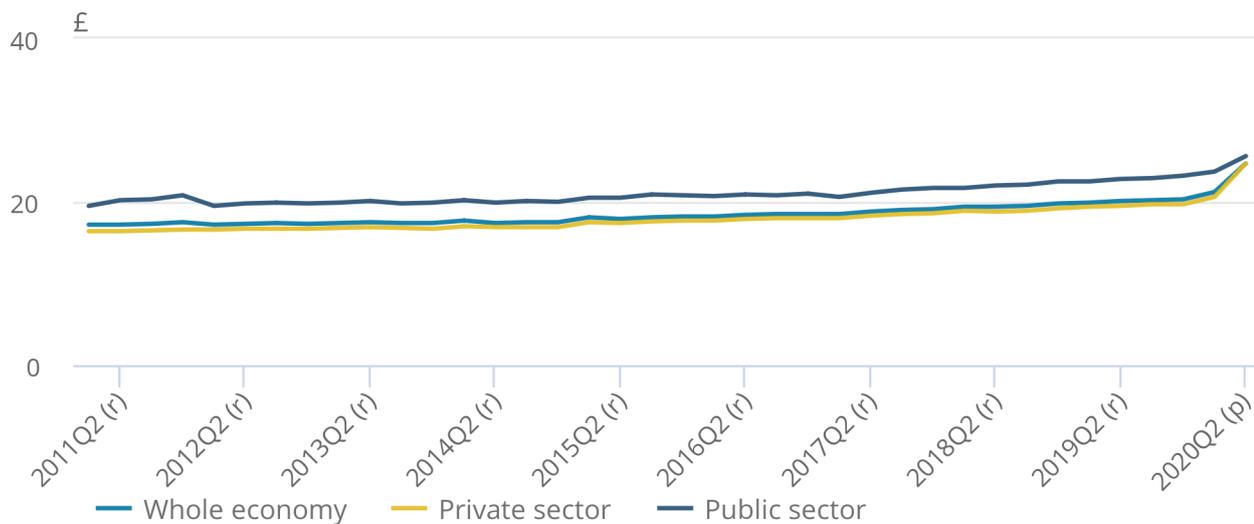
2 . The value of labour costs

Figure 1: Whole economy labour costs increased to £24.70 per hour in Quarter 2 2020

Labour costs per hour (£) - whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 2 (Apr to June) 2020

Figure 1: Whole economy labour costs increased to £24.70 per hour in Quarter 2 2020

Labour costs per hour (£) - whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 2 (Apr to June) 2020



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).

Whole economy labour costs increased to £24.70 per hour in Quarter 2 (Apr to June) 2020. This represents an increase of 21.3% in comparison with the same period in 2019 and reflects a substantial decrease in [number of hours worked in Quarter 2](#) in line with government lockdown measures introduced in response to the coronavirus (COVID-19) pandemic.

Up to 80% of furloughed employees' wages were paid through the government-funded Coronavirus Job Retention Scheme (CJRS), with some employers topping up their employees' wages. The private sector had a greater reduction in the number of hours worked and therefore saw a larger increase in labour costs per hour (25.3%) than the public sector (11%).

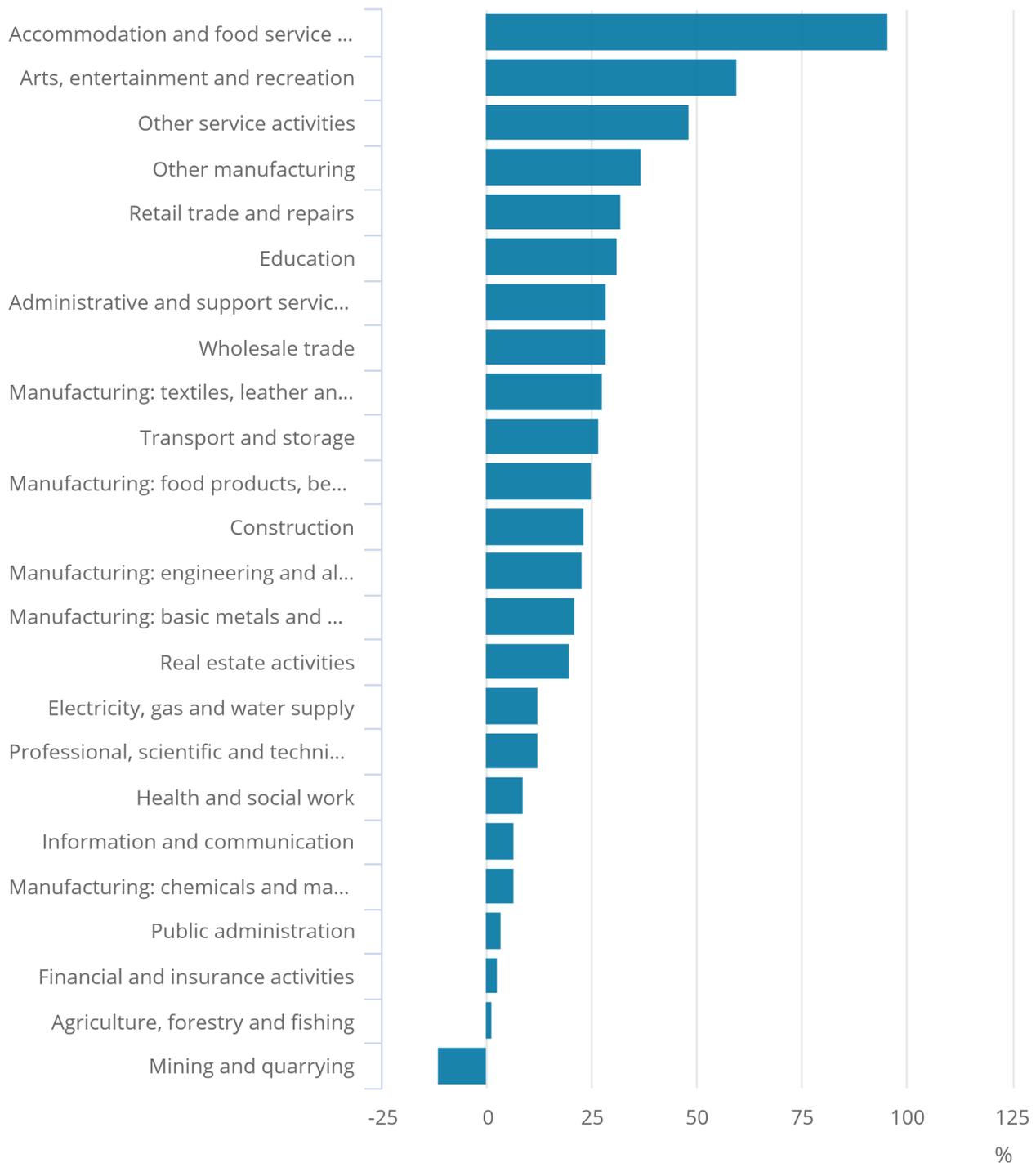
3 . Labour costs by industry

Figure 2: Industries with high levels of furlough had the largest rise in labour labour costs in Quarter 2 2020

Total labour costs per hour year-on-year growth, seasonally adjusted, by industry, Quarter 2 (April to June) 2019 to Quarter 2 (April to June) 2020

Figure 2: Industries with high levels of furlough had the largest rise in labour costs in Quarter 2 2020

Total labour costs per hour year-on-year growth, seasonally adjusted, by industry, Quarter 2 (April to June) 2019 to Quarter 2 (April to June) 2020



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).

The industries that had the largest increases in labour costs per hour were the industries where the highest proportion of employees were furloughed under the CJRS. The accommodation and food service activities industry had the largest year-on-year increase in total labour costs per hour (95.4%), followed by the arts, entertainment and recreation industry (59.7%).

The Office for National Statistics publication [Coronavirus and the economic impacts on the UK](#) includes regular updates relating to reported number of furloughed employees, and whether employers are topping up pay. For example, it is estimated that at the end of June 2020, over 20% of employees were furloughed, and that 41% of businesses who had a proportion of their workforce furloughed were providing top-ups on top of the CJRS payments. These estimates are provided at industry level.

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.

4 . Labour Costs per Hour data

[Labour costs per hour in the UK](#)

Datasets | Released 15 September 2020

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

5 . Glossary

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.

Wage costs

Wage costs include wages and salaries (including bonuses and arrears) and benefits in kind.

Non-wage costs

Non-wage costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions.

6 . Measuring the data

Quality

More quality and methodology information on strengths, limitations, appropriate uses, and how the data were created is available in the [Index of UK Labour Costs per Hour QMI](#).

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.

International comparisons

The Index of Labour Costs per Hour (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 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: September 2020](#)

Bulletin | Released 15 September 2020

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.

[UK labour market: September 2020](#)

Bulletin | Released 15 September 2020

Estimates of employment, unemployment, economic inactivity and other employment-related statistics for the UK.