

Statistical bulletin

# Index of labour costs per hour, UK: October to December 2014 (experimental statistics)

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) increased by 1.8% in the fourth quarter of 2014 compared with the same quarter of 2013 and 0.7% compared with the previous quarter, Q3 2014
- Wage costs per hour worked increased by 1.7% on the previous year, and non-wage costs per hour worked increased by 2.9% in Q4 2014
- Private sector labour costs per hour increased by 1.6% on the previous year in Q4 2014, while public sector labour costs per hour increased by 2.4%
- The finance and insurance services industry had the largest positive growth in Q4 2014 compared with Q4 2013 with an increase of 7.8%
- The textiles, leather and clothing industry had the largest negative growth in Q4 2014 on the previous year with a decline of 13.5%

## 2 . Summary

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.

Four versions of ILCH are calculated for each aggregate, both seasonally adjusted and non-seasonally adjusted, measuring changes in:

1. total labour costs per hour worked
2. wage costs per hour worked
3. other labour costs, including benefits in kind and employer social contributions (pension and national insurance contributions, sickness, maternity and paternity pay) per hour worked
4. total labour costs, excluding bonuses and arrears, per hour worked

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 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 official statistics undergoing further development work before they are submitted for assessment as a National Statistic by the UK Statistics Authority.

## 3 . Revisions

This bulletin provides information on the seasonally adjusted ILCH series. This is the first ILCH bulletin where seasonally adjusted data has been published, for the full series from 2000 Q1, and this will continue to be the case in all future ILCH bulletins. Non-seasonally adjusted data can be found on the ONS website.

This bulletin makes use of the 2011 Census adjusted LFS figures for the hours worked component and also incorporates revised Annual Survey of Hours and Earnings (ASHE) 2014 figures and Annual Business Survey (ABS) revised pension factors. Revisions have been made for the whole series from 2000 Q1 using these new data.

## 4 . Sector growth

Whole economy labour costs per hour increased by 1.8% in Q4 2014 compared with the same quarter a year earlier. This means the cost of labour increased year on year in Q4 2014, before inflation is taken into account. Total labour costs include wages and salaries, 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 was 1.7% and non-wage costs per hour worked increased by 2.9%. 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 sector labour costs (per hour) increased by 1.6% in Q4 2014. Public sector labour costs (per hour) increased by 2.4% in Q4 2014 compared with a year earlier; this series can be volatile due to small numbers included in the sample.

Figure 1.1 shows the annual change in labour costs (per hour) for the whole economy, private and public sector.

**Figure 1.1: Labour Costs Per Hour year on year growth – whole economy, private sector and public sector, Q1 2009 – Q4 2014**

United Kingdom

Figure 1.1: Labour Costs Per Hour year on year growth – whole economy, private sector and public sector, Q1 2009 – Q4 2014

United Kingdom



Source: Annual Business Survey (ABS), Annual Survey of Hours and Earnings (ASHE), Labour Force Survey, Monthly Wages and Salaries Survey - Office for National Statistics

**Notes:**

1. p = provisional, r = revised.

Now that ILCH is seasonally adjusted, it has become possible to analyse quarter on quarter growth, which has not been included in previous bulletins.

Whole economy labour costs per hour increased by 0.7% in Q4 compared with Q3 2014; the largest growth since Q2 2013. Private and public sector labour costs increased by 0.4% and 0.5% respectively.

Total wage costs grew by 0.7% in Q4 2014 compared with the previous quarter and total other costs increased by 1.0%.

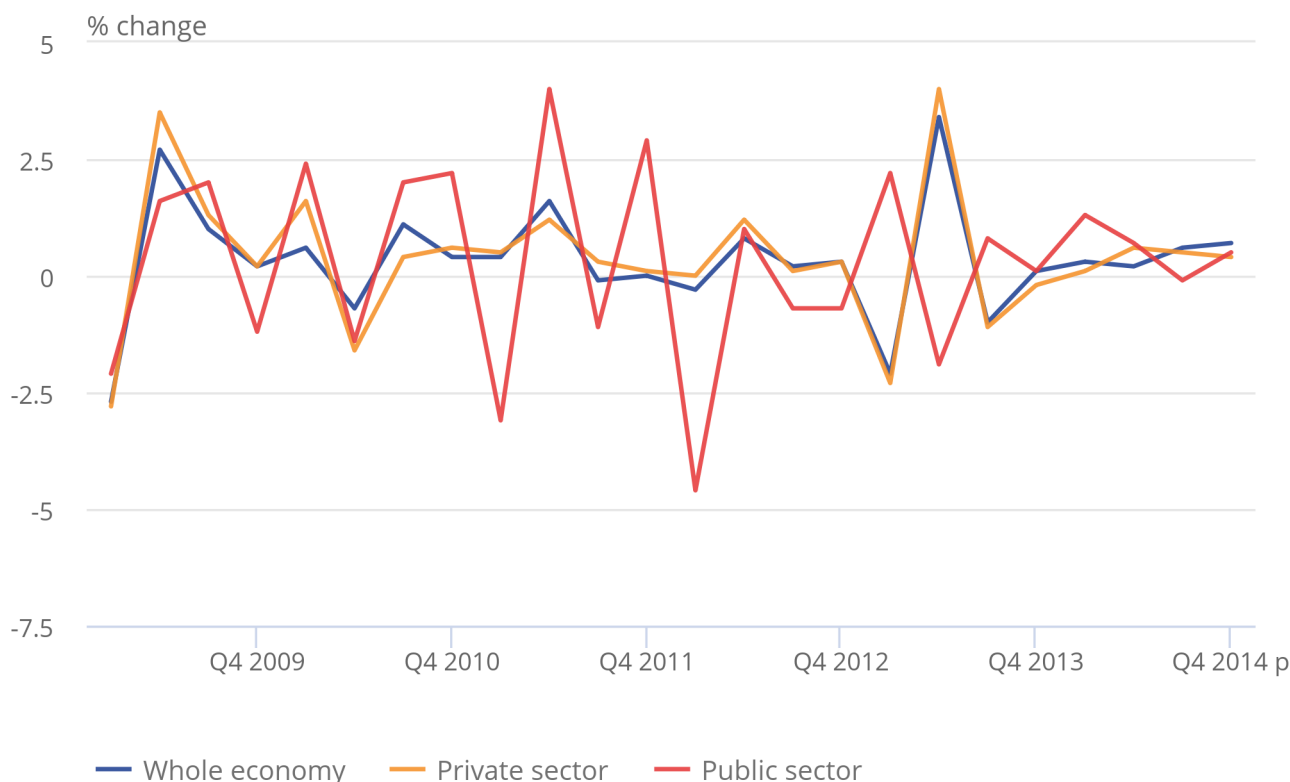
Figure 1.2 highlights the quarterly change in labour costs per hour for the whole economy, private sector and public sector.

**Figure 1.2: Labour Costs Per Hour quarter on quarter growth – whole economy, private sector and public sector, Q1 2009 – Q4 2014**

United Kingdom

Figure 1.2: Labour Costs Per Hour quarter on quarter growth – whole economy, private sector and public sector, Q1 2009 – Q4 2014

United Kingdom



Source: Annual Business Survey (ABS), Annual Survey of Hours and Earnings (ASHE), Labour Force Survey, Monthly Wages and Salaries Survey - Office for National Statistics

Notes:

1. p = provisional, r = revised.

## 5. Trends in whole economy labour costs

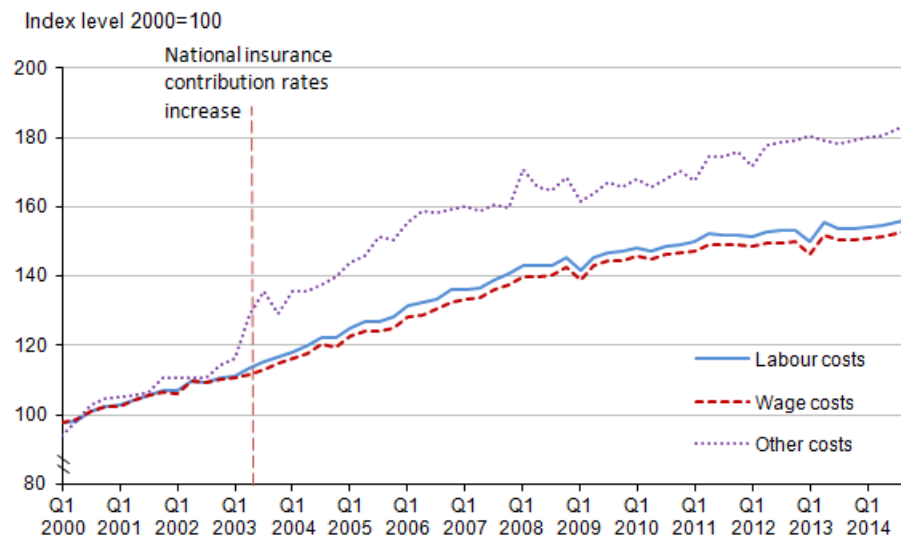
Figure 2 shows the three indices of whole economy labour costs (per hour) referenced to the year 2000: total labour costs, total wage costs and total other costs.

Total labour costs per hour worked and wage costs per hour worked continue to increase and are quite similar, with an increase of 56.7% and 53.1% since 2000 respectively. 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. Total other costs per hour have increased by 84.3% since 2000; the largest growth in the series.

**Figure 2: Whole economy Index of Labour Costs Per Hour, by component, Q1 2000 – Q4 2014**

UK



## 6 . Industry growth

### Year on year

The industry with the highest growth in labour costs was finance and insurance services, with labour costs per hour having increased by 7.8% in Q4 2014 compared to a year earlier.

Electricity, gas and water supply experienced the second largest growth in labour costs per hour in Q4 2014 with an increase of 5.8% compared with a year ago. Other industries that experienced growth in Q4 2014 include other service industries, food products, beverage and tobacco and retail trade and repair. Other service activities include membership organisations such as trade unions; repair of computers and personal and household goods and other personal service activities.

Textiles, leather and clothing experienced a large decline in labour costs in Q4 2014 compared to a year earlier; labour costs (per hour) in this industry decreased by 13.5%. This decline was driven largely by a decrease in the costs of wages and salaries and pensions per hour.

Wholesale trade and other manufacturing also experienced a decrease in labour costs compared with 2013 Q4. Other manufacturing includes the manufacture of plastic, glass, furniture, sports equipment and toys, and the repair and maintenance of machinery, electrical equipment and transport equipment.



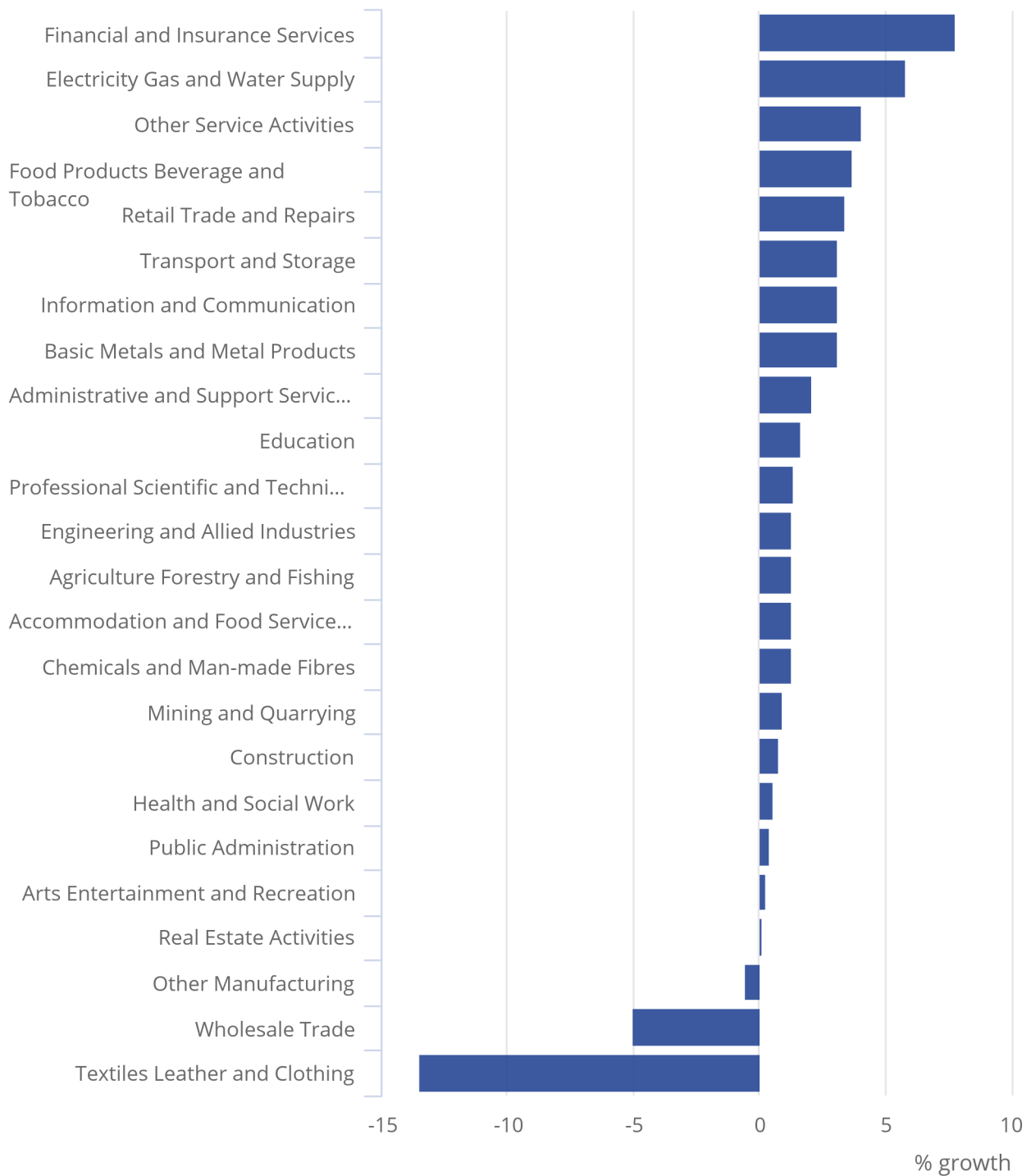
**Figure 3.1: Labour costs (Per hour) year on year growth by industry, Q4 2014**

United Kingdom



# Figure 3.1: Labour costs (Per hour) year on year growth by industry, Q4 2014

United Kingdom



## 7 . Quarter on quarter

The industry with the highest quarterly growth in labour costs was retail trade and repairs, with labour costs per hour having increased by 4.1% in Q4 2014 compared to Q3.

Finance and insurance services experienced the second largest growth in labour costs per hour in Q4 2014 with an increase of 2.7% compared with the previous quarter. Other industries that experienced growth in Q4 2014 include food products, beverage and tobacco and other service activities.

Mining and quarrying experienced the greatest decline in labour costs in Q4 2014 compared to Q3 2014. Labour costs (per hour) in this industry decreased by 3.2% on the quarter. Labour costs per hour in the textiles, leather and clothing industry declined by 3.1%. Agriculture, forestry and fishing and electricity, gas and water supply also experienced decreases in labour costs compared with the previous quarter.

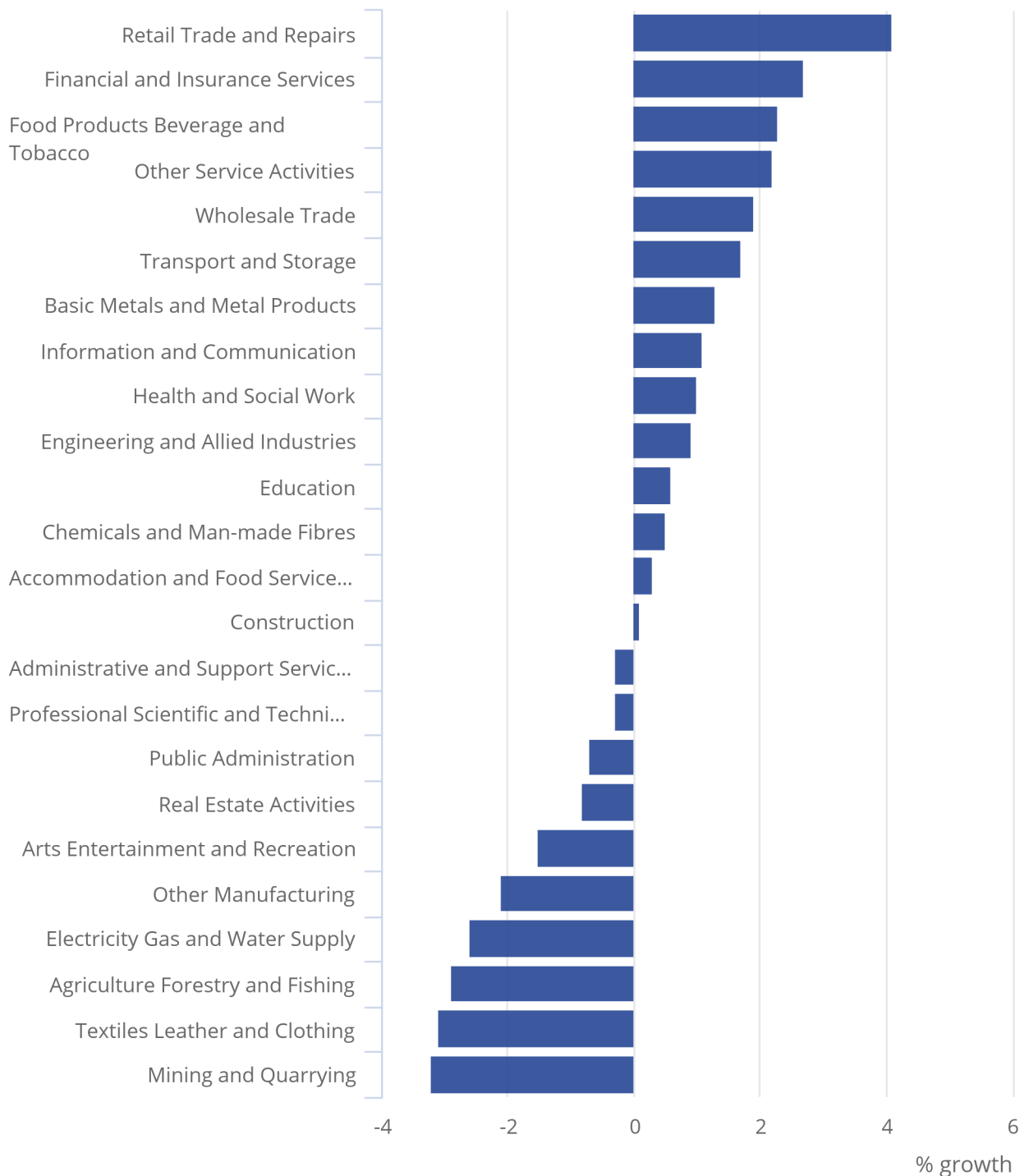


**Figure 3.2: Labour costs (Per hour) quarter on quarter growth by industry, Q4 2014**

United Kingdom

# Figure 3.2: Labour costs (Per hour) quarter on quarter growth by industry, Q4 2014

United Kingdom



## 8. Background notes

### 1. Quality

A [Quality and Methodology Information Report for ILCH](#) is available. This report describes, in detail the intended uses of the statistics presented in this publication, their general quality and the methods used to produce them.

### 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 key results in each quarter](#).

### 3. Seasonal adjustment

Like many economic indicators, the labour market is affected by factors that tend to occur at around the same time every year; for example school leavers entering the labour market in July and whether Easter falls in March or April. In order to compare movements other than annual changes in labour market statistics, such as since the previous quarter or since the previous month, the data are seasonally adjusted to remove the effects of seasonal factors and the arrangement of the calendar. All estimates discussed in this Statistical Bulletin are seasonally adjusted except where otherwise stated.

### 4. Experimental statistics

Experimental statistics are those which are in the testing phase, are not yet fully developed and have not been submitted for assessment to the UK Statistics Authority. ILCH is designated as an experimental statistic. Further information on experimental statistics can be found on the ONS website.

### 5. Details of the policy governing the release of new data are available by visiting [www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html](http://www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html) or from the Media Relations Office email: [media.relations@ons.gsi.gov.uk](mailto:media.relations@ons.gsi.gov.uk)