

Statistical bulletin

# Index of labour costs per hour, UK: April to June 2018 (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), seasonally adjusted, increased by 3.2% in Quarter 2 (Apr to June) 2018, compared with Quarter 2 2017.
- Wage costs per hour worked increased by 3.1% and estimated non-wage costs per hour worked increased by 3.7% in Quarter 2 2018, compared with Quarter 2 2017.
- Compared with Quarter 1 (Jan to Mar) 2018, the whole economy ILCH increased by 0.2%; wage costs increased by 0.4% and non-wage costs decreased by 0.4% per hour.
- The chemicals and man-made fibres industry within the manufacturing sector saw the largest increase in labour costs per hour, compared with the same quarter a year earlier, having increased by 12.4%; other services saw the largest decrease of 5%.
- The industry with the highest percentage quarterly growth in labour costs to Quarter 2 2018 was the chemicals and man-made fibres industry within the manufacturing sector, with an increase of 4.8%; the arts, entertainment and recreation industry had the largest decrease with a decline of 4%.

## 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 drawn mainly 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. 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 between Quarter 2 2017 and Quarter 1 (Jan to Mar) 2018. The discontinued variable concerned the contracting out of State Pensions and so those industries predominantly in the public sector were most affected.

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 . Whole economy labour costs increase by 3.2%

## Year-on-year

Whole economy labour costs per hour increased by 3.2% in Quarter 2 (Apr to June) 2018 compared with Quarter 2 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).

Note that the annual growth estimates for periods Quarter 2 2017 to Quarter 1 (Jan to Mar) 2018 will have been impacted by a change in the method of estimating of National Insurance contributions, in Quarter 2 2017 (see the Things you need to know about this release section). The growth rates to Quarter 2 2018 are not affected.

Wage costs per hour worked – which are unaffected by the change noted previously – in Quarter 2 2018 were 3.1% higher than in the same quarter a year earlier.

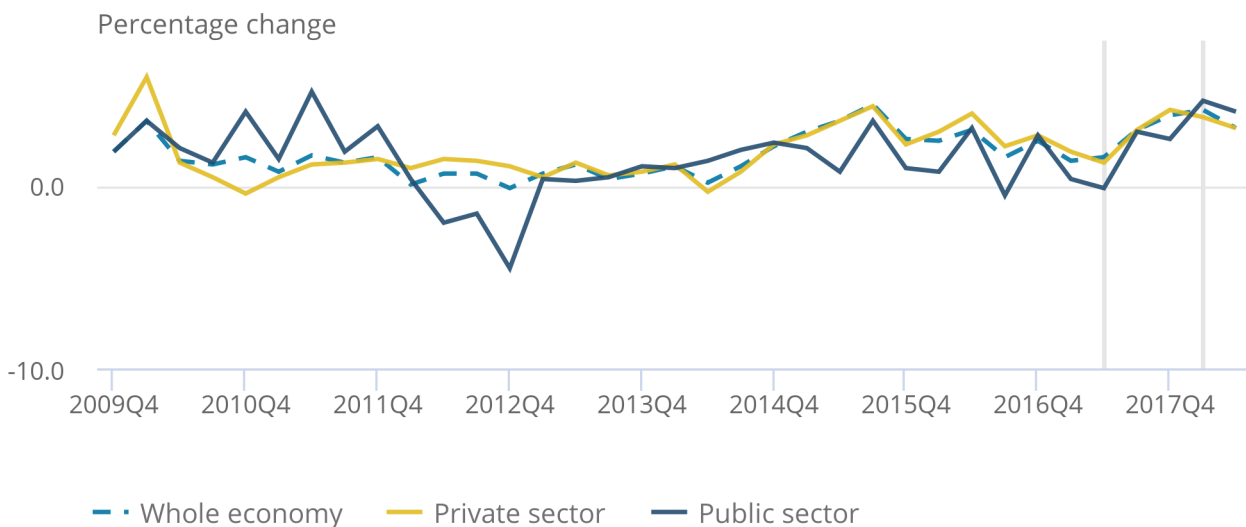
### Figure 1: Labour costs per hour year-on-year growth, seasonally adjusted – whole economy, private sector and public sector

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 2 (Apr to June) 2018

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UK, Quarter 4 (Oct to Dec) 2009 to Quarter 2 (Apr to June) 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

#### 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 2018, whole economy labour costs per hour increased by 0.2% in Quarter 2 2018. Private and public sector labour costs per hour increased by 0.5% and 0.1% respectively in Quarter 2 2018 compared with the previous quarter, as seen in Figure 2.

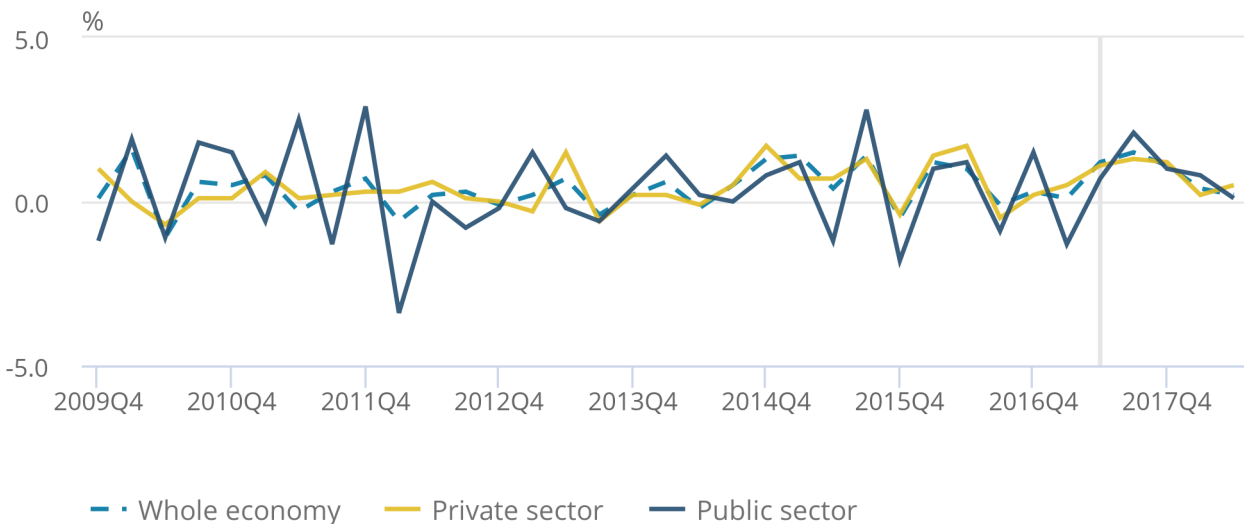
Total wage costs increased by 0.4% in Quarter 2 2018 compared with the previous quarter and total other costs decreased by 0.4%.

**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 2 (Apr to June) 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 2 (Apr to June) 2018



Source: 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).

## 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 driven largely by wages and salaries.

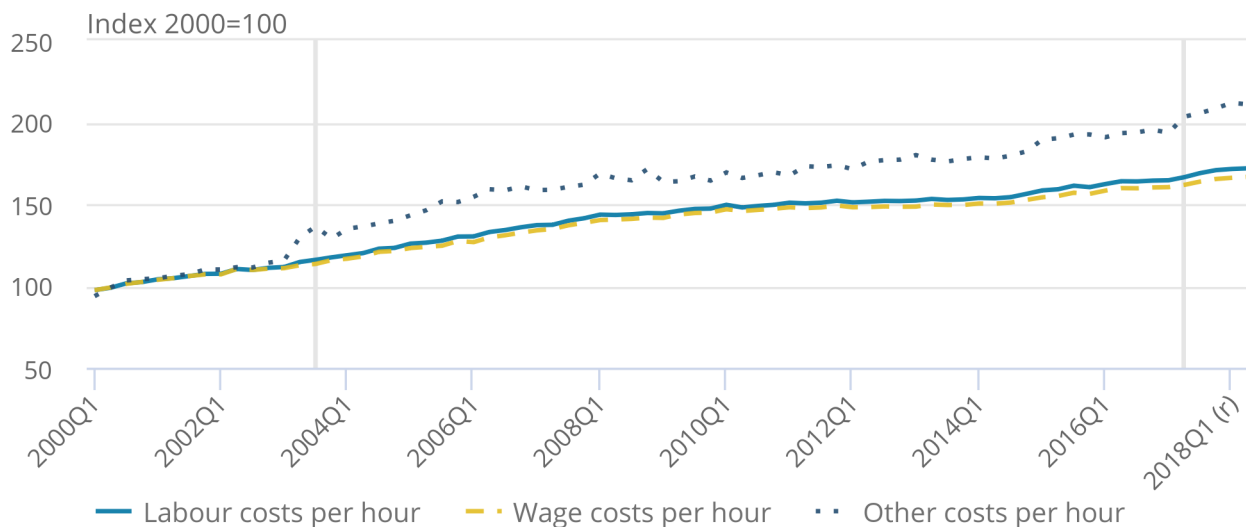
The path of other labour costs follows that of the total, as might be expected, but at points moves differently, as changes in non-wage costs affect the series. The largest move away from wage costs occurred in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced.

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

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 2 (Apr to June) 2018

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

UK, Quarter 4 (Oct to Dec) 2009 to Quarter 2 (Apr to June) 2018



Source: 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).

## 5 . The chemicals and man-made fibres industry within the manufacturing sector sees highest year-on-year growth

### Year-on-year

The industry with the highest percentage growth in labour costs was the chemicals and man-made fibres industry within the manufacturing sector, with labour costs per hour having increased by 12.4% in Quarter 2 (Apr to June) 2018 compared with a year earlier (Figure 4). This growth in labour costs is estimated primarily to be from non-wage costs within this industry, although wage costs also demonstrated a strong increase.

Real estate activities experienced the second-largest percentage growth in labour costs per hour in Quarter 2 2018, with an increase of 10.7% compared with the previous year.

Other services experienced the largest decline in labour costs in Quarter 2 2018 compared with a year earlier; labour costs per hour in this industry decreased by 5%. The food products, beverages and tobacco industry within the manufacturing sector had the second-largest decline in labour costs, decreasing by 3.6% compared with the previous year.



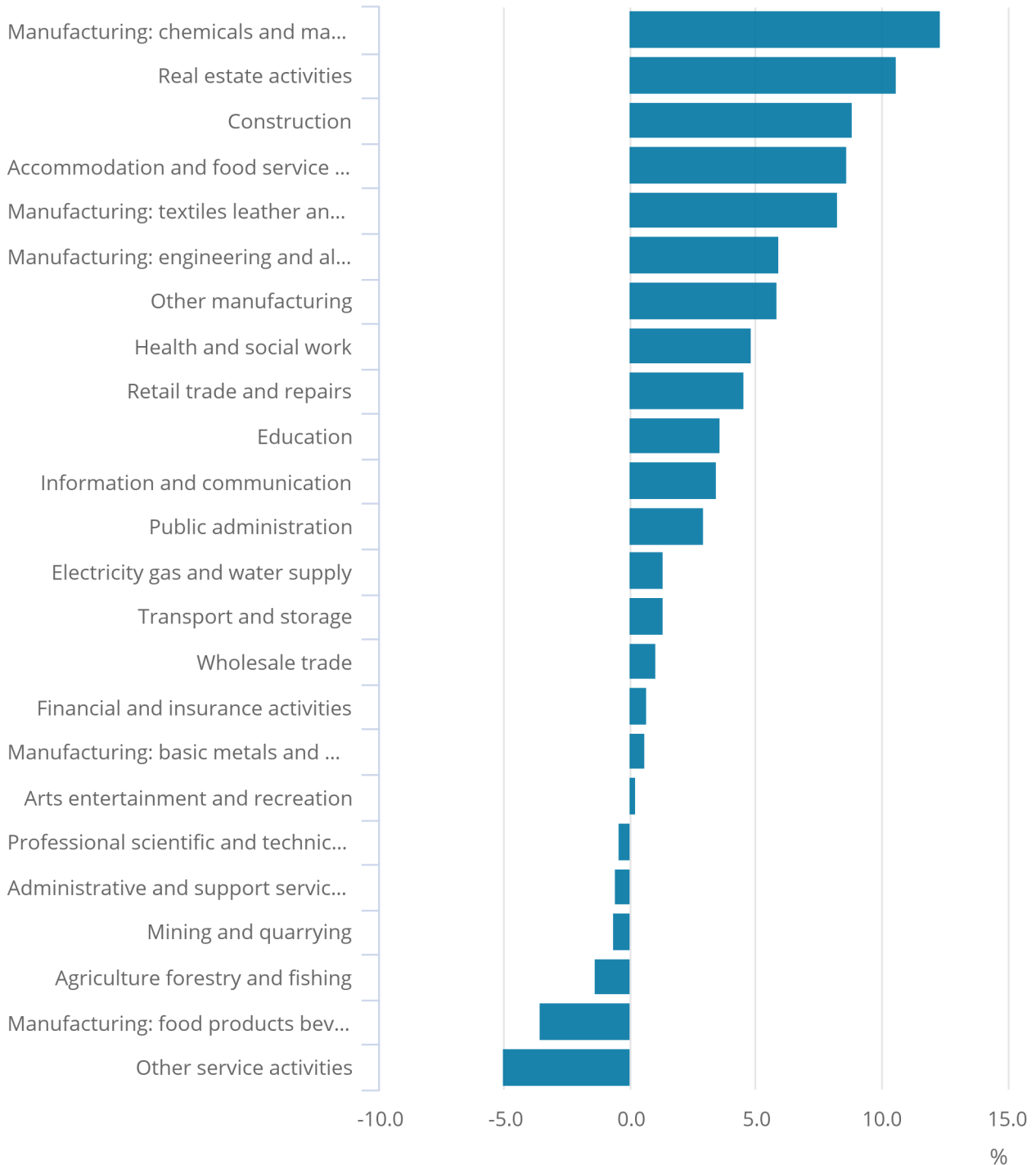
**Figure 4: Labour costs per hour year-on-year growth by industry, seasonally adjusted**

UK, Quarter 2 (Apr to June) 2018



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

UK, Quarter 2 (Apr to June) 2018



Source: 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 chemicals and man-made fibres industry within the manufacturing sector, with labour costs per hour having increased by 4.8% in Quarter 2 2018 compared with Quarter 1 (Jan to Mar) 2018 (Figure 5).

Retail trade and repairs experienced the second-largest percentage growth in labour costs per hour in Quarter 2 2018, with an increase of 2.2% compared with the previous quarter. The basic metals and metal products industry within the manufacturing sector (1.9%) and the accommodation and food service activities industry (1.9%) experienced the third- and fourth-largest percentage growth respectively.

The arts, entertainment and recreation industry experienced the largest decline in labour costs in Quarter 2 2018 compared with Quarter 1 2018. Labour costs per hour in this industry decreased by 4% on the previous quarter. The mining and quarrying industry (3.3%) and the engineering and allied industries within the manufacturing sector (3%) had the second- and third-largest declines respectively.

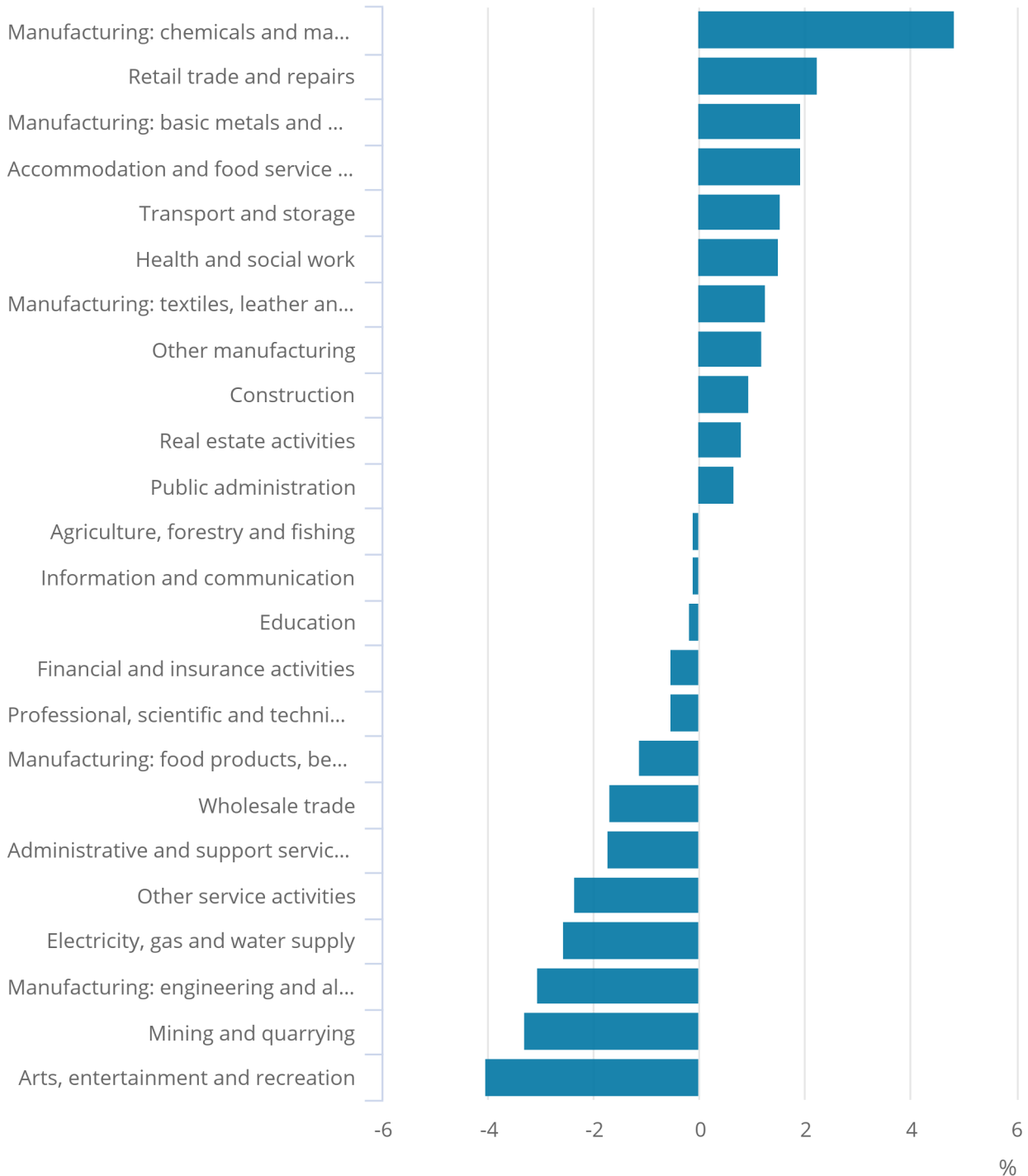


**Figure 5: Labour costs per hour quarter-on-quarter growth by industry, seasonally adjusted**

UK, Quarter 2 (Apr to June) 2018

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

UK, Quarter 2 (Apr to June) 2018



Source: 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 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 Quarter 2 2017, Quarter 3 (July to Sept) 2017, 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.