

Statistical bulletin

# Index of Labour Costs per Hour, UK: July to September 2019

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

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## Table of contents

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

# 1 . Main points

- Estimated annual growth in labour costs per hour for employees across the whole economy, seasonally adjusted, increased by 3.8%.
- Wage costs per hour worked increased by 4% and estimated non-wage costs per hour worked increased by 2.8%, compared with Quarter 3 (July to Sept) 2018.
- The value of labour costs were estimated at £20.20 per hour at whole economy level; wage costs contributed £17.10, with non-wage costs, such as pensions and National Insurance contributions, making up the rest.
- The industry with the highest labour costs is the financial and insurance activities industry, with labour costs of £45.00 per hour.
- The accommodation and food service activities industry has the lowest labour costs, at £10.70 per hour.

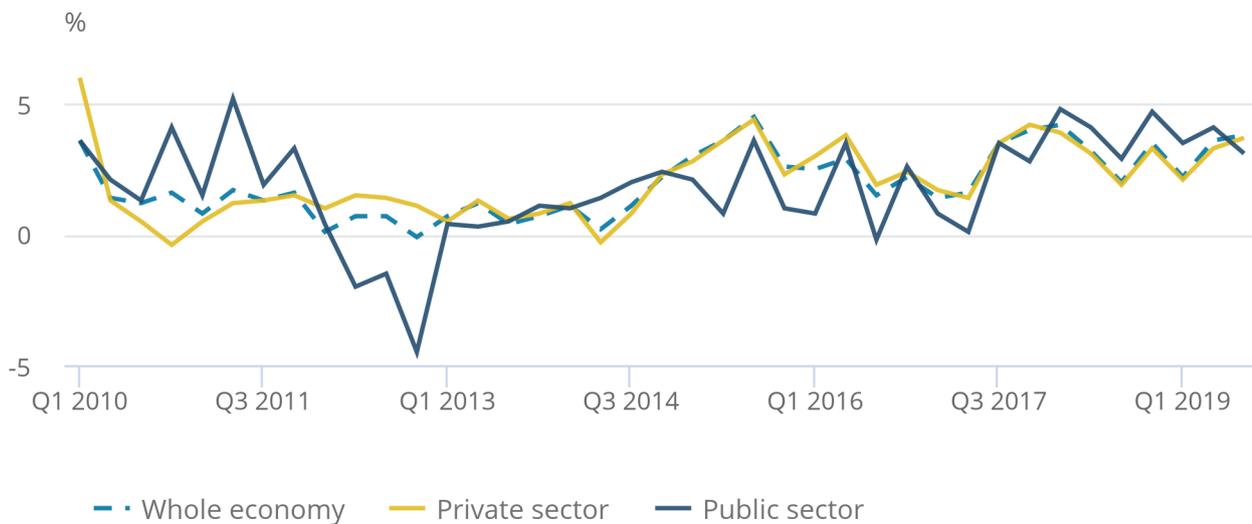
## 2 . Changes in labour costs per hour

**Figure 1: Whole economy labour costs per hour increased by an annual 3.8% in Quarter 3 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 3 (July to Sept) 2019

### Figure 1: Whole economy labour costs per hour increased by an annual 3.8% in Quarter 3 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 3 (July to Sept) 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. (r) is revised data.
3. (p) is provisional data.

Whole economy labour costs per hour increased by 3.8% in Quarter 3 (July to Sept) 2019 compared with Quarter 3 2018, before inflation is considered.

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.

Growth was higher in the private sector (3.7%) than the public sector (3.1%). This pattern is a reversal of the recent quarters but is consistent with the pattern seen from late 2014 to late 2017.

The recent 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 3 2019**

Whole economy Index of Labour Costs per Hour, by component, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 2019

Figure 2: Wage costs have stronger growth than non-wage costs in Quarter 3 2019

Whole economy Index of Labour Costs per Hour, by component, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2000 to Quarter 3 (July to Sept) 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).
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Wage costs per hour worked in Quarter 3 2019 were 4.0% higher than in Quarter 3 2018 and non-wage costs were 2.8% higher. This wage growth is consistent with the quarterly growth reported by the [Average weekly earnings](#).

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

Labour costs increased to £20.20 per hour in Quarter 3 (July to Sept) 2019, which is the highest since the series began (not adjusted for inflation).

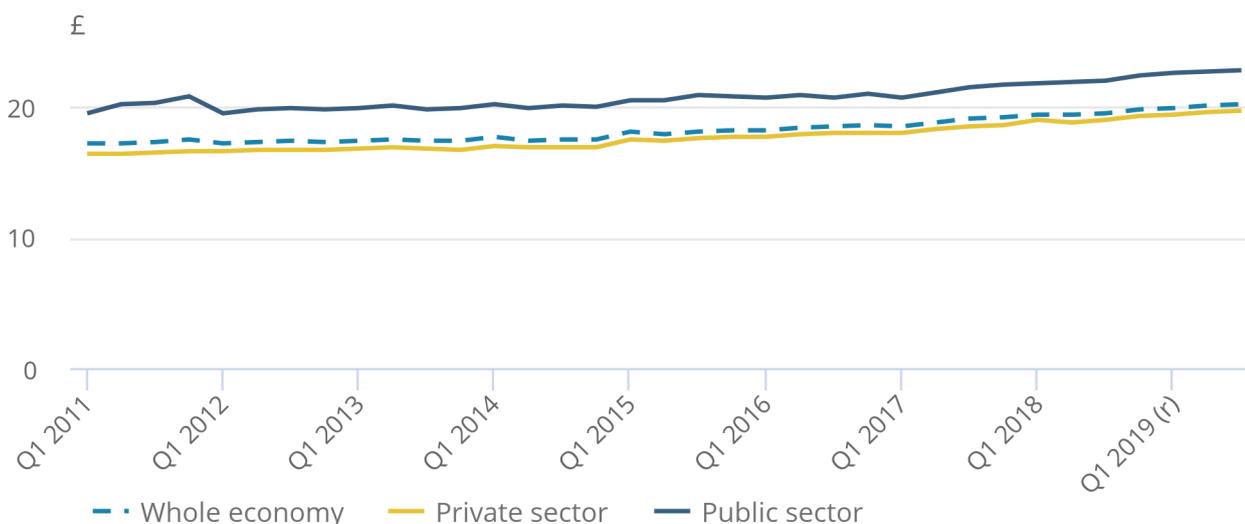
In response to user feedback, data and commentary associated with the value (£) of labour costs at whole economy and sectors, and industry level were included in this bulletin for the first time in September 2019. These changes do not affect the methodology of the existing index-based estimates.

**Figure 3: Labour costs increased to £20.20 per hour in Quarter 3 2019**

Labour Costs per Hour (£) - whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 3 (July to Sept) 2019

Figure 3: Labour costs increased to £20.20 per hour in Quarter 3 2019

Labour Costs per Hour (£) - whole economy, private sector and public sector, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2011 to Quarter 3 (July to Sept) 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).
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Wage costs increased to £17.10 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 3 2019.

Total labour costs are higher in the public sector (£22.80) than the private sector (£19.70), with non-wage costs making a higher proportion of total labour costs in the public sector (18%) compared with the private sector (15%).

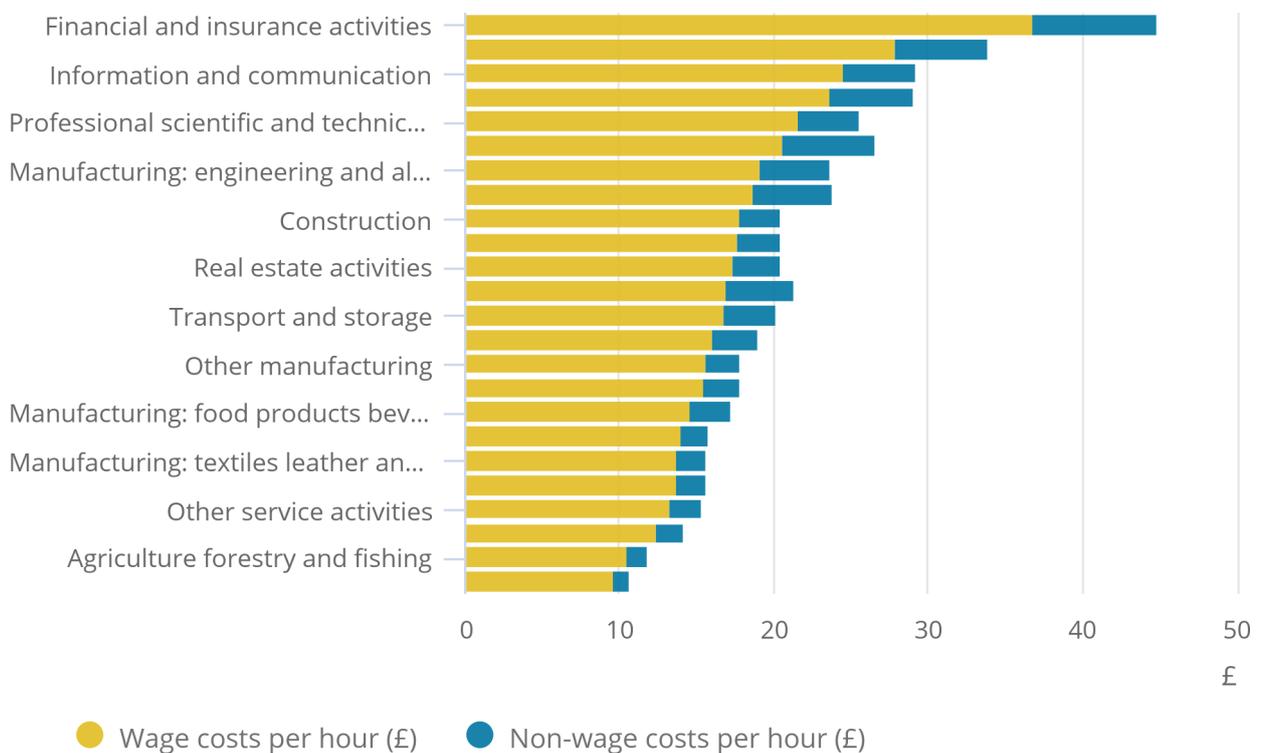
## 4 . Labour costs by industry

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

Labour costs per hour (£) by industry, seasonally adjusted, UK, Quarter 3 (July to Sept) 2019

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

Labour costs per hour (£) by industry, seasonally adjusted, UK, Quarter 3 (July to Sept) 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).

The industry with the largest labour costs per hour in Quarter 3 (July to Sept) 2019 was the financial and insurance activities industry, at £45.00 per hour, followed by the mining and quarrying industry at £33.90 per hour.

Labour costs per hour were lowest in the accommodation and food service activities industry, at £10.70 per hour.

## 5 . Labour costs per hour data

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

Datasets | Released 16 December 2019

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

## 6 . 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.

## 7 . 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.

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

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 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 at [earnings@ons.gov.uk](mailto:earnings@ons.gov.uk)

## 8 . 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.

## 9 . Related links

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

Bulletin | Released 12 November 2019

Estimates of growth in earnings for employees before tax and other deductions from pay. December 2019 release available on 17 December 2019.

### [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: November 2019](#)

Article | Released 12 November 2019

Additional economic analysis of the latest UK labour market headline statistics and long-term trends. December 2019 release available on 17 December 2019.