

Statistical bulletin

# Index of labour costs per hour, UK: October to December 2017 (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 3.7% in Quarter 4 (Oct to Dec) 2017, compared with Quarter 4 2016 and increased by 1.0% compared with the previous quarter, Quarter 3 (July to Sept) 2017.
- Wage costs per hour worked increased by 3.1% in Quarter 4 2017 compared with Quarter 4 2016 and non-wage costs per hour worked increased by 6.5%.
- Private sector labour costs per hour increased by 4.0% in Quarter 4 2017 compared with Quarter 4 2016, while public sector labour costs per hour increased by 2.5%.
- The basic metals and metal products industry within the manufacturing sector saw the largest increase in Quarter 4 2017 compared with Quarter 4 2016, of 11.4%.
- The other service activities industry had the largest decrease in Quarter 4 2017 compared with Quarter 4 2016, with a decline of 8.6%.

## 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.

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 . What's changed in this release

As a result of a seasonal adjustment review, all seasonally adjusted data in this release have been revised back to Quarter 1 2000.

## 4 . Whole economy labour costs increase by 3.7%

## Year-on-year

Whole economy labour costs per hour increased by 3.7% in Quarter 4 (Oct to Dec) 2017 compared with Quarter 4 2016, before inflation is taken into account, as seen in Figure 1. 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).

The growth in wage costs per hour worked in Quarter 4 2017 compared with the same quarter a year earlier was 3.1%. Non-wage costs per hour worked increased by 6.5%.

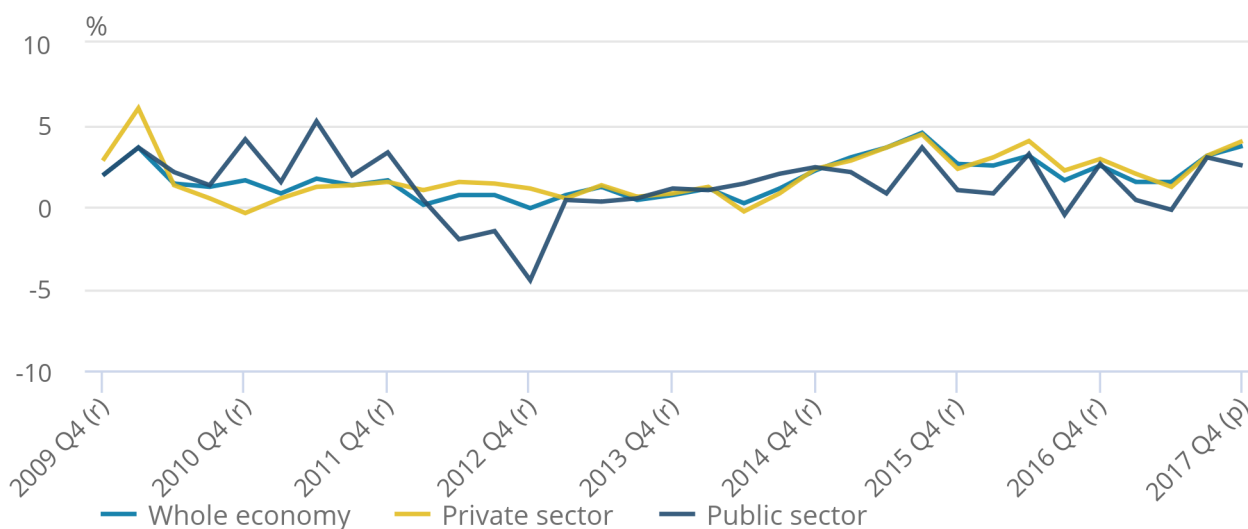
Private and public sector labour costs per hour increased by 4.0% and 2.5% respectively in Quarter 4 2017 compared with the same quarter a year earlier. Figure 1 helps illustrate the volatility of the latter series due to the small numbers included in the sample.

**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 4 (Oct to Dec) 2017

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 4 (Oct to Dec) 2017



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).
2. p - provisional, r - revised.

## Quarter-on-quarter

Compared with the previous quarter, Quarter 3 (July to Sept) 2017, whole economy labour costs per hour increased by 1.0% in Quarter 4 2017. Private and public sector labour costs per hour increased by 1.1% and 0.9% respectively in Quarter 4 2017 compared with the previous quarter, as seen in Figure 2.

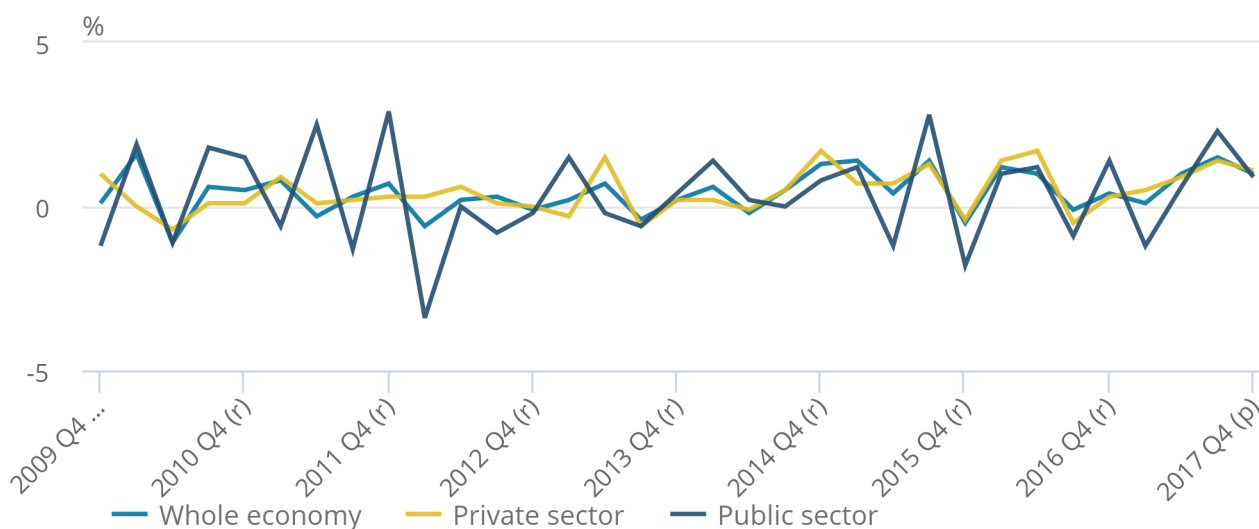
Total wage costs increased by 0.8% in Quarter 4 2017 compared with the previous quarter and total other costs increased by 1.2%.

### 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 4 (Oct to Dec) 2017

#### 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 4 (Oct to Dec) 2017



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).
2. p = provisional, r = revised

## 5 . What are the trends in whole economy labour costs?

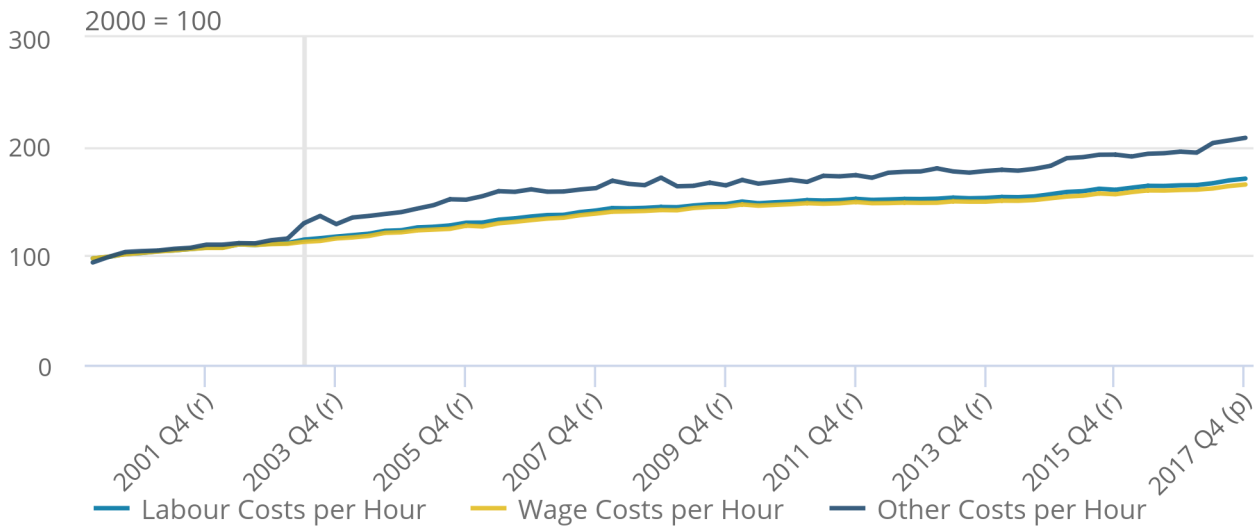
Total labour costs per hour worked and wage costs per hour worked are quite similar, as shown in Figure 3. This reflects the structure of labour costs in the UK, which is driven largely by wages and salaries.

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 4 (Oct to Dec) 2017

The divergence between other costs and wage costs occurred in Quarter 2 2003, when new National Insurance contribution (NIC) rates were introduced.



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).
2. p = provisional, r = retired

## 6 . The basic metals and metal products industry within the manufacturing sector sees highest year-on-year growth

## Year-on-year

The industry with the highest growth in labour costs was the basic metals and metal products industry within the manufacturing sector, with labour costs per hour having increased by 11.4% in Quarter 4 (Oct to Dec) 2017 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.

The chemicals and man-made fibres industry within the manufacturing sector experienced the second-largest growth in labour costs per hour in Quarter 4 2017, with an increase of 9.7% compared with the previous year.

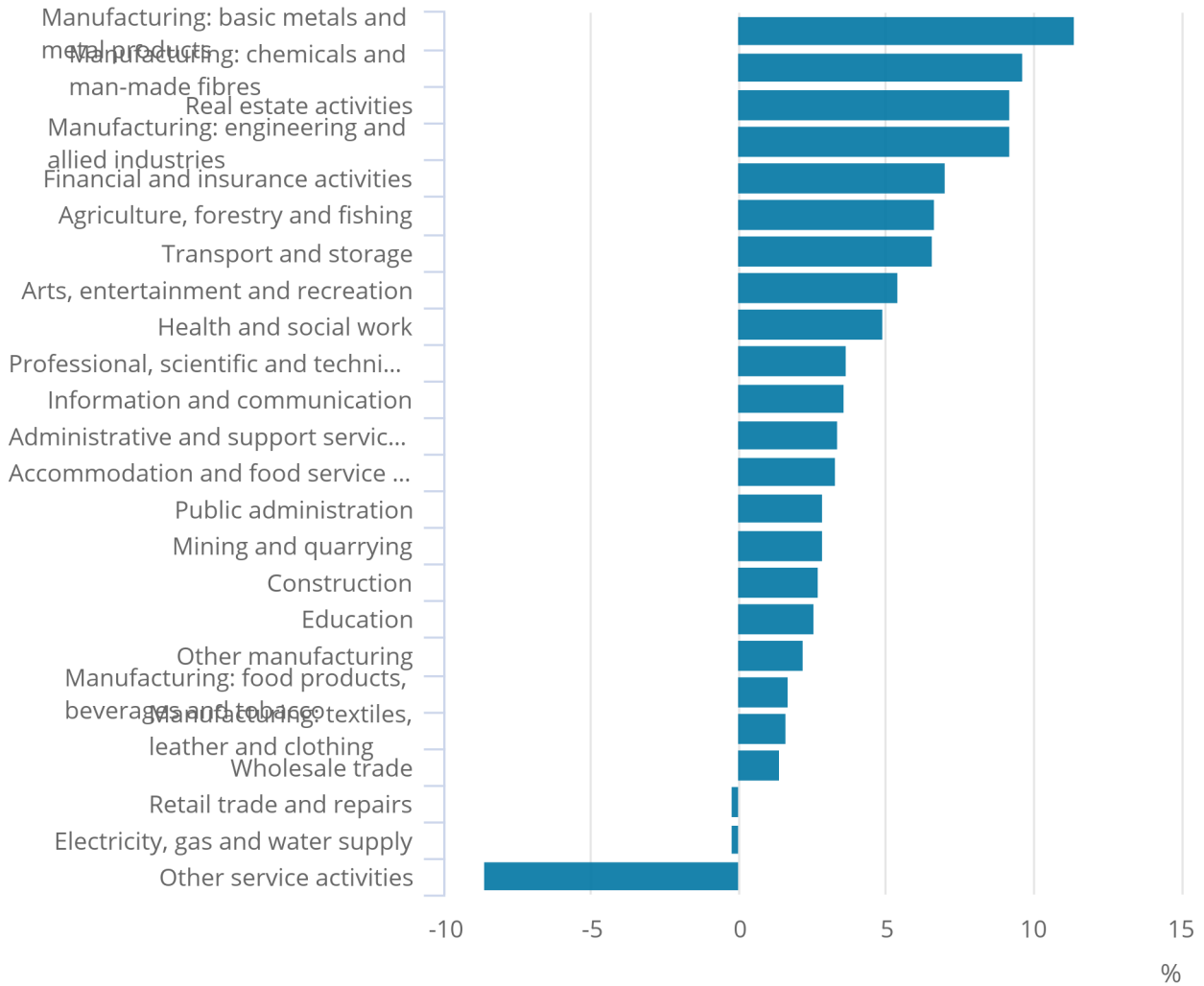
The other service activities industry experienced the largest decline in labour costs in Quarter 4 2017 compared with a year earlier; labour costs per hour in this industry decreased by 8.6%.

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

UK, Quarter 4 (Oct to Dec) 2017

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

UK, Quarter 4 (Oct to Dec) 2017



Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

### Quarter-on-quarter

The industry with the highest quarterly growth in labour costs was the arts, entertainment and recreation industry, with labour costs per hour having increased by 6.5% in Quarter 4 2017 compared with Quarter 3 (July to Sept) 2017 (Figure 5).

The mining and quarrying industry experienced the second-largest growth in labour costs per hour in Quarter 4 2017, with an increase of 5.3% compared with the previous quarter.

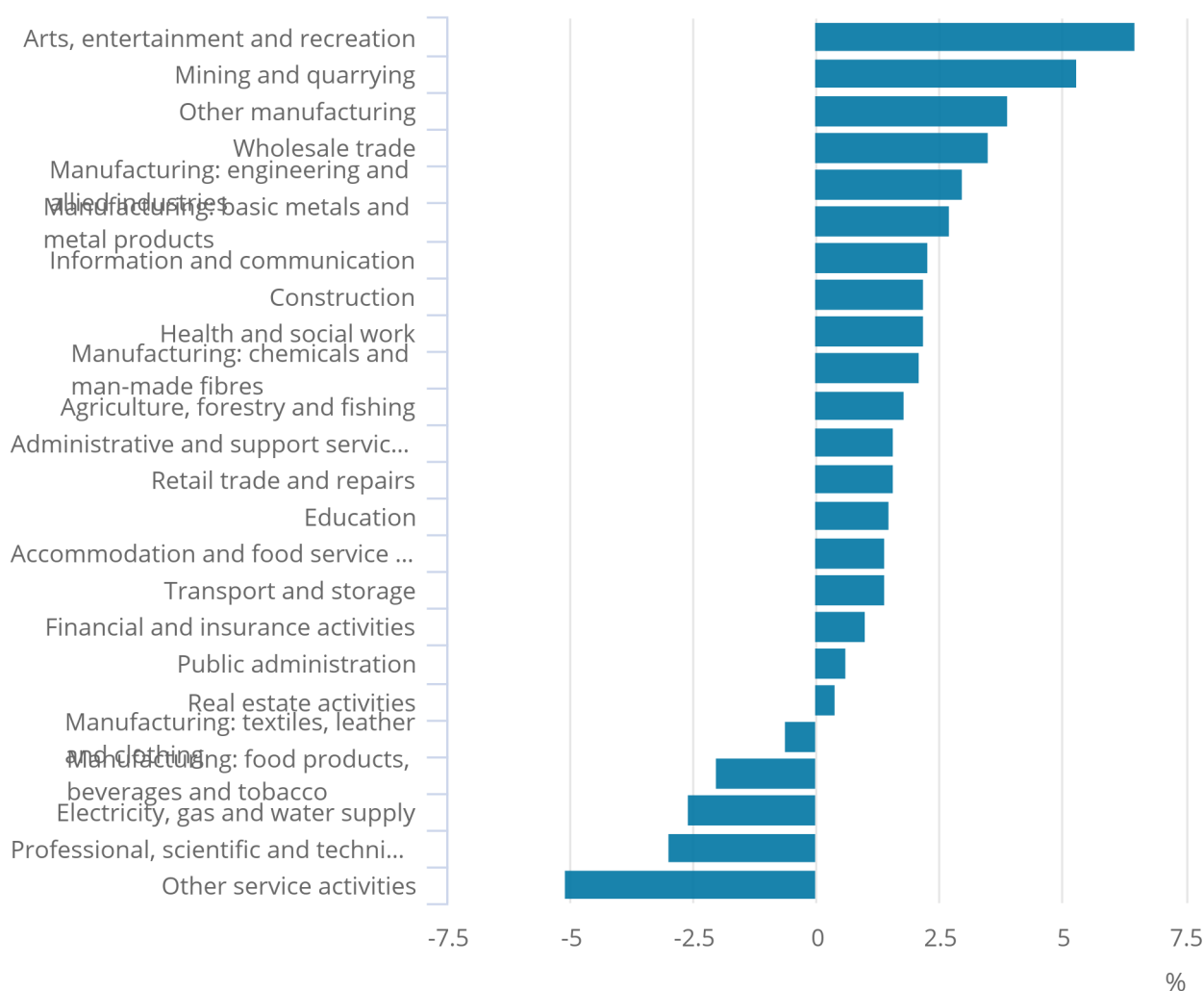
The other service activities industry experienced the largest decline in labour costs in Quarter 4 2017 compared with Quarter 3 2017. Labour costs per hour in this industry decreased by 5.1% on the previous quarter.

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

UK, Quarter 4 (Oct to Dec) 2017

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

UK, Quarter 4 (Oct to Dec) 2017



Source: Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)



## 7 . 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.

## 8 . 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](#).