

Statistical bulletin

# Index of Labour Costs per Hour, UK: January to March 2019

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

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Release date:  
17 June 2019

Next release:  
To be announced

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# 1 . Main points

- The Index of Labour Costs per Hour (ILCH) for whole economy, seasonally adjusted, increased by 2.1% in Quarter 1 (Jan to Mar) 2019, compared with Quarter 1 2018.
- Wage costs per hour worked increased by 2.1% and estimated non-wage costs per hour worked increased by 1.3%.
- Compared with Quarter 4 (Oct to Dec) 2018, for the whole economy, ILCH decreased by 0.7%; wage costs decreased by 0.5% and non-wage costs decreased by 0.6% per hour.
- The four industries with lowest year-on-year growth in labour cost per hour (in all cases the growth was negative) are all in manufacturing.

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.

## 2 . Analysis

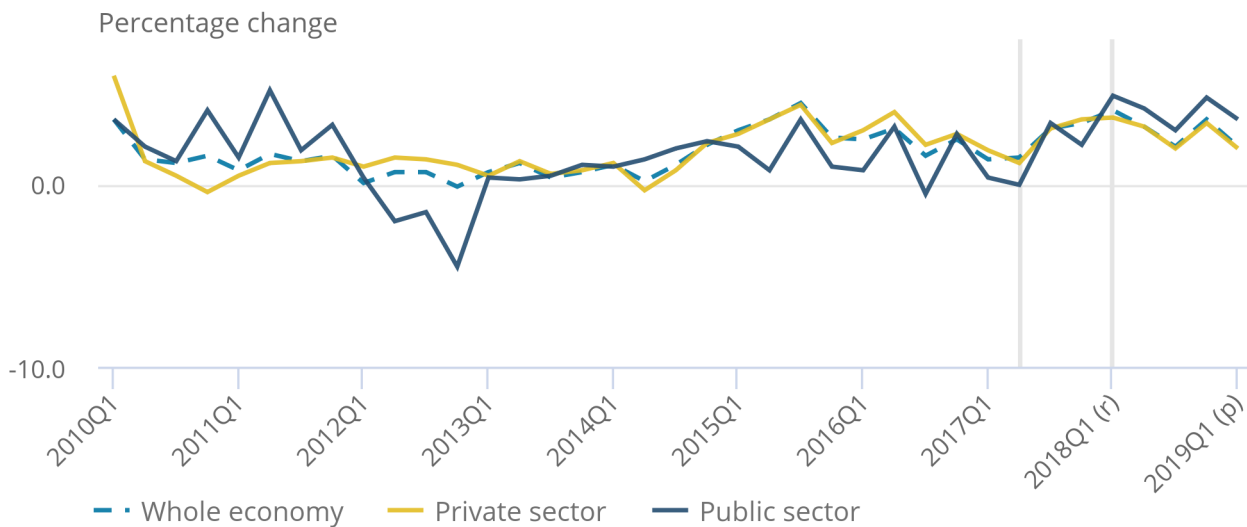
**Figure 1: Whole economy labour costs per hour increased by an annual 2.1% in Quarter 1 2019**

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 1 2019

Figure 1: Whole economy labour costs per hour increased by an annual 2.1% in Quarter 1 2019

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

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 1 2019



**Source: Office for National Statistics – Monthly Wages and Salaries Survey, Labour Force Survey**

**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 per hour increased by 2.1% in Quarter 1 (Jan to Mar) 2019 compared with Quarter 1 2018, before inflation is considered. This is the joint-lowest (with Quarter 3 (July to Sept) 2018) annual growth rate since mid-2017.

Growth was lower in the private sector (2.0%) than the public sector (3.6%).

This pattern is consistent with recent quarters but is a reversal of the pattern seen from late 2014 to late 2017. The recent pattern has been driven in part by changing levels of bonus and arrears payments (when both are excluded, the difference in labour cost growth between private and public sectors is smaller).

Wage costs per hour worked in Quarter 1 2019 were 2.1% higher than in Quarter 1 2018 and non-wage costs were 1.3% higher. The 2.1% wage costs growth is lower than average wage growth reported by the [Average Weekly Earnings release](#) and reflects more [reported hours](#) being worked.

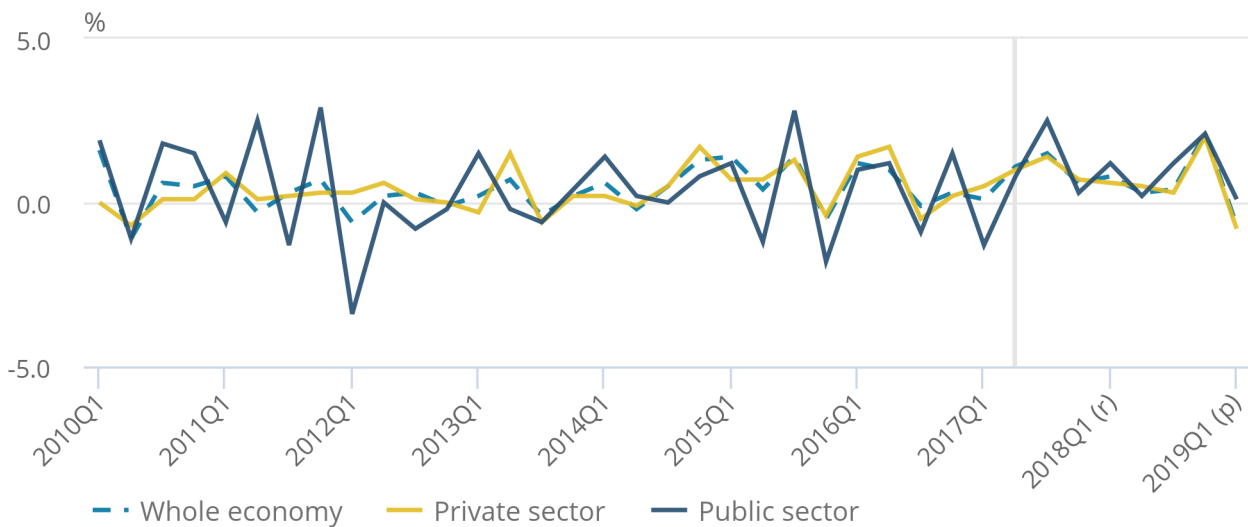
Wage costs include wages and salaries (including bonuses and arrears) and benefits in kind. Non-wage costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions.

**Figure 2: Labour costs per hour decreased by 0.7% from Quarter 4 2018 to Quarter 1 2019, following a large rise in the previous quarter**

Labour costs per hour quarter-on-quarter growth, seasonally adjusted – whole economy, private sector and public sector, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 1 2019

Figure 2: Labour costs per hour decreased by 0.7% from Quarter 4 2018 to Quarter 1 2019, following a large rise in the previous quarter. Method of estimating National Insurance contributions changed in Quarter 2 2017 affecting quarterly growth for Quarter 1 to Quarter 1 2017 only.

Labour costs per hour quarter-on-quarter growth, seasonally adjusted – whole economy, private sector and public sector, UK, Quarter 1 (Jan to Mar) 2010 to Quarter 1 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).

Compared with the previous quarter, Quarter 4 (Oct to Dec) 2018, whole economy labour costs per hour decreased by 0.7% in Quarter 1 2019.

This is the largest quarter-on-quarter fall since 2010. However, it follows a particularly strong growth from Quarter 3 to Quarter 4 in 2018. Combining growth in the two most recent quarters gives a pattern that is similar to quarters preceding them.

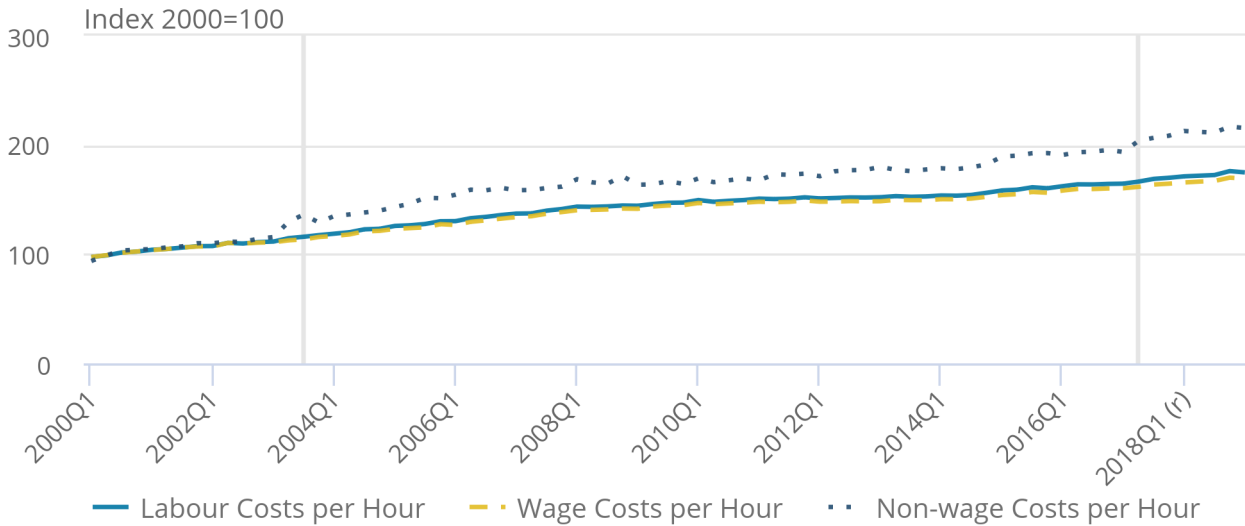
Total wage costs decreased by 0.5% in Quarter 1 2019 compared with the previous quarter and total other costs decreased by 0.6%.

**Figure 3: Since 2015 non-wage costs have grown faster than wage costs**

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

Figure 3: Since 2015 non-wage costs have grown faster than wage costs

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

Since 2015, the trend is for higher growth in non-wage costs than in wage costs.

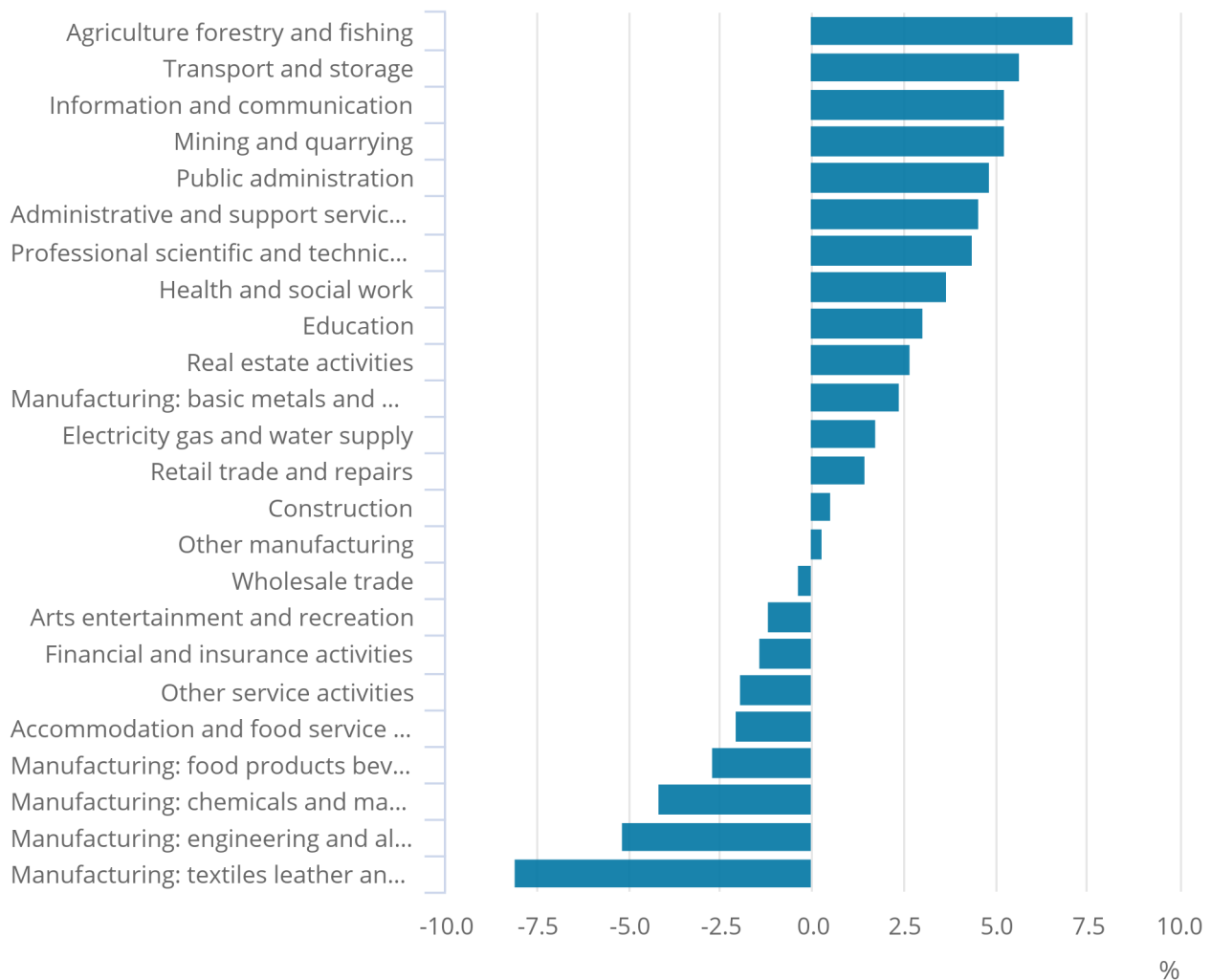
The longer time series highlights a pronounced relative increase in non-wage costs in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced.

**Figure 4: Year-on-year growth in labour costs per hour is negative across most of the manufacturing sector**

Labour costs per hour year-on-year growth by industry, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2019

**Figure 4: Year-on-year growth in labour costs per hour is negative across most of the manufacturing sector**

Labour costs per hour year-on-year growth by industry, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2019



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

The four industries with lowest percentage growth in labour costs (year-on-year) are all in manufacturing.

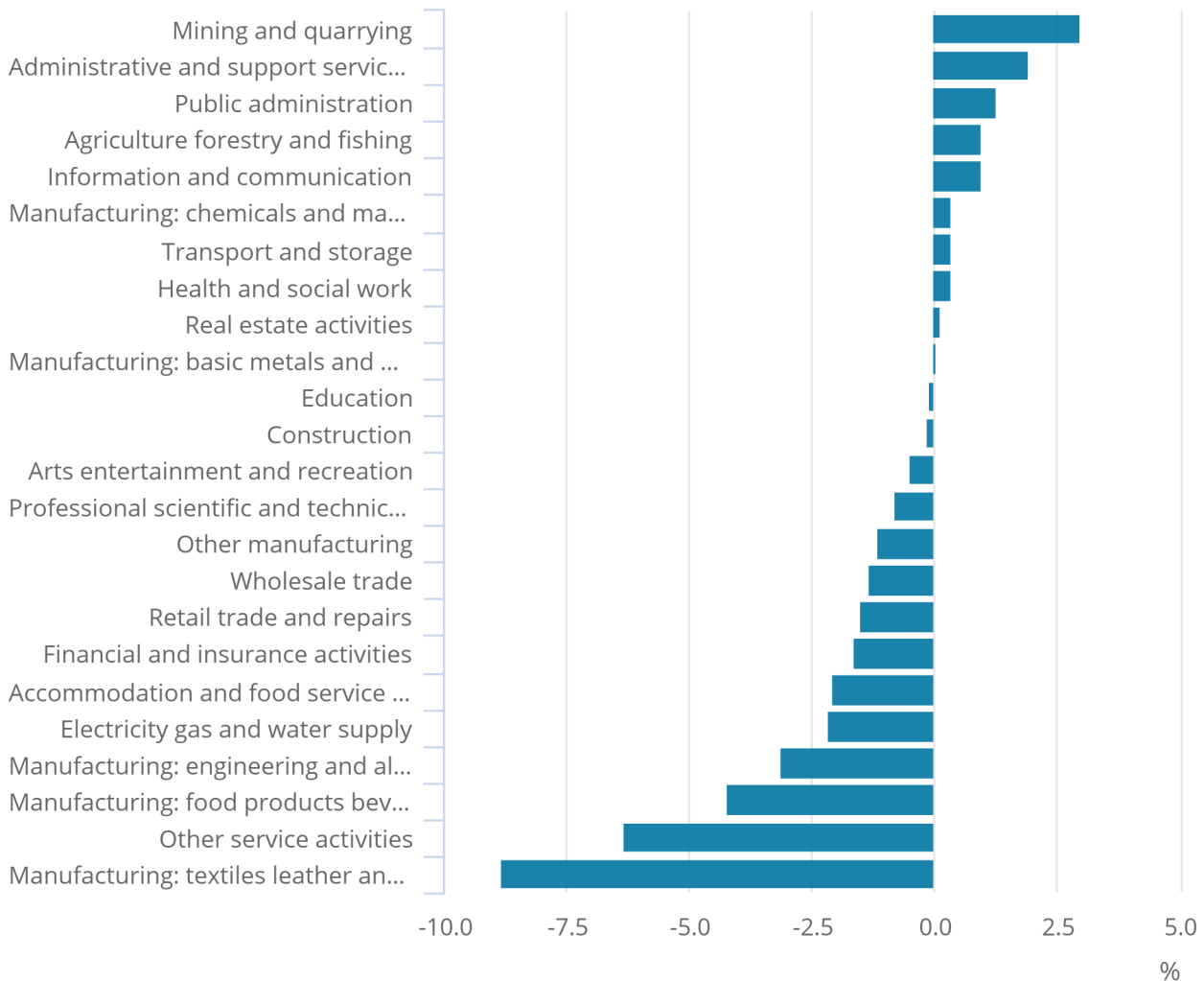
For these four manufacturing industries, both wage growth and non-wage growth have been negative, indicating more hours being worked; however, wage costs per hour have been a little more suppressed than the non-wage costs.

**Figure 5: Quarter-on-quarter growth has also seen a fall in labour cost per hour within manufacturing industries**

Labour costs per hour quarter-on-quarter growth by industry, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2019

**Figure 5: Quarter-on-quarter growth has also seen a fall in labour cost per hour within manufacturing industries**

Labour costs per hour quarter-on-quarter growth by industry, seasonally adjusted, UK, Quarter 1 (Jan to Mar) 2019



Source: Office for National Statistics – Monthly Wages and Salaries Survey (MWSS); Labour Force Survey (LFS)

Three manufacturing industries have seen negative growth since Quarter 4 2018, highlighting that the year-on-year fall flagged in Figure 4 is driven largely by recent changes in costs per hour.

## 3 . Data

[Index of labour costs per hour in the UK](#)

Datasets | Released 17 June 2019

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

## 4 . 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.

## 5 . 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.

## 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 . You might also be interested in

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

Bulletin | Released 11 June 2019

Estimates of growth in earnings for employees before tax and other deductions from pay.

### [Employee earnings in the UK: 2018](#)

Bulletin | Released 25 October 2018

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](#)

Article | Released 11 June 2019

Additional economic analysis of the latest UK labour market headline statistics and long-term trends.