

Statistical bulletin

Index of labour costs per hour, UK: October to December 2016 (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 2.3% in Quarter 4 (Oct to Dec) of 2016, compared with the same quarter of 2015 and increased by 0.7% compared with the previous quarter, Quarter 3 (July to Sept) 2016.
- Wage costs per hour worked increased by 2.5% in the fourth quarter of 2016 on the same quarter in the previous year and non-wage costs per hour worked increased by 1.9%.
- Private sector labour costs per hour increased by 2.5% in the fourth quarter of 2016 on the same quarter in the previous year, while public sector labour costs per hour increased by 1.9%.
- The construction industry had the largest increase in Quarter 4 2016 compared with Quarter 4 2015, with an increase of 7.0%.
- The real estate industry had the largest decrease in Quarter 4 2016 compared with Quarter 4 2015, with a decline of 10.5%.

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 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 the 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 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](#) can be found on our website.

3 . What's changed in this release

There are no methodological changes in this release.

4 . Whole economy labour costs increase by 2.3%

Year-on-year

Whole economy labour costs per hour increased by 2.3% in Quarter 4 (Oct to Dec) 2016 compared with the same quarter a year earlier, before inflation is taken into account. 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 on the same quarter a year earlier was 2.5% and non-wage costs per hour worked increased by 1.9%, as seen in Figure 1. The increase in non-wage costs is partly a result of an increase in pension and National Insurance contributions. Wage costs include benefits in kind, wages and salaries. Non-wage costs include sickness, maternity and paternity pay, National Insurance contributions and pension contributions.

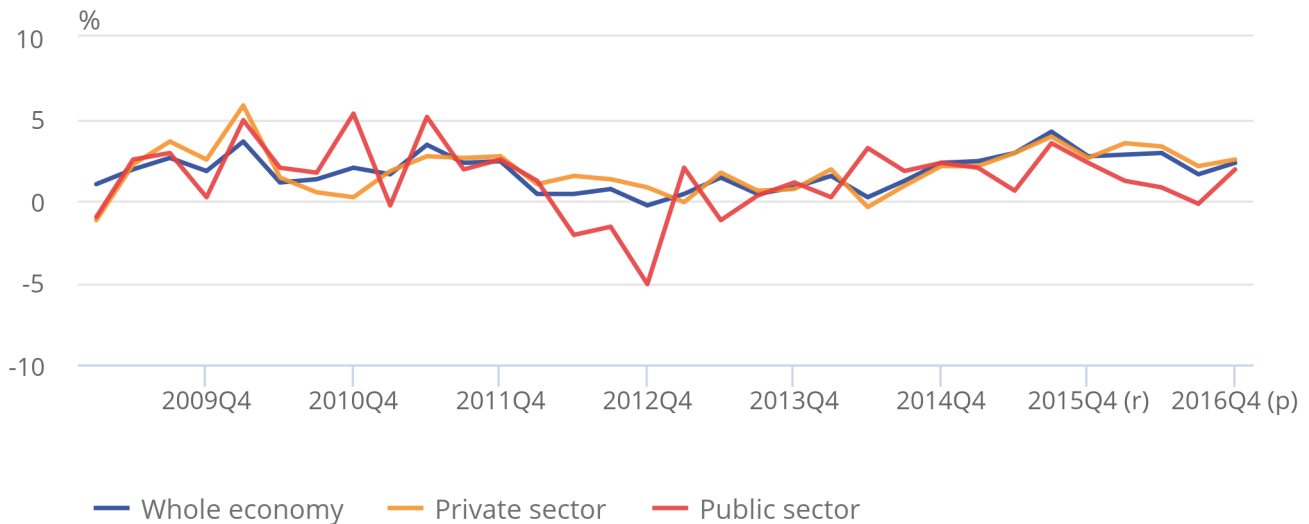
Private sector labour costs per hour increased by 2.5% in Quarter 4 2016 compared with the same quarter a year earlier and public sector labour costs per hour increased by 1.9%; this latter series can be volatile due to small numbers included in the sample.

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

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 4 (Oct to Dec) 2016

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

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 4 (Oct to Dec) 2016



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) 2016, whole economy labour costs per hour increased by 0.7% in Quarter 4 2016. Private sector labour costs increased by 0.4%, while public sector labour costs increased by 1.5%, as seen in Figure 2.

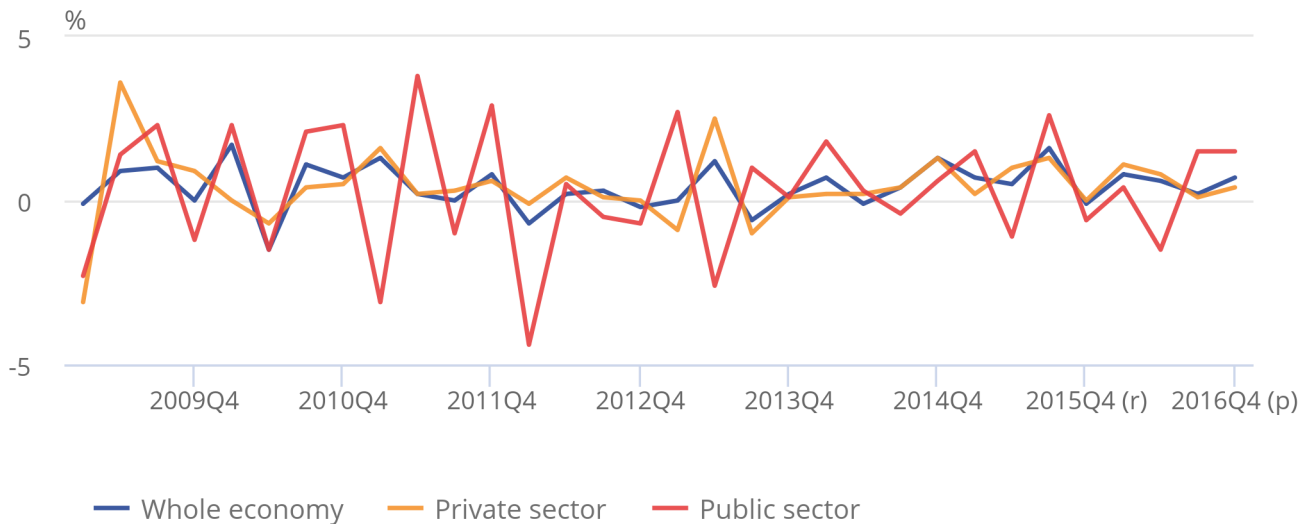
Total wage costs increased by 0.8% in Quarter 4 2016 compared with the previous quarter and total other costs decreased by 0.2%.

Figure 2: Labour costs per hour quarter-on-quarter growth, seasonally adjusted – whole economy, private sector and public sector

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 4 (Oct to Dec) 2016

Figure 2: Labour costs per hour quarter-on-quarter growth, seasonally adjusted – whole economy, private sector and public sector

UK, Quarter 1 (Jan to Mar) 2009 to Quarter 4 (Oct to Dec) 2016



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

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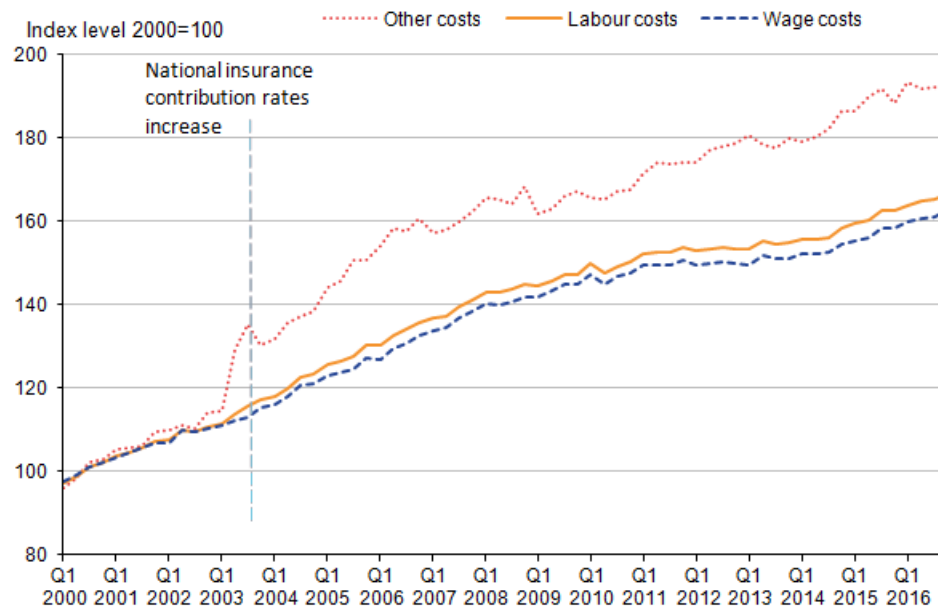
5 . What are the trends in whole economy labour costs?

Total labour costs per hour worked and wage costs per hour worked are quite similar, as shown in Figure 3, with an increase of 66.4% and 62.5% 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. The largest move away from wage costs occurred in Quarter 2 (Apr to June) 2003, when new National Insurance contribution (NIC) rates were introduced. Total other costs per hour have increased by 91.9% since 2000.

Figure 3: Whole economy Index of labour costs per hour, by component, seasonally adjusted

UK, Quarter 1 (Jan to Mar) 2000 to Quarter 4 (Oct to Dec) 2016



6 . Construction industry sees highest year-on-year growth

Year-on-year

The industry with the highest growth in labour costs was the construction industry, with labour costs per hour having increased by 7.0% in Quarter 4 (Oct to Dec) 2016 compared with a year earlier (Figure 4). This growth in labour costs is largely due to increases in wage costs.

The administrative and support service activities industry experienced the second-largest growth in labour costs per hour in Quarter 4 2016, with an increase of 6.5% compared with a year ago.

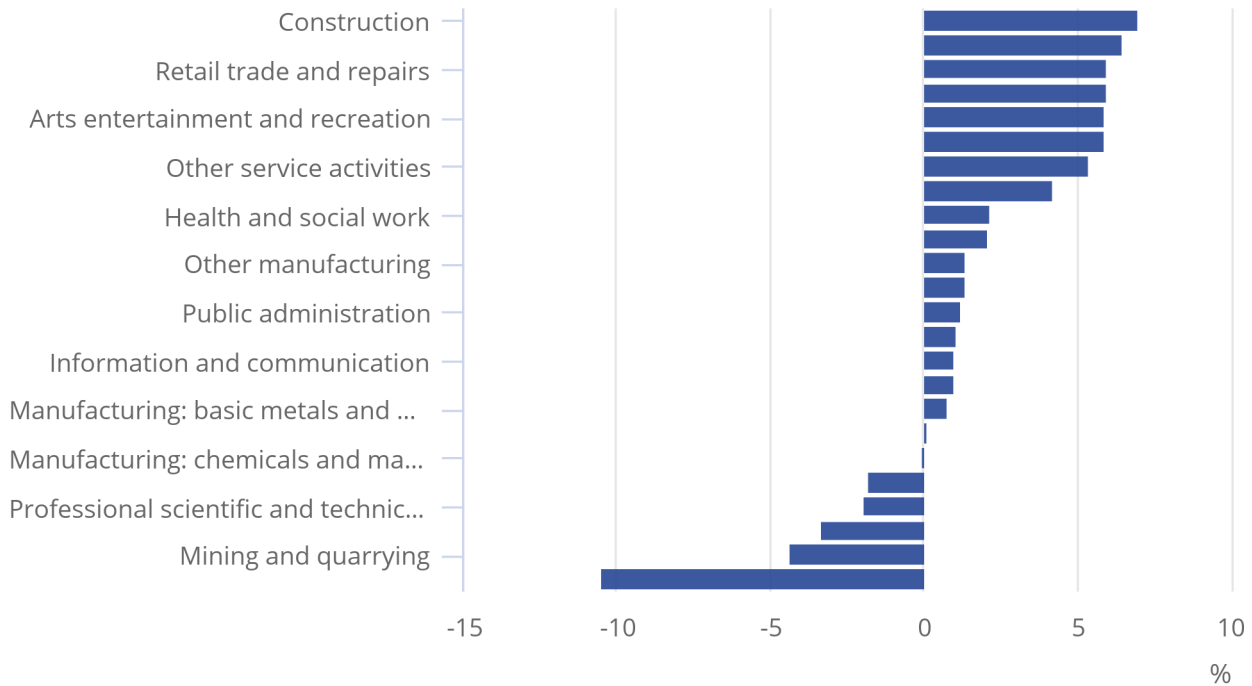
The real estate industry experienced the largest decline in labour costs in Quarter 4 2016 compared with a year earlier; labour costs per hour in this industry decreased by 10.5%. The mining and quarrying industry experienced the next largest decrease in labour costs compared with Quarter 4 2015, with a decrease of 4.3%.

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

UK, Quarter 4 (Oct to Dec) 2016

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

UK, Quarter 4 (Oct to Dec) 2016



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 textiles, leather and clothing industry in the manufacturing sector, with labour costs per hour having increased by 3.8% in Quarter 4 (Oct to Dec) 2016 compared with Quarter 3 (July to Sept) 2016 (Figure 5).

The education industry experienced the second-largest growth in labour costs per hour in Quarter 4 2016, with an increase of 3.0% compared with the previous quarter.

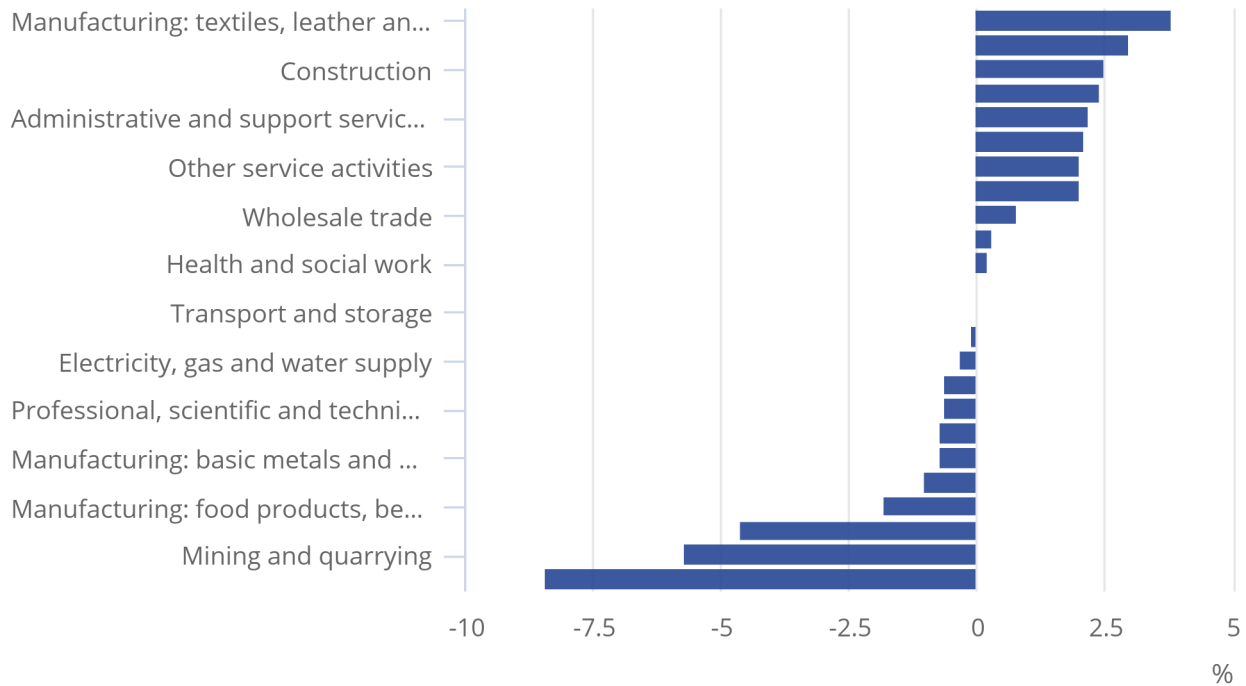
The real estate industry experienced the greatest decline in labour costs in Quarter 4 2016 compared with Quarter 3 2016. Labour costs per hour in this industry decreased by 8.4% on the previous quarter. The second largest decrease in labour costs per hour compared with the previous quarter was in the mining and quarrying industry, which declined by 5.7%.

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

UK, Quarter 4 (Oct to Dec) 2016

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

UK, Quarter 4 (Oct to Dec) 2016



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

1. Quality

The latest Quality and Methodology report for [Index of UK labour costs per hour estimates](#) can be found on our website.

These contain important information on:

- the strengths and limitations of the data and how it compares with related data
- users and uses of the data
- the quality of the output
- how the output was created including the accuracy of the data

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 main results in each quarter](#).