

London additions

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This report has been produced by Incomes Data Research and is based on data collected directly from reward professionals and HR managers – whom we would like to thank for their help with the research.

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About this report

This study examines the level of 'premium' paid to staff for working in London and surrounding areas by which we mean all additional pay, including that arising from freestanding London allowances and any differences in base pay. It contains details of freestanding London allowances paid at leading financial services organisations and major retailers, among others, as well as analysis of variations in basic salary levels for London, compared to the rest of the country.

Freestanding London allowances

Our analysis of freestanding London allowances is based on data collected from a sample of 53 organisations and industry agreements. It shows that the median central/inner London allowance is worth £3,525. However, while this figure gives a good indication of the difference in pay between employees within and outside London, it does not tell the full story. There are significant differences between sectors in terms of the average amounts paid – and the sums paid within sectors can also vary. And, in any case, it can be difficult to pinpoint a definitive London 'premium', as employers adopt a variety of approaches to rewarding staff in London and other high-cost areas – including regional pay rates, freestanding allowances and 'hot spot' supplements, as well as in-built differences in basic pay between London and other parts of the country.

London salaries

While freestanding London allowances make up part of the picture for London pay, many private sector firms pay higher base salaries in London. Our analysis of London pay rates is based on data in our database *IDR Pay Benchmarker*¹, which contains around 15,000 pay records from 1,000 organisations. This shows that the overall premium for London is typically worth 10% to 15%, depending on grade.

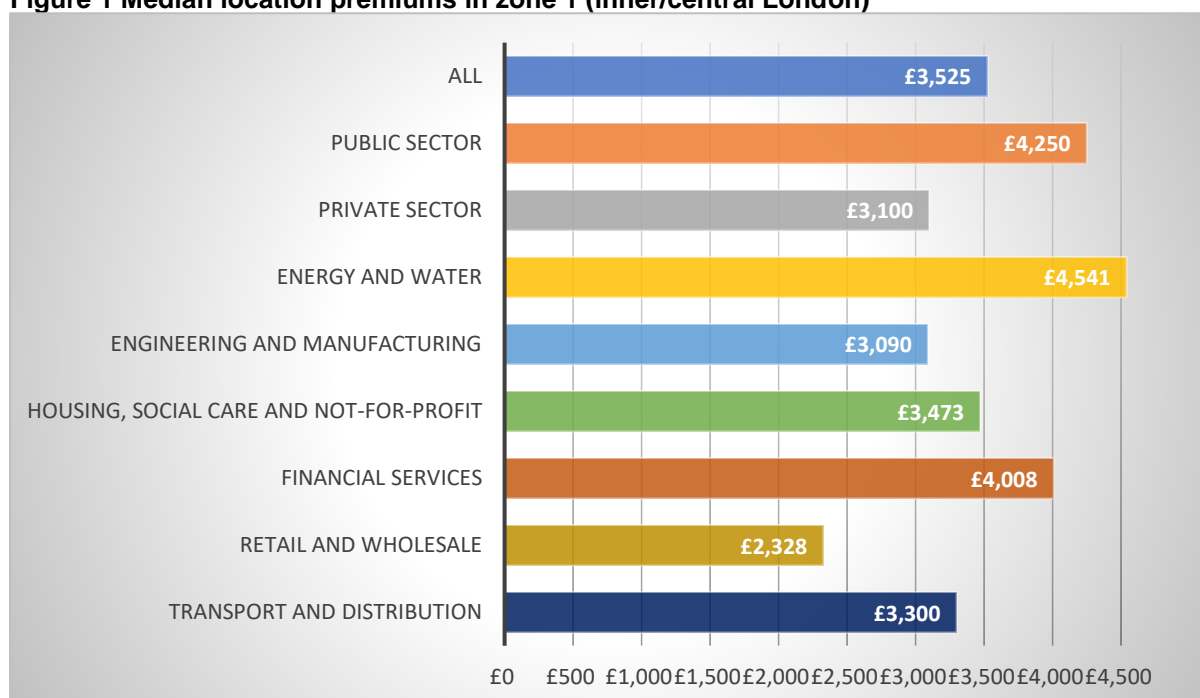
¹ www.PayBenchmarker.com

London allowances

This section examines the level of freestanding London allowance paid to staff working in London and surrounding areas. We provide details of median location premiums for four zones – central/inner London; intermediate/outer London; outer London/fringe; and fringe/South East/large towns – based on a sample of 53 organisations.

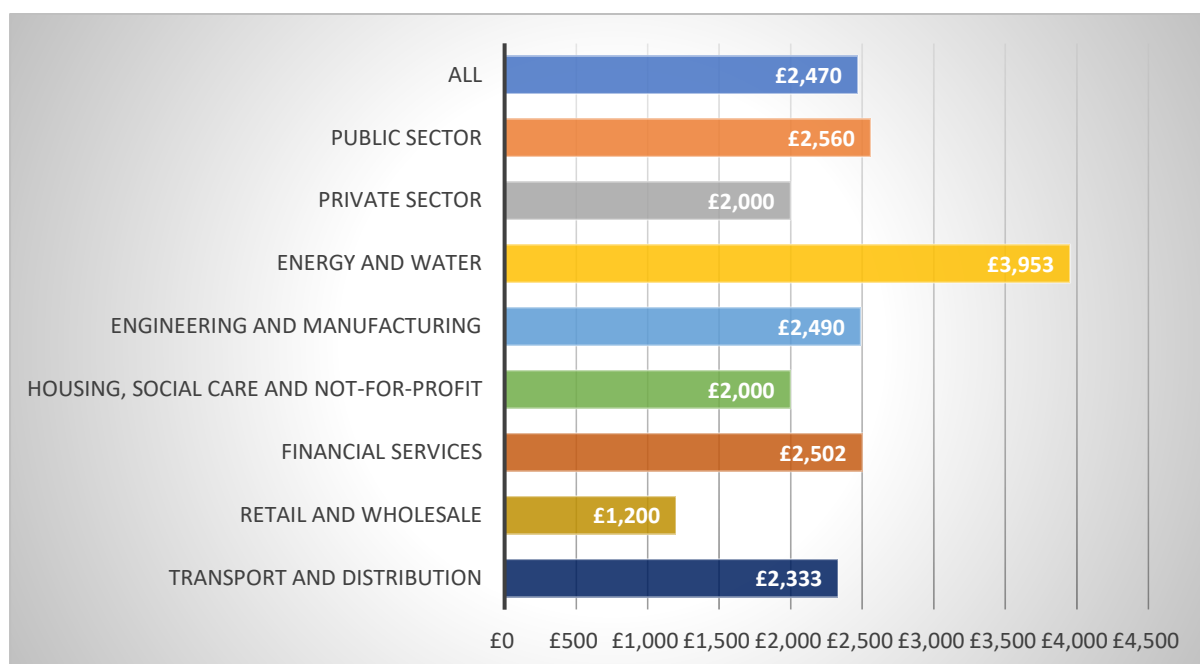
The median freestanding location allowance in zone 1, typically covering inner and central London, at our sample of 68 organisations is £3,525. Employees in zone 2 (intermediate/outer London) receive a median premium of £2,470, while those in zone 3 (outer London/the fringe) receive a median of £1,060. There are of course variations by sector, with the highest premiums applying in the energy and water sector, closely followed by financial services. Median premiums in the public sector are also relatively high, predominantly due to higher allowances for police officers.

Figure 1 Median location premiums in zone 1 (inner/central London)



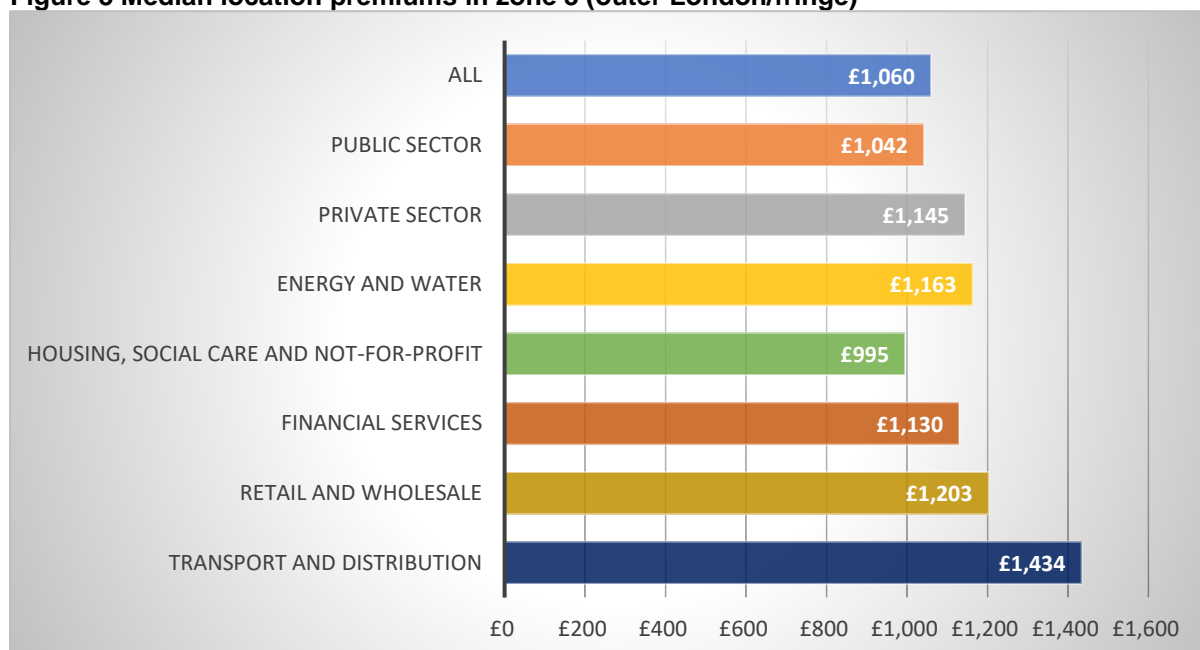
Source: IDR

Figure 2 Median location premiums in zone 2 (intermediate/outer London)



Source: IDR

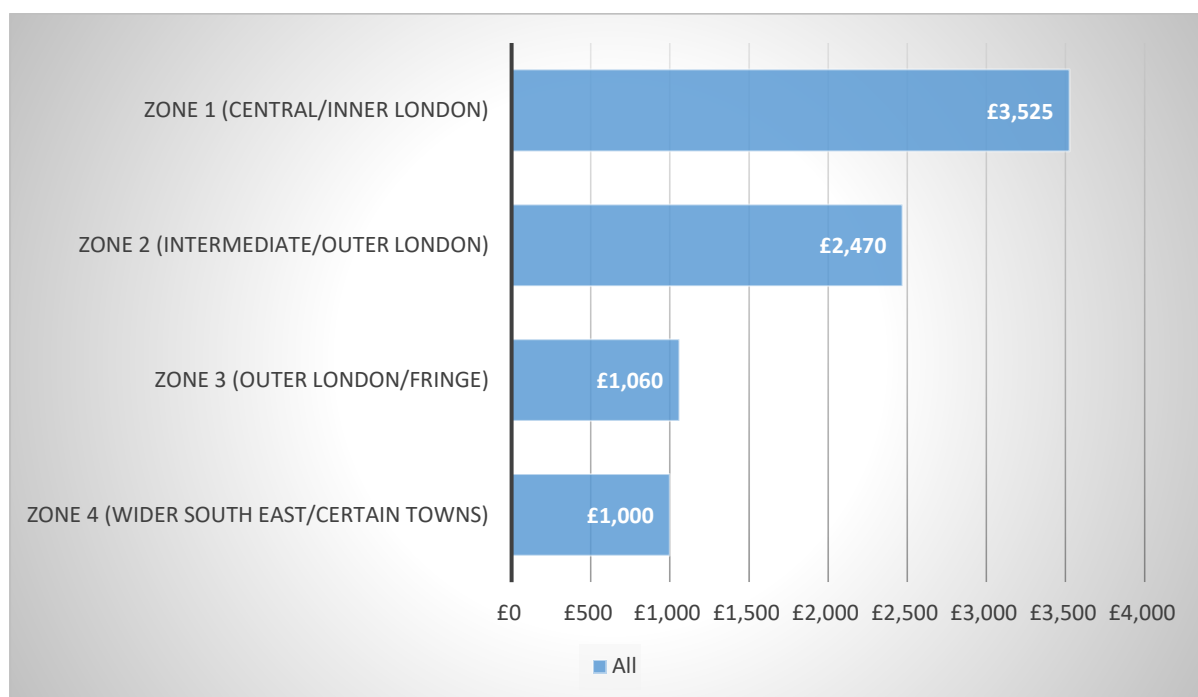
Figure 3 Median location premiums in zone 3 (outer London/fringe)



Source: IDR

Median location payments

Our analysis shows that the median supplement in inner/central London (zone 1) is £3,525. For employees in the intermediate/outer London area (zone 2), the premium is £2,470; for those in outer London/fringe of London (zone 3), £1,060; and for those in the wider South East area and certain large towns (zone 4), £1,000.

Figure 4 Median location payments

Source: IDR.

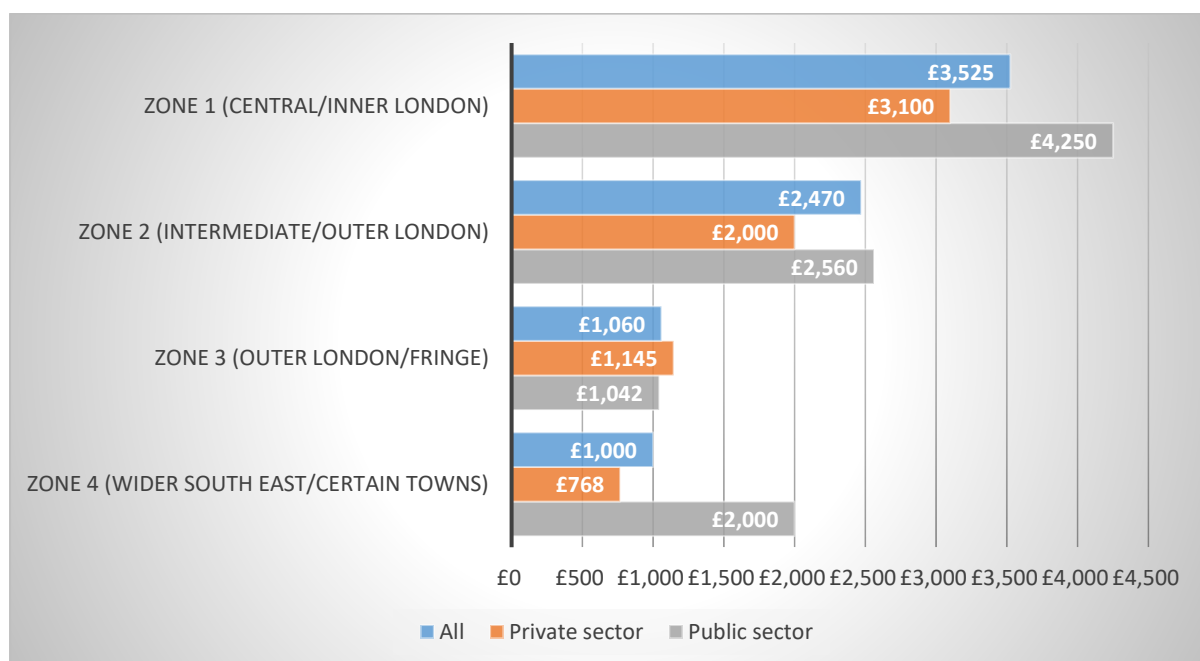
Table 1 Summary figures on London allowances

	Zone 1 (central/inner London)	Zone 2 (intermediate/ outer London)	Zone 3 (outer London/fringe)	Zone 4 (wider South East/ certain towns)
Lower quartile	£2,633	£1,627	£926	£586
Median	£3,525	£2,470	£1,060	£1,000
Average	£3,739	£2,515	£1,374	£1,319
Upper quartile	£4,578	£3,056	£1,687	£1,825
Count	76	59	32	9

Source: IDR.

Analysis of formal London allowances in the public and private sectors shows that these are generally higher in the public sector. The median premium in inner/central London (zone 1) for employees in the public sector is £4,250, compared to £3,100 in the private sector. A similar (but less pertinent) trend is visible in the analysis of premiums in zone 2. The level of premium in outer London/fringe is broadly similar at just over £1,000.

However, our research shows that the approach differs in the private sector and many private companies, especially in the financial services sector, also vary base pay, producing total premiums that are greater than formal London allowances and in some cases are equal to the highest public sector differentials.

Figure 5 Median London allowances – public versus private

Source: IDR.

Table 2 Summary figures on London allowances among private sector employers

	Zone 1 (central/inner London)	Zone 2 (intermediate/ outer London)	Zone 3 (outer London/fringe)	Zone 4 (wider South East/ certain towns)
Lower quartile	£2,481	£1,261	£868	£564
Median	£3,100	£2,000	£1,145	£768
Average	£3,371	£2,224	£1,373	£759
Upper quartile	£4,067	£2,910	£1,925	£963
Count	53	40	18	4

Source: IDR.

Table 3 Summary figures on London allowances among public sector employers

	Zone 1 (central/inner London)	Zone 2 (intermediate/ outer London)	Zone 3 (outer London/fringe)	Zone 4 (wider South East/ certain towns)
Lower quartile	£3,695	£2,307	£947	£1,293
Median	£4,250	£2,560	£1,042	£2,000
Average	£4,588	£3,071	£1,367	£1,728
Upper quartile	£5,382	£3,800	£1,216	£2,300
Count	23	19	12	3

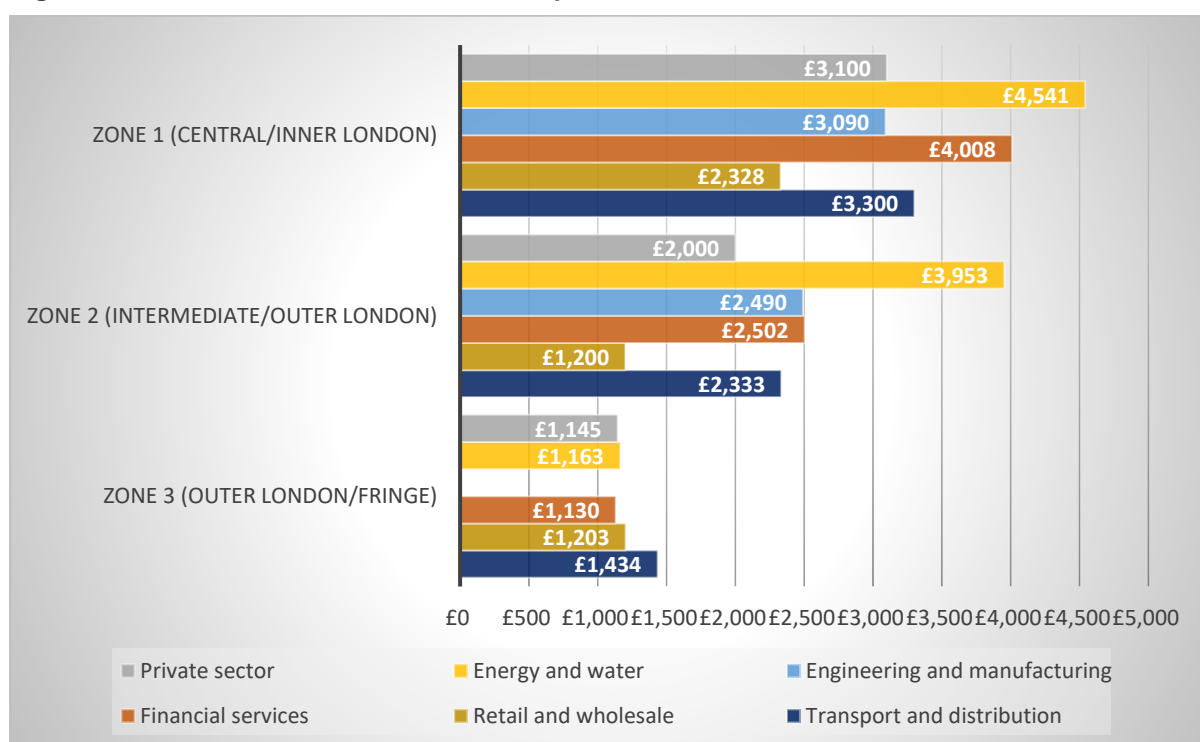
Source: IDR.

Although the headline figures provide an indication of the level of premium for certain locations, it is difficult to pinpoint an exact 'London premium' as employers use a variety of approaches to reward staff in the capital and other high-cost areas. These include paying traditional London allowances, operating zonal and regional pay systems, and the payment of 'hot spot' allowances.

Private sector

Across all private-sector firms in our sample the median freestanding London allowance is £3,100 in inner London (zone 1), £2,000 in zone 2 and £1,145 in zone 3. There are significant differences by sector, with higher London allowances in the energy and water and financial services sectors than in other parts of the private sector. In contrast London allowances in retail are typically lower than elsewhere.

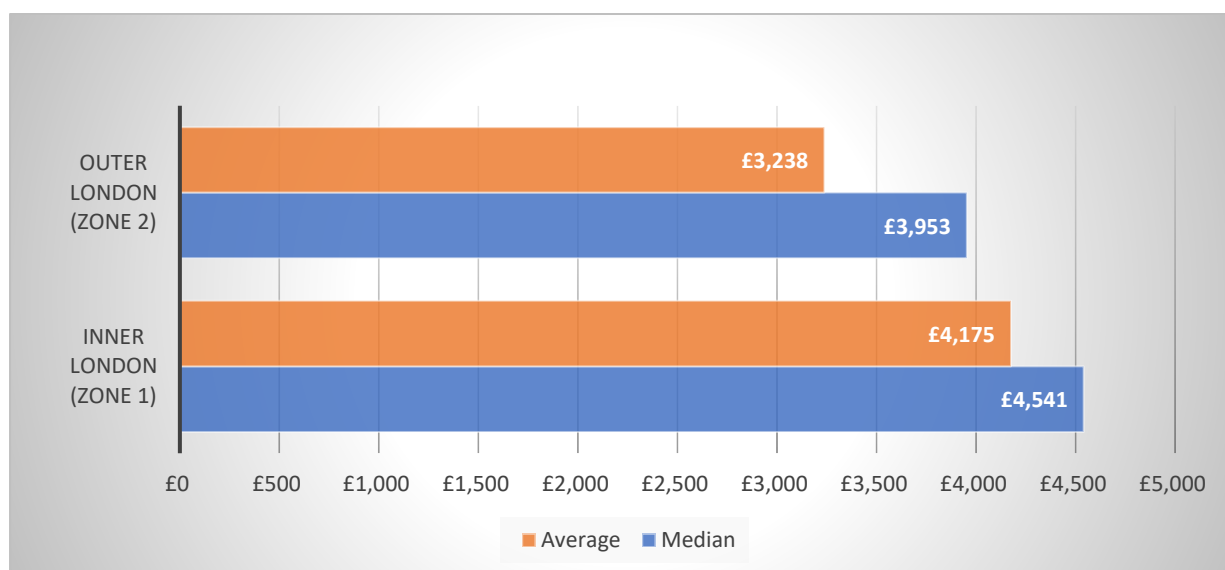
Figure 6 Median London allowances in the private sector



Source: IDR.

Energy and water

The survey received information from four companies in the energy and water sector. The median inner London allowance from this sample is £4,541 and the outer London allowance is £3,953. All four firms operate the traditional approach of paying a fixed allowance. Sellafield and Scottish and Southern Energy both operate one payment, Eon has two – one for inner and one for outer London, and Cadent Gas (formerly a division of National Grid) has three, for inner London, outer London and the fringe. The level of premium in the energy and water sector is typically higher than in other sectors.

Figure 7 Energy and water summary figures

Source: IDR.

Table 4 London allowances in energy and water

	Inner London (zone 1)	Intermediate/outer London (zone 2)	Fringe (zone 3)
Cadent Gas - Field Force	£4,541	£3,953	£1,140
Cadent Gas - Staff	£4,710	£4,110	£1,185
Eon	£3,550	£1,650	-
Scottish & Southern Energy	£2,725	-	-
Sellafield	£5,350	-	-

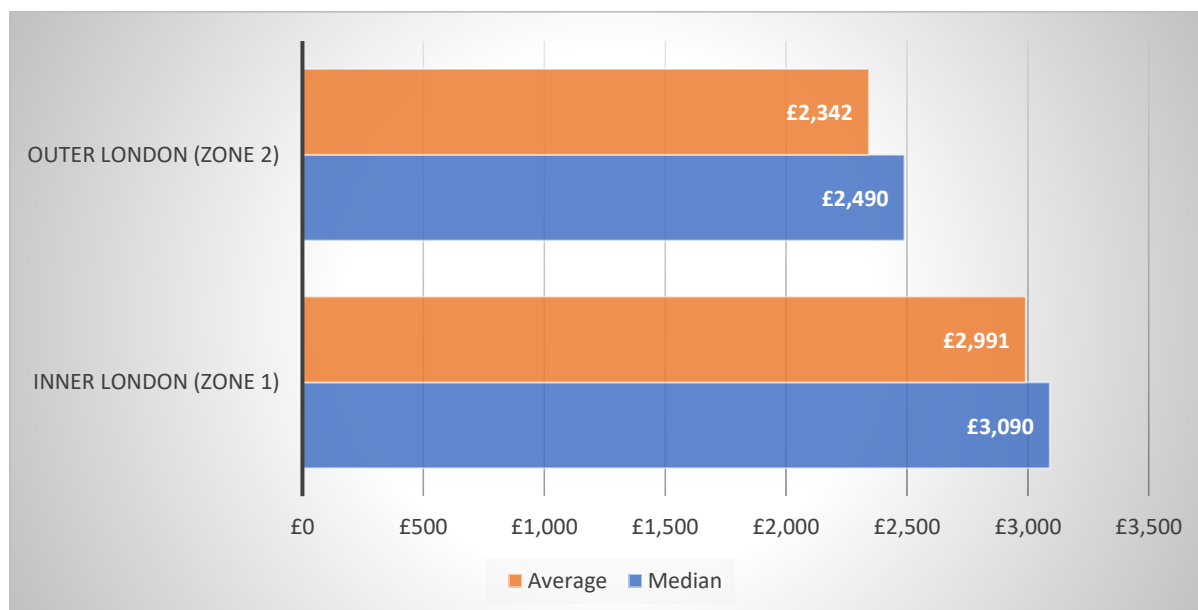
Engineering and manufacture

Our analysis of freestanding London allowances within engineering and manufacture is based on data for two firms and national agreements setting out minimum terms for four groups of workers (electrical installation, civil engineering, plumbing, heating and air conditioning and building construction). The median inner London figure for the engineering and manufacture sector is £3,090, while that for outer London is £2,490.

The two companies in our sample adopt different approaches – one has higher pay ranges and the other pays an allowance. At Mars there are separate ‘South East’ pay ranges for operational and junior management roles. These essentially cover Slough and Basingstoke factories/offices and are on average 14% higher at the reference point than the national pay ranges. For middle-management upwards and all senior leader roles, there are only national pay ranges, so London/South East is not specifically accounted for by different pay range or a premium. In contrast Warburtons pays allowances worth £3,300, £2,100 or £1,700 to staff in some bakeries and depots (covering both London and ‘hot spots’.)

The London supplement for workers in the thermal insulation industry is £3 per day (roughly equivalent to £780 a year) and that for workers covered by the Heating, Ventilating and Domestic Engineering JCC is £6 a day (roughly equivalent to £1,410 a year). The London allowance for workers covered by the Environmental Engineering NJC is £2,880 and for those covered by the Electrical Contracting JIB the minimum allowance is £3,608.

Figure 8 Engineering and manufacture summary figures



Source: IDR.

Table 5 London allowances in engineering and manufacture

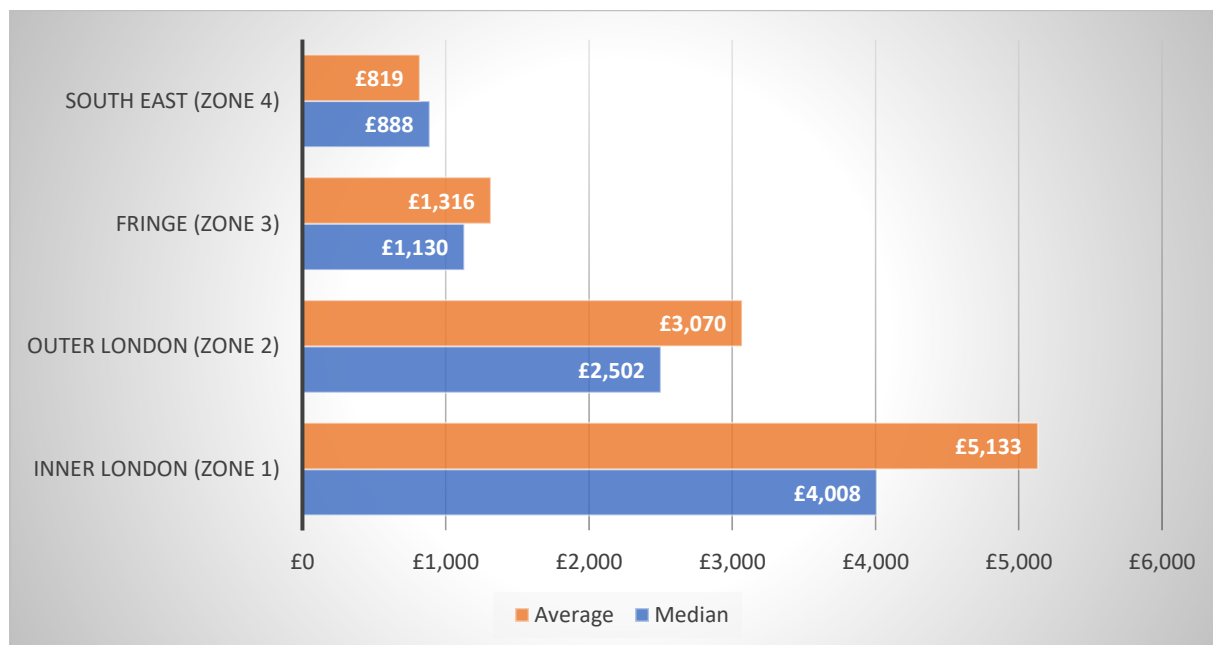
	Inner London (zone 1)	Intermediate/outer London (zone 2)
Electrical Contracting JIB	£3,608	£3,608
Environmental Engineering NJC	£2,880	£2,880
Heating, Ventilating and Domestic Engineering JCC	£6 a day c.£1,410	-
Thermal Insulation Contractors Association (TICA)	£3 a day c.£780	£3 a day
Warburtons	£3,300	£2,100/£1,700

Financial services

The survey obtained responses from nine firms in the financial services sector and the median inner London premium is £4,008. The median outer London allowance is £3,070. Firms in this sector tend to operate fixed allowances covering a number of different zones in both London and other 'hot spots'. Two apply a percentage uplift rather than an allowance and one operates an hourly enhancement. Two of the three banks in our sample have London allowances that are both pensionable and enhanceable (ie they are considered when calculating overtime and/or shift payments), while most of the other firms do not include London premiums in

calculations for pensions, overtime or shift pay – with the exception of Redde where the enhancement of 70 pence an hour is pensionable.

Figure 9 Financial services summary figures



Source: IDR.

Table 6 London allowances in financial services

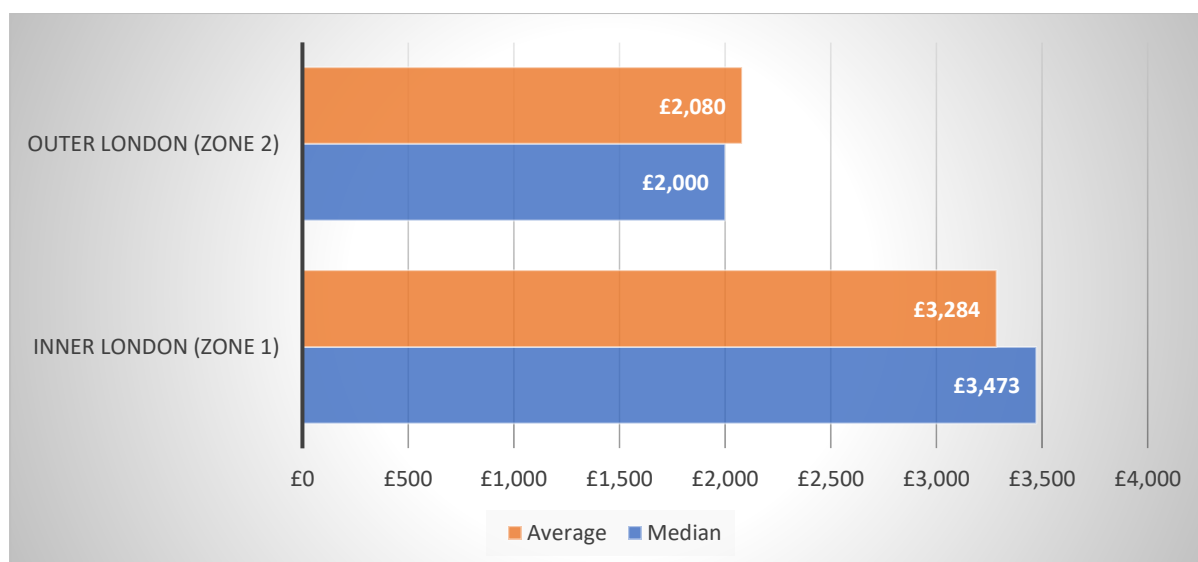
	Inner London (zone 1)	Intermediate/ outer London (zone 2)	Outer London/fringe (zone 3)	South East (zone 4)
Ageas	20%	-	-	-
Allianz	£4,008	£2,004	£1,260	£825/£540
Allied Irish Bank	£6,550	£1,602	£750	£500/£350
HSBC	£4,000	£3,000	£2,000	£1,000
Nationwide	£4,687	£3,245	£2,060	£950
Redde	70p per hour	-	-	-
Santander	£3,500	£2,000	£1,000	-
Zurich	£3,200	£2,000	£825	-

Housing, social care and not for profit

Seven organisations in our sample operate in the housing, social care and not-for-profit sector where the median London allowance is £3,473 for inner London and £2,000 for outer London. Historically, employers across the not-for-profit sectors have aligned their London allowances with the advisory amounts published each year by the local authorities NJC (currently £2,540 in London, £840 in the inner fringe and £585 in the outer fringe). However, our analysis this year shows that allowances among our sample are some way above the NJC rate for greater London.

The majority of not-for-profit employers operate freestanding London allowances and in the majority of cases – six out of seven – these are pensionable. The exception is Home Group which operates separate salary ranges for London that include a 12% premium on the minimum and maximum of the range.

Figure 10 Housing, social care and not for profit summary figures



Source: IDR.

Table 7 London premiums in housing, social care and not for profit

	Inner London (zone 1)	Intermediate/ outer London (zone 2)	Outer London/fringe (zone 3)	South East (zone 4)
Barnardo's	£3,473	£1,848	£839	£586
Cancer Research	£3,750	£2,470	£1,150	-
Home Group	12%	12%	-	-
National Trust	£4,465	£2,690	-	-
Sense	£3,090	£2,000	-	-
Sue Ryder Care	£1,500	£750	-	-
Turning Point	£3,633	£1,722	£723	-

Retail, catering and wholesale

In retail, our analysis shows that the median premium in the highest-paying zone, typically covering inner London, is £2,328, and that in the second-highest zone is £1,200. Our analysis of London premiums in retail is based on data from 16 companies in retail, wholesale and fast food, pubs and restaurants. The approach for dealing with higher-cost areas in this sector differs to those in other parts of the economy, with many retailers operating 'zonal' pay systems. These systems are not necessarily linked solely to geographical location, and other factors such as a concentration of retail facilities, which might include airports or sporting arenas, also play a role, as do broader recruitment and retention factors.

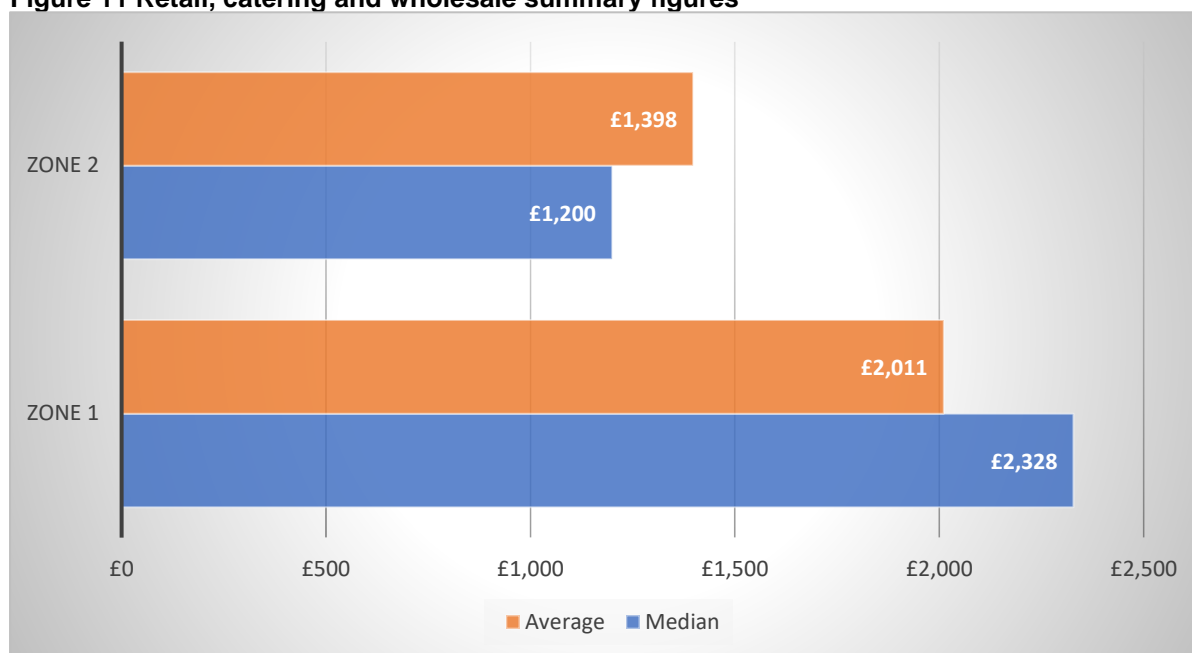
The majority of the featured retailers operate multiple pay scales across a number of zones (referred to as 'zonal pay'), usually spreading out from central London. The exact number of zones varies, but typically there are between four and six. The pay rates for each zone progress upwards from a national or provincial scale to outer London and culminate in rates paid in either the West End or central London.

Stores in London are typically assigned to the highest-paying zones. However, the allocation of stores to zones is rarely based on location alone. Other factors, such as recruitment and retention difficulties, local prosperity and even the local crime rate can be taken into account. Out-of-town retail parks and airports sometimes attract a higher salary due to the competition for staff and the high travel costs associated with these locations. Major towns and cities outside London and the South East may also attract a premium rate of pay, although this is less common.

For example, Boots pays a premium of £1.25 to staff in pay zone 4, 59p an hour for staff in pay zone 3 and 23p an hour in pay zone 2. Pay zone 4 covers, for example, Covent Garden, Paddington station and Heathrow airport. Zone 3 covers outer London boroughs, as well as key towns on the fringe of London, such as Potters Bar and Southend-on-Sea. Zone 2 includes other locations on the fringes, the South East and other 'hot spots', such as Aberdeen.

B&Q made changes to its pay and reward framework when the National Living Wage legislation came into effect. This led to the removal of all pay zones and the introduction of 'hot spots' in which pay reflects local market conditions and can vary by geographical location. There are seven different hot spots across the company's Stores and Homefit Centre sites, ranging from a £2 an hour premium in 'hot spot G' to no premium for stores location in 'hot spot A'. Hot spots are reviewed annually with effect from 1 April and all Store and Homefit Centre colleagues are entitled to receive a hot spot payment. The hot spot payment is enhanced by a multiple of 1.5 for Store Manager, Deputy Manager and Homefit Centre Manager roles and by a multiple of 1 for all other UK stores and in the Republic of Ireland.

Tesco operates pay zone supplements for retail staff but has higher salary bands for salaried managers. In contrast McDonalds operates freestanding allowances for salaried restaurants based in London and some locations in the South East – these are currently worth £3,000 or £1,500.

Figure 11 Retail, catering and wholesale summary figures

Source: IDR.

Table 8 London premiums in retail, catering and wholesale

	Location	Allowance
Boots	Pay zone 4	£1.25
	Pay zone 3	59p
	Pay zone 2	23p
B&Q	G	£2.00
	F	£1.25
	E	£1.00
	D	75p
	C	50p
	B	25p
Wilko Retail	Inner London (within 4 miles of Charing Cross)	£3,000
	Outer London (London boroughs)	£2,800
	Hotspots (listed towns)-	£2,500
McDonalds – salaried managers	London	£3,000
	South East	£1,500*
Tesco – retail staff	Band C (London postcodes and M25 area)	45pph
	Band B (home counties and South East)	
Tesco – salaried managers	London	10%
	South East	5%

Transport and distribution

In the transport and distribution sector we received responses from six firms – three in transport and three in parcel delivery – with a variety of approaches. The median London allowance in inner London is £3,300 and the outer London allowance is £2,333.

Two airlines operate both an inner and outer London allowance, covering their head offices and Heathrow airport operations. Federal Express applies a premium of 16% in inner London and 9% in outer London. Royal Mail's approach involves separate pay ranges for inner and outer London for administrative and operational staff, as well as the payment of weekly supplements to operational staff in certain locations.

Figure 12 Transport and distribution summary figures



Source: IDR.

Table 9 London premiums in transport and distribution

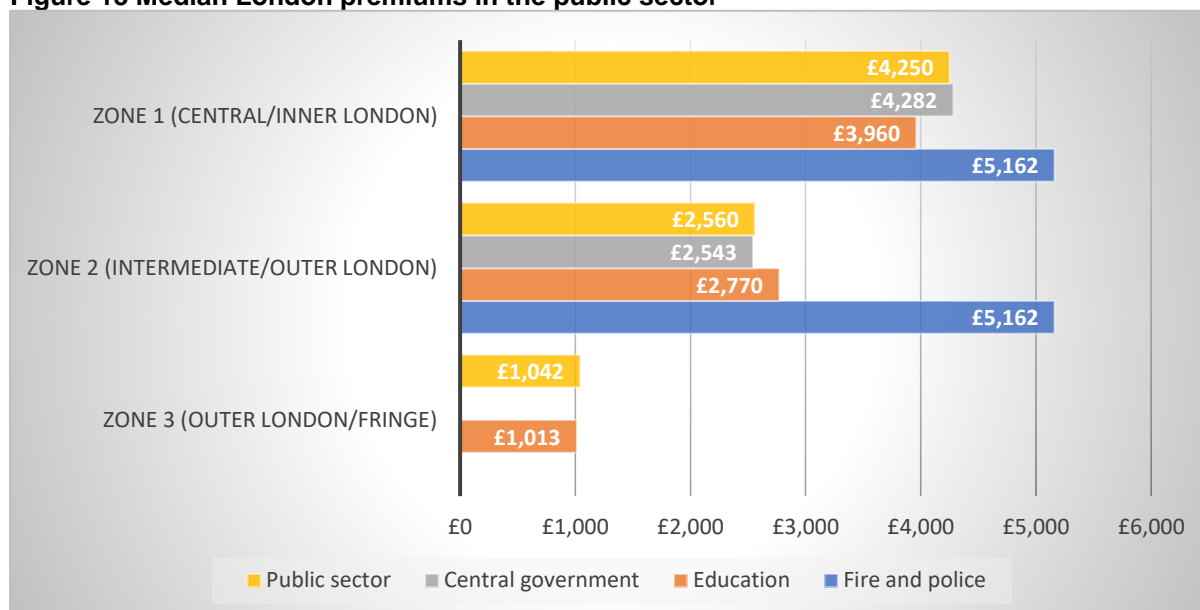
	Inner London (zone 1)	Intermediate/outer London (zone 2)	Outer London/fringe (zone 3)
Federal Express	16%	9%	-
Network Rail	£3,100	£1,800	£955*
Royal Mail – admin grades	£5,248	£4,151	£1,434
Royal Mail – postal grades	£5,469	£4,521	£1,434
Singapore Airlines	£1,658	£1,124	-

*Phased out for management-graded roles.

Public sector

Among our sample of employers in the public sector, the median premium in inner London (zone 1) is £4,250, that in outer London (zone 2) is £2,560 and in fringe areas the median premium is £1,042. As in the private sector, the typical level of premium varies by activity, with significantly higher premiums in the fire and police services.

Figure 13 Median London premiums in the public sector



Source: IDR.

Central government

Our analysis of London premiums in central government is based on a sample of nine organisations, covering civil service departments and the two sets of arrangements in the prison service. Overall the median premium in inner London is £4,282 while in outer London the median is £2,543. Separate London pay scales are common (six out of nine) and in some instances, the differential between London salaries and those elsewhere is constant at every point on the pay scale – as at the Department of Health and Social Care, where the inner London differential stands at £3,500 and the outer London differential at £1,750. Elsewhere, the differential can vary by grade. Examples include the Department for Environment, Food and Rural Affairs (Defra), the Department for Transport and the Land Registry. At DEFRA the differential between inner London and national pay scales ranges from £2,560 to £5,380.

Our analysis also includes the arrangements covering staff in the prison service. Here the new pay structure ('Fair and Sustainable') has separate pay ranges for London, while the old

structure (or 'closed grades') is characterised by locality pay whereby certain prisons attract premiums ranging from £250 to £4,250.

Figure 14 Central government summary figures



Source: IDR.

Table 10 London premiums in central government

	Inner London (zone 1)	Intermediate/outer London (zone 2)
ACAS	£4,100	£4,100
Care Quality Commission	£4,729	-
Department of Environment, Food and Rural Affairs	£5,380	£2,560
Department for Transport	£4,000-£4,664	-
Department of Health and Social Care	£3,500	£1,750
Health and Safety Executive	£4,313	-
HM Land Registry	£3,153-£4,099	-
Prison Service (closed grades)	£4,250	£4,000
Prison Service (Fair & Sustainable)	£3,840	£2,525
Valuation Office Agency	£2,876-£5,384	£1,050

Education

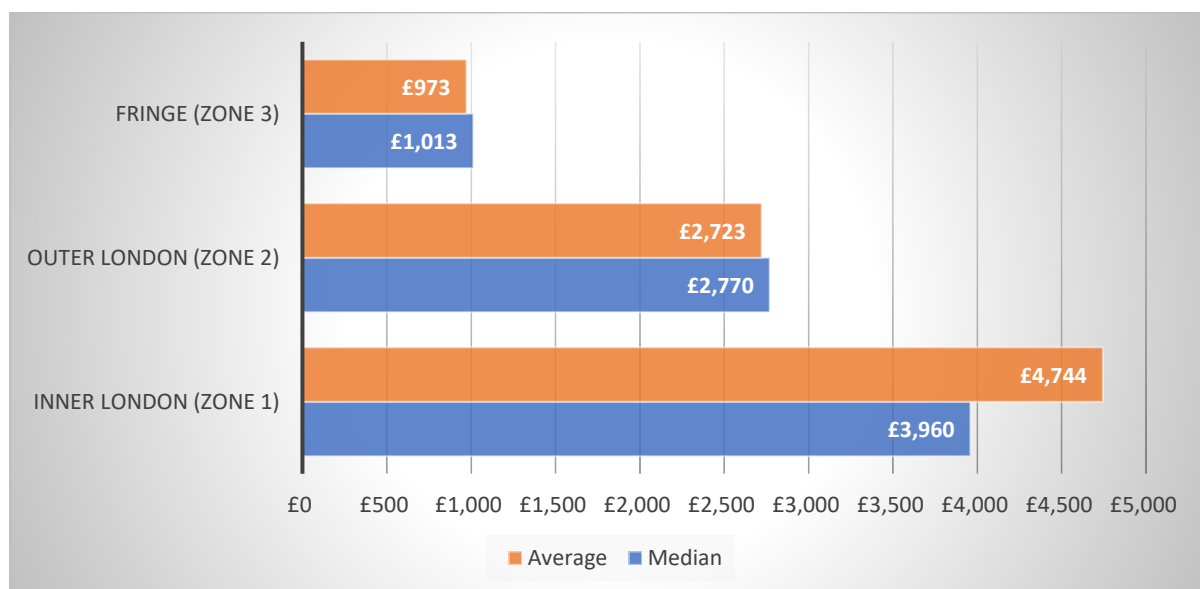
In the education sector, London premiums are determined nationally for school teachers, sixth-form colleges, further education, and higher education. The median premium for all public-sector education employees in inner London is £3,960, although there are significant variations in the sample. The average is noticeably higher, driven by higher premiums for

qualified school and head teachers. The inner London premium is worth around £7,000 for head teachers and lead practitioners and £5,000 for qualified teachers compared to around £3,000 for employees in further (including sixth-forms) and higher education.

The teachers' pay structure has three separate scales: for inner London, outer London and schools in the London fringe area. The inner London premium for a classroom teacher on the main scale is worth £5,631 on the minimum of the pay range and £5,081 on the maximum of the pay range. The inner London premium for head teachers is worth more at around £7,000, while that for unqualified teachers is slightly less at around £4,000. The premiums for outer London and the fringe are broadly consistent for all types of teacher at around £3,000 and £1,000 respectively.

The approach in sixth-form colleges, further education and universities varies from that in schools, with the payment of traditional allowances in inner and outer boroughs and certain locations on the fringe of London. The inner London premium for teachers in sixth-form colleges is £3,764, in further education it is £3,299 and in higher education the allowance is £2,996 – significantly behind the inner London premium for school teachers.

Figure 15 Education summary figures



Source: IDR.

Table 11 London premiums in education

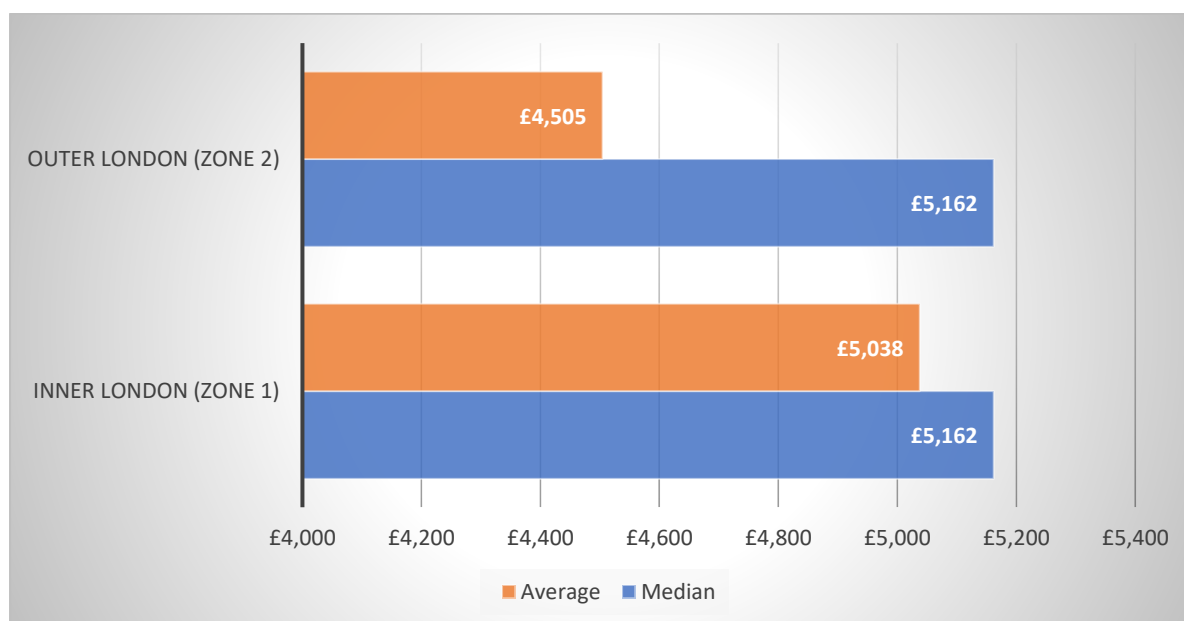
	Inner London (zone 1)	Intermediate/ outer London (zone 2)	Outer London/fringe (zone 3)
Further Education	£2,996	£1,964	£774
Higher Education	£3,299	£2,133	£826
Sixth-Form Colleges – support staff	£3,772	£2,480	£983
Sixth-Form Colleges – teachers	£3,764	£2,508	£994
Qualified school teachers*	£5,520	£3,600	£1,059

*Represents the difference in pay scales over the national rates.

Fire and police

In the fire and police services the summary figures are heavily influenced by the London weighting figure for police officers, since they receive both a London weighting payment and a London allowance. London weighting for police officers is currently £2,397 and the London allowance is £4,338 (unchanged since 2000), taking the combined payment to £6,735. Officers based in other key locations on the fringe of London also receive an allowance, albeit at a lower level. Those based in Essex, Hertfordshire, Kent, Surrey and Thames Valley receive £3,000 and those based in Bedfordshire, Hampshire and Sussex have an allowance of £2,000. The fire service pays an annual allowance to firefighters across the whole of London. This allowance is currently worth £5,162.

Figure 16 Fire and police summary figures



Source: IDR.

NHS

In the health service, the Agenda for Change pay system sets out fixed percentage premiums for London and other high-cost areas, subject to minimum and maximum cash amounts. In inner London the premium is worth 20% of basic pay with a minimum payment of £4,200 and a maximum payment of £6,469. Staff in outer London receive a 15% premium, with a minimum payment of £3,553 and a maximum payment of £4,528. Employees in the fringe and South East receive a premium of 5%, with a minimum payment of £971 and a maximum payment of £1,682.

London pay lead

While freestanding London allowances make up a significant part of the picture on London pay, many private sector firms pay higher base salaries in London. This section analyses differences in basic pay levels in London compared with the rest of the country. Our analysis of London pay rates shows that the overall premium for London is typically worth between 10% and 15% depending on grade.

Our database of salary levels shows that jobs based in London are typically paid between 10% and 15% more than jobs nationally, depending on grade. This analysis is based on basic salary data for jobs based in London, including any known London allowances, compared against salary data for all jobs excluding any location allowances. The London data also includes data from firms based solely in London.

Our comparison of national and London salaries, based on data from the *IDR Pay Benchmarker* resource, shows that lower-level jobs are more likely to receive a greater differential in the London salary compared to jobs at a higher job level (see chart and table). For example, jobs at IDR Job Level 4, covering secretarial and craft roles such as warehouse supervisors, administrative and finance officers, care workers and technicians, tend to be paid 13% higher in London than in the rest of the country. By contrast, jobs at level 7, typically covering professional and managerial roles, tend to be paid 6% higher in London than in the rest of the country.

Table 12 Typical difference in London salaries versus the rest of the country (all sectors)

Job level	Examples of jobs at this level	National	London	% difference
Level 3	Retail worker, driver, admin assistant	£18,047	£20,107	11.4
Level 4	Warehouse supervisor, admin officer, care worker	£21,597	£24,500	13.4
Level 5	Graduate trainee, junior engineer, retail manager	£26,000	£28,155	8.3
Level 6	Nurse, sales executive, call centre manager	£34,198	£36,228	5.9
Level 7	Care home manager, accountant, surveyor	£44,394	£47,147	6.2

Source: IDR Pay Benchmarker.

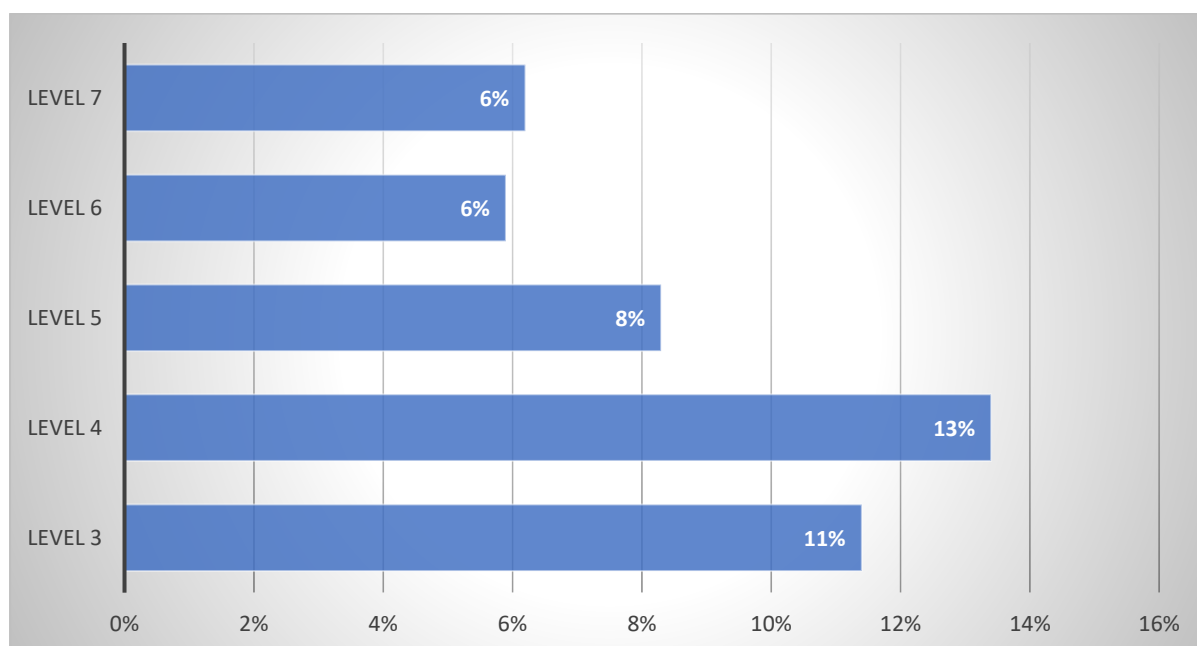
Table 13 Typical difference in London salaries versus the rest of the country (all sectors)

Table 14 shows summary figures on salary levels in London and nationally for two major sectors: private services and the public sector. The premiums shown vary from those above for all sectors since the latter includes data for private sector firms in manufacturing and utilities.

Table 14 Typical difference in London salaries versus the rest of the country, by sector

Job level	London		National		% difference	
	Private services	Public	Private services	Public	Private services	Public
Level 3	£19,318	£21,234	£16,390	£18,047	17.9	17.7
Level 4	£26,043	£24,432	£22,034	£20,779	18.2	17.6
Level 5	£28,036	£28,847	£26,396	£24,936	6.2	15.7
Level 6	£37,286	£35,016	£35,337	£31,410	5.5	11.5
Level 7	£50,001	£42,280	£47,565	£39,052	5.1	8.3

Source: IDR Pay Benchmarker.

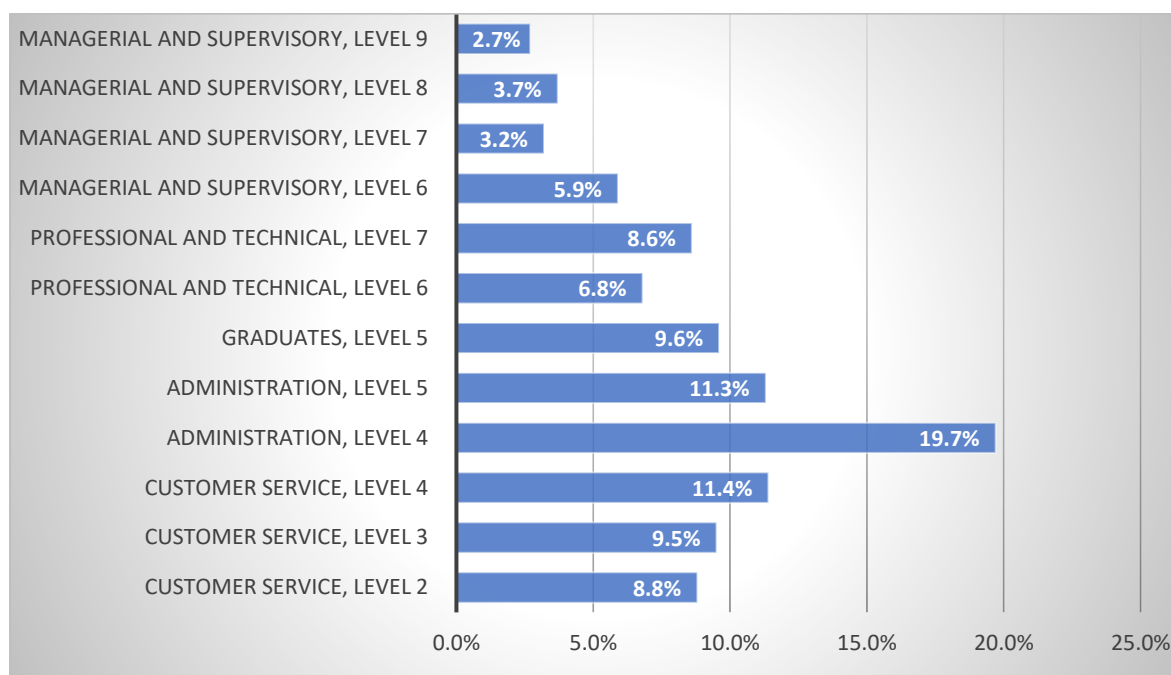
The figures show that the pay differential for salaries in London is greater for job levels 3 and 4 across both sectors with the London 'premium' at a similar rate in both the private services and public sectors. Meanwhile for jobs at higher levels (job levels 5 to 7), the difference between national and London salaries is narrower, particularly in the private services sector where the percentage differential for jobs at level 6 and 7 is around 5%. The difference between the lower and higher levels is because for lower-level roles it is commonplace, not only for basic pay to be higher in London than outside the capital, but for employees at these

levels to be also in receipt of formal London allowances. By contrast, there is much less formal application of London allowances for jobs at higher levels (professional, technical or junior management level) and the differential here is explained merely by higher base salaries in London.

Salaries in the public sector maintain a relatively wider percentage premium in London than in the private services sector. This is because public sector organisations are more likely to use established freestanding location allowances at all or most levels. For example, sixth-form college support staff receive an allowance worth £3,772 in inner London, £2,480 in outer London and £983 in the fringe, while the London-wide allowance for firefighters is £5,162. In contrast many private sector firms use base pay alone to produce a premium for London (ie without freestanding London allowances). For example, Tesco does not have a formal London allowance but salaries for management are typically 10% higher in the capital.

While many private sector firms do not have formal London allowances for more senior roles, the higher cost of living in the capital means that basic salaries are higher here than for roles outside London. Firms also want to retain more flexibility at this level to pay salaries that will recruit and retain candidates with the desired skills and experience. Therefore, formal London allowances are less useful in this respect.

Figure 18 overleaf illustrates this with comparatively small percentage differentials between the London and national salaries for managerial and supervisory jobs. For jobs at lower levels, eg administration and customer service roles, the London differentials are greater.

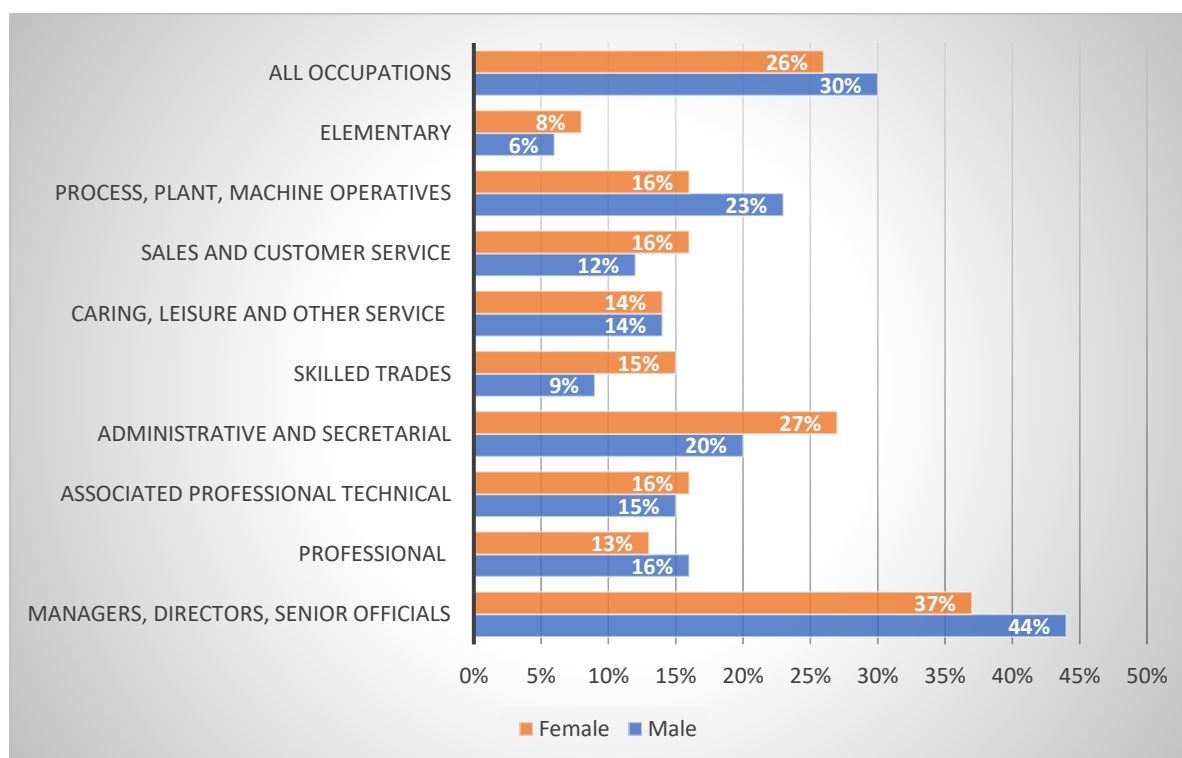
Figure 17 London differentials

Pay rates for roles at lower levels (IDR job levels 2 to 4) are more likely to be set by reference to the statutory minimum (or Voluntary Living Wage) and likely to be influenced by recruitment and retention pressures to a lesser extent than more senior or specialised roles. But cost of living pressures may be greater (since salaries are lower), hence the use of formal London allowances. This is evidenced in the results of our survey where respondents typically operate specific location premiums for those in lower-paid/lower-skilled jobs, for example in the retail sector for hourly-paid staff.

Comparing London pay with the rest of the country

Analysis of the latest Annual Survey of Hours and Earnings (ASHE), for April 2017, shows that median full-time earnings in London were £598.70 a week, while outside of London they were £448.60 a week. These crude averages show that London earnings are 34% higher than across the UK as a whole.

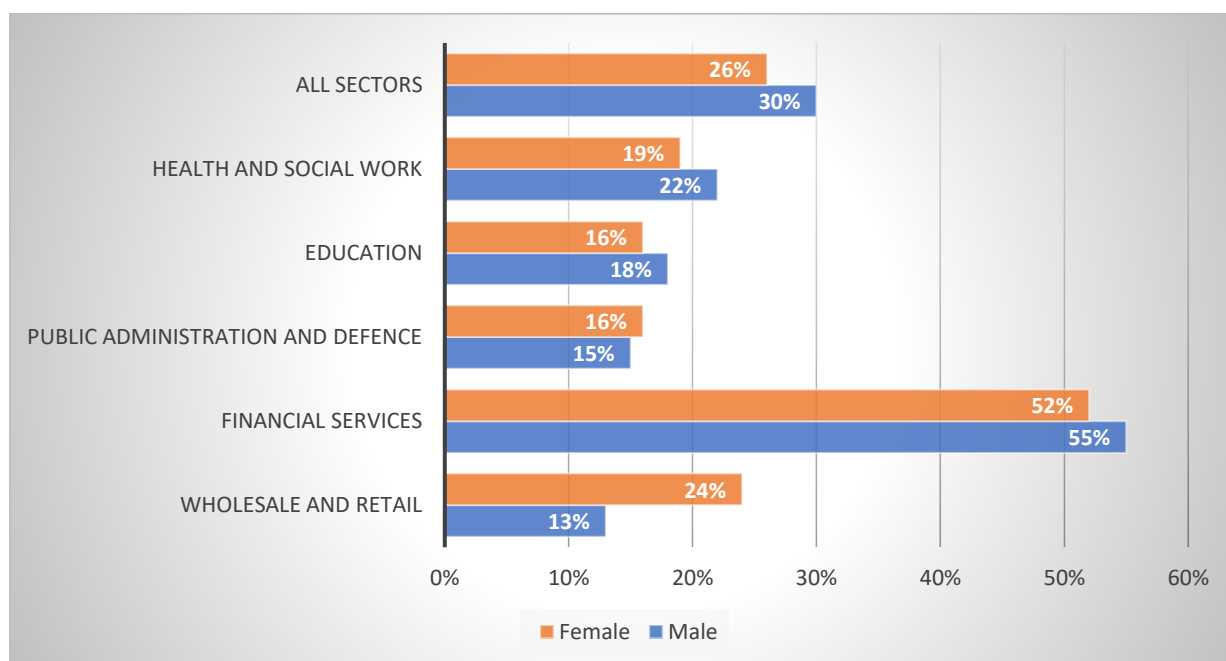
A large part of the earnings differential arises from the specific occupational structure of the London labour market, with its dominance by the high-paying City of London and company headquarters, as well as the senior civil service.

Figure 18 Difference in London median weekly earnings by occupation (full-time employees)

Analysis of earnings for similar jobs illustrates this 'City effect'. It can most clearly be seen when we compare earnings for male managers, directors and senior officials. Median weekly earnings for men in these occupations are £1,264.90 in London, compared to £879.70 across the rest of the UK – a lead of 44%. For women in these roles average weekly earnings are 37% higher in London.

By contrast, average earnings for men in elementary occupations – which includes labourers, waiters and cleaners – are just 6% higher in the capital, while for women earnings in these roles are 8% higher.

Analysis of differences in average weekly earnings by sector shows significantly greater variation in London earnings for financial services than for other sectors. Median weekly earnings for men in financial services are £1,364.50 in London, compared to £881.60 across the rest of the UK – a lead of 55%. For women in financial services average weekly earnings are 52% higher in London. As above, some of this variation will be due to the influence of the City of London and its satellites, with many top-paying jobs based within the financial hubs at Canary Wharf and the 'Square Mile' itself.

Figure 19 Difference in London median weekly earnings by sector (full-time employees)

Source: ASHE 2017 (ONS).

Table 15 Median weekly earnings for full-time employees by gender, occupation and sector

	London		UK		% difference	
	Men	Women	Men	Women	Men	Women
All service industries	£766.60	£624.80	£586.00	£497.30	31%	26%
All employees	£766.60	£622.90	£591.50	£493.60	30%	26%
Occupations						
Managers, directors, senior officials	£1,264.90	£996.60	£879.70	£725.40	44%	37%
Professional	£919.70	£766.60	£793.60	£681.10	16%	13%
Associated professional and technical	£751.10	£631.40	£651.60	£546.20	15%	16%
Administrative and secretarial	£557.90	£531.60	£465.30	£419.90	20%	27%
Skilled trades	£570.00	£435.10	£523.00	£378.70	9%	15%
Caring, leisure and other service	£452.50	£399.80	£396.90	£350.80	14%	14%
Sales and customer service	£431.40	£412.30	£386.60	£355.60	12%	16%
Process, plant and machine operatives	£603.40	£411.90	£489.20	£354.40	23%	16%
Elementary	£416.60	£348.80	£392.80	£323.60	6%	8%
Selected industries (non-manual)						
Wholesale and retail	£548.60	£498.30	£487.50	£402.70	13%	24%
Financial	£1,364.50	£925.60	£881.60	£609.50	55%	52%
Public administration and defence	£777.10	£660.10	£675.40	£569.30	15%	16%
Education	£775.90	£647.70	£659.80	£559.00	18%	16%
Health and social work	£709.30	£578.70	£580.70	£484.50	22%	19%

Source: ASHE 2017 (ONS).

Directory of London allowances

This section provides sector-by-sector details of London and other location allowances across 53 organisations and industry agreements. Each entry provides details of location payments under the following headings:

Organisation

The organisation name, main activity and the effective date of the allowance or premiums. Details are also given here if the allowance only applies to a specific employee group.

London premiums

The location(s) in which staff receive the payment and the value, typically given as an annual figure. In some instances, pay differences are given as hourly, daily or weekly amounts.

Pensionable (pen.)

Whether the payment is pensionable (ie is taken into account when calculating pension contributions).

Enhanceable (enh.)

Whether the payment is enhanceable (ie is it considered part of basic pay for the purpose of calculating overtime and/or shift payments).

Table 16 Company practice

Organisation	Effective date	Inner London	Outer London	Fringe	Other	Pen.	Enh.	Notes/comments
Private sector								
Energy and water								
Cadent Gas - Field Force	01/07/2017	£4,541	£3,953	£1,140		Yes	No	-
Cadent Gas -Staff	01/07/2017	£4,710	£4,110	£1,185		Yes	No	Inner – 4-mile radius of Charing Cross (Goswell Road, Islington; Fulham). Metropolitan – 16-mile radius of Charing Cross (excluding the Inner London area) (Slough; Barnet; Romford; Southall; Stanmore; Woodford). Outer Metropolitans - (Hitchin (inc. Luton); Hemel Hempstead; Bishops Stortford; Basildon; Bracknell; Rayleigh)
Eon	01/07/2017	£3,550	£1,650	-		Yes	No	Inner London is up to 10.5 miles of Charring Cross London. Outer London is 10.51-25 miles of Charring Cross.
Scottish & Southern Energy	01/04/2017	£2,725	-	-		No	No	Slough and West London
Sellafield	01/04/2017	£5,350	-	-		Yes	No	-
Engineering and manufacture								
Electrical Contracting JIB	02/01/2017	£3,608	£3,608	-	-	Yes	Yes	Technician rate (own transport) within the M25 Approved electrician is the majority grade; allowance is £31,986pa with own transport
Environmental Engineering NJC	01/01/2017	£2,880	£2,880	-	-	-	-	To M25. Minimum recommended figure. It is up to individual employers whether the allowance is pensionable or enhanceable
Heating, Ventilating and Domestic Engineering JCC	02/10/2017	£6 a day	£6 a day	-	-	-	-	Daily travel allowance
Mars UK - Operational and junior management	01/01/2018	-	-	14%	-	-	-	Differential between national and South East pay scales at reference point

Thermal Insulation Contractors Association (TICA)	01/01/2017	£3 a day	£3 a day	-	-	-	-	London supplement to main travelling allowances. 0 - 35 miles
Warburtons	01/01/2018	£3,300	£2,100	£1,700	-	Yes	Yes	Band 1 – London bakery and depot (Enfield, Basingstoke). Band 2 – Paddock Wood depot. Band 3 – Worthing and Bicester depots
Financial services								
Ageas	23/01/2018	20%	-	-	-	-	-	-
Allianz	11/01/2018	£4,008	£2,004	£1,260	£825/£540	No	No	Outer London -Small number of homebased staff, Fringe is Guildford and Woking. Other is Chelmsford, Luton & Maidstone. Other 2 is Bristol, Liphook and Southampton.
Allied Irish Bank	12/01/2018	£6,550	£1,602	£750	£500/£350	No	No	Includes a 'Central London Premium' of £3,000 per annum for employees below Manager Grade based in Mayfair, Undershaft & City Office/ Finsbury Square (identified by postcode EC2A 1DS). Inner London premium of £3,550 in Hampstead and Ealing. Outer London £1,602 in Uxbridge. £750 in Brighton, £500 in Bristol and £350 in all other GB locations.
HSBC	17/01/2018	£4,000	£3,000	£2,000	£1,000	No	No	Within M25 Corridor - Central London £4,000 per annum (FTE). Within M25 Corridor – Greater London. £3,000 per annum (FTE). Outside M25 Corridor – Greater London £2,000 per annum (FTE). Designated Southern Locations £1,000-£2,000 per annum (FTE)
Nationwide	11/12/2017	£4,687	£3,245	£2,060	£950	No	No	Zone 1 (0-5 miles of Charing Cross) Zone 2 (5-10 miles) Zone 3 (within M25) Zone 4 (hotspots) There are 132 branches in Zone 4.
Redde	31/01/2018	70p an hour	-	-	-	Yes	No	M25 Boundary
Santander	11/12/2017	£3,500	£2,000	£1,000	-	Yes	Yes	Inner London (0–6.99 miles) Outer London (7–21.99 miles) Fringe London (22–36.99 miles)
Zurich	21/12/2017	£3,200	£2,000	£825	-	No	Yes	-

Housing, social care and not for profit								
Barnardo's	05/01/2018	£3,473	£1,848	£839	£586	Yes	No	These rates will increase by 2% on 1 April. A Living Wage Foundation rates also applies which will mean the lowest hourly pay rate in London is currently £9.75 (increasing to £10.20 on 1 April).
Cancer Research	01/06/2017	£3,750	£2,470	£1,150	-	Yes	No	Inner London, up to 4 miles from Charing Cross station. Outer London, from Inner London boundary to M25. ROSELand, Oxford/Cambridge research roles
Home Group	01/04/2017	12%	12%	-	-	Yes	Yes	Differential London/national salary ranges
National Trust	01/03/2018	£4,465	£2,690	-	-	No	No	Outer London - outer boundary M25. Inner London – as described by Office of National Statistics boundaries
Sense	Since 2016	£3,090	£2,000	-	-	Yes	Yes	-
Sue Ryder Care	01/04/2017	£1,500	£750	-	-	Yes	No	-
Turning Point	16/01/2018	£3,633	£1,722	£723	-	Yes	Yes	-
Retail, catering and wholesale								
B&Q	01/04/2017	£2.00	£1.25	£1.00/75p	50p/25p	No	No	Operates 'hot spots' which reflect local market conditions and can vary by geographical location. payment x1.5 for managers and Republic of Ireland stores
Boots		£1.25 (zone 4)	59p (zone 3)	23p (zone 2)	-	Yes	Yes	Zone 4: Bloomsbury, Brent Cross, Camden Town, Chiswick, Covent Garden, Hammersmith, Heathrow Airport, Holborn, Kensington, Paddington Station, Pimlico. Zone 3: Brixton, Cambridge, Chichester, Dorking, Feltham, Godalming, Guildford, Hemel Hempstead, Leatherhead, Maidenhead, Oxford, Potters Bar, Reading, Rickmansworth, Ruislip, Sevenoaks, Slough, Southend-on-Sea, Staines, Tunbridge Wells, Twickenham, West Thurrock, Wimbledon, Windsor, Woking. Zone 2: Aberdeen, Aldershot, Ashford, Bath, Basingstoke, Birmingham, Bournemouth, Brighton, Bristol, Bury St Edmunds, Canterbury, Cardiff, Eastbourne, Edinburgh, Folkestone, Harrogate, Henley, Leamington Spa, Maidstone, Milton Keynes, Northampton, New Malden, Peterborough, Portsmouth, Purley,

								Shrewsbury, Sidcup, Stoke-on-Trent, Sutton Coldfield, Swansea, Telford
McDonald's - salaried managers	01/04/2017	£3,000	£3,000	£1,500*	£1,500*	No	No	*Only applies to a couple of restaurants
Sainsbury's	01/09/2017	85p (band 5)	63p (band 4)	51p (band 3)	25p (band 2)	Yes	Yes	Band 5: Camden, Chiswick, Cobham, Cromwell Road, Finchley Road, Fulham, Guildford, Islington, Pimlico, Richmond, Surbiton, Sury Basin. Band 4: Bishops Stortford, Burpham, Colney Park, Crawley Central, Fulham Broadway, Horsham, Kilburn, Kiln Lane, Kings Mall, Loughton, New Barnet, Thorley, Walthamstow, Walton-on-Thames, West Green, Whitechapel. Band 3 includes: Avenue Road Local, Balham, Barnes Local, Basingstoke, Battersea Park Local, Beaconsfield, Borough High Street Local, Bracknell, Charing Cross Local, Chesham, Clapham, Crystal Palace, Dalston, Didcot, Farnborough, Godalming, Golders Green, Harrogate, Haywards Heath, Holborn Central, Paddington Station Local, Pinner, Reading, Romford, Sevenoaks, Tottenham, Tunbridge Wells, Uxbridge, Victoria. Band 2 includes: Alton, Aylesbury, Banbury, Blackhall, Brentwood, Cold Bath Road Local, Coldhams Lane, Harlow, Heyford Hill, High Wycombe, King's Road Local, Knaresborough Local, Meadowbank, Murrayfield, Northgate, Oxford, Sidney Street, Slough, Welwyn Garden City, Witney, Woodham Farm
Tesco – retail staff		68p (band c)	68p (band c)	45p (band b)	-	-	-	Band C: London postcodes and M25 area. Band B: home counties/South East
Tesco – salaried managers		10%	10%	5%	-	-	-	Differential over national pay bands
Wilko Retail		£3,000	£2,800	£2,500	-	Yes	-	Inner London (within 4 miles of Charing Cross), outer London (London boroughs), hotspots (listed towns)-
Transport and distribution								
Federal Express	01/01/2018	16%	9%	-	-	Yes	Yes	-

Network Rail	20/12/2017	£3,100	£1,800	£955*	-	Yes	No	South East Allowance/Fringe has been phased out of the management graded roles at present
Royal Mail - Admin grades	01/04/2016	£5,248	£4,151	£1,434	£1,825	-	-	Differential over national scale. Figures for Letters administrator 1 Corresponding figures for other grades as follows: Letters 2 £5,260/£3,637; Process engineer. £5,217/£3,603. Secretarial grades £5,158/£3,446. Outer London includes RRIS at £521. Fringe and South East data from RRIS
Royal Mail-Postal grades	01/04/2016	£5,469	£4,521	£1,434	£1,825	-	-	Differential over national scale. Outer London includes RRIS at £521. Fringe and South East data from RRIS
Singapore Airlines	01/01/2002	£1,658	£1,124	-	-	Yes	No	Chiswick & LHR Airport
Public sector								
Central government								
ACAS	01/08/2016	£4,100	£4,100	-	-	Yes	Yes	-
Care Quality Commission	01/09/2017	£4,729	-	-	-	No	No	-
DEFRA	01/07/2017	£2,560-£5,380	-	-	-	Yes	Yes	Pay ranges A-J. Differential between London and national scales depending on grade
Department for Transport	01/08/2017	£4,664	-	-	-	-	-	Admin Assistant to Grade 6, £4,000 - £4,664
Department of Health and Social Care	01/08/2017	£3,500	£1,750	-	-	Yes	Yes	Differential between London and national pay scale
Health and Safety Executive	01/10/2017	£4,313	-	-	-	Yes	No	Change to terms and conditions from April 2015 for new starters in London to work 42 hours gross
HM Land Registry	01/06/2016	£3,153-£4,099	-	-	-	Yes	No	Varies according to grade, £3,153-£4,099
Prison Service (F&S)	01/04/2017	£3,840	£2,525	-	-	Yes	No	Salary differential over maximum National rates for Fair & Sustainable grades
Prison Service (closed grades)	01/04/2017	£4,250 (band 1)	£4,000 (band 2)	£3,100 (band 3)	£2,600 (band 4) £1,100 (band 5) £250 (band 6)	Yes	No	Closed grades only. Band 1: Brixton, Holloway, Pentonville, Wandsworth, Wormwood Scrubs. Band 2: Feltham, Huntercombe, Latchmere House, The Mount, Prison Service HQ (Westminster) Band 3: Belmarsh, Bronzefield, Coldingley, Downview, High Down and Send South Central Area Office Woking).

								Band 4: Aylesbury, Bedford, Bullingdon, Bullwood Hall, Chelmsford, Grendon, Croydon HQ, Reading, Woodhill, South Central Area Office (Aylesbury). Band 5: Lewes, Winchester. Band 6: Birmingham, Bristol, Littlehey, Long Lartin, Onley.
Valuation Office Agency	01/08/2016	£1,050 plus London pay scale	-	-	-	Yes	Yes	Difference between London and provincial pay scales varies by grade £2,876-£5,384
Education								
Further Education	01/08/2016	£2,996	£1,964	£774	-	Yes	Yes	-
Higher Education	01/08/2017	£3,299	£2,133	£826	-	-	-	Includes recommended increase of 0.5% for Post-92 HEIs retaining separate London Weightings
Sixth-Form Colleges -Support staff	01/09/2015	£3,772	£2,480	£983	-	-	-	Includes Lewisham
Sixth-Form Colleges - Teachers	11/05/2017	£3,764	£2,508	£994	-	Yes	-	Inner London: Barking & Dagenham, Camden, Greenwich + 15 boroughs. Outer London: Barnet, Bexley, Bromley, Croydon + 10 boroughs. Fringe26/02/2018 Surrey, parts of Berkshire, Buckinghamshire, Essex, Hertfordshire, parts of Kent and parts of West Sussex.
Teachers -Head Teachers	01/09/2017	£7,229	£3,032	£1,052	-	Yes	Yes	The inner London pay spine covers staff teaching at schools in inner London and some outer London boroughs. It covers Barking & Dagenham, Brent, Camden, Ealing, Greenwich, Hackney, Hammersmith & Fulham, Haringey, Islington, Kensington, Lambeth, Lewisham, Merton, Newham, Southwark, Tower Hamlets, Wandsworth and Westminster.
Teachers -Lead Practitioners	01/09/2017	£7,221	£3,032	£1,032	-	Yes	Yes	The outer London spine covers schools in Barnet, Bexley, Bromley, Croydon, Enfield, Harrow, Havering, Hillingdon, Hounslow, Kingston-upon-Thames, Redbridge, Richmond-upon-Thames, Sutton and Waltham Forest
Teachers - Qualified Teachers	01/09/2017	£5,520	£3,600	£1,059	-	Yes	Yes	The fringe area refers to Bracknell, Slough, Windsor and Maidenhead in Berkshire; South Buckinghamshire and Chiltern, as well as Basildon,

								Brentwood, Epping Forest, Harlow and Thurrock and the districts of Broxbourne, Dacorum, East Hertfordshire, Hertsmere, St. Albans, Watford, Welwyn Garden City and Hatfield
Teachers - Unqualified Teachers	01/09/2017	£4,147	£3,031	£1,060	-	Yes	Yes	See above
Fire and police								
Fire Service	01/07/2015	£5,162	£5,162	-	-	Yes	No	Up to former GLC boundary
Metropolitan Police	01/08/2017	£3,216	£1,617	-	-	-	No	Outer London Allowance (OLA) is being consolidated into basic salary over a period of six years. OLA and ILA are being reduced by the same proportion. For 2017, consolidation of 10% of OLA, equating to £190.
Police - Officers	01/09/2017	£6,735	£6,735	£3,000	£2,000	No	No	London Weighting of £2,397 plus £4,338 (unchanged since 2000). £3,000 in Essex, Herts, Kent, Surrey and Thames Valley. £2,000 in Bedfordshire, Hampshire & Sussex
Local government								
Local authorities	01/04/2017	£2,540	£2,540	£840	£585	-	-	-
NHS								
Agenda for Change	01/04/2017	20% (min £4,200, max £6,469)	15% (min £3,553, max £4,528)	5% (min £971, max £1,682)	-	-	-	Inner London: Hammersmith & Fulham, Kensington & Chelsea, Westminster, Camden, Islington, City & Hackney, Tower Hamlets, Lambeth, Lewisham, Southwark, Wandsworth; Outer London: Brent, Ealing, Harrow, Hillingdon, Hounslow, Barnet, Enfield, Haringey, Barking & Dagenham, Havering, Newham, Redbridge, Waltham Forrest, Bexley, Bromley, Greenwich, Croydon, Kingston, Richmond & Twickenham, Sutton & Merton. Fringe/South East: Dartford, Gravesham & Swanley, Basildon, Billericay, Brentwood & Wickford, Epping Forrest, Harlow, Thurrock, Dacorum, Hertsmere, Royston Buntingford & Bishop Stortford, South East Hertfordshire, St Albans & Harpenden, Watford & Three Rivers, Welwyn Hatfield