

Technology Wage Growth in Other Regions of the UK is Catching Up to London. Why It Matters.

Inner London may continue to be the central hub within a thriving UK tech sector, but other regional hot spots for tech talent are close on its heels.

Despite the looming political and economic uncertainty of Brexit, one thing that's certain is that the technology sector in the UK is still in high-growth mode. Predictably, Inner London tops the pay premiums as a percentage of the national average; however, our latest data reveals a tightening geographical race, as other hot technology hubs in regions across the UK are making gains and closing the previously wide gap.

Case in point: [When examining the prevalence of “unicorns”](#) — or privately-held companies boasting a market valuation of over \$1 billion — over the past year in the U.K., they were geographically dispersed amongst six different cities, which underscores the notion that regional hubs housing innovation and top tech talent aren't restricted to London alone. The implications of these latest macro-economic and compensation trends for any HR and compensation professional involved in the UK technology sector (or general industry businesses competing for technical talent) are far-reaching, and reward strategies may need to be adjusted accordingly.

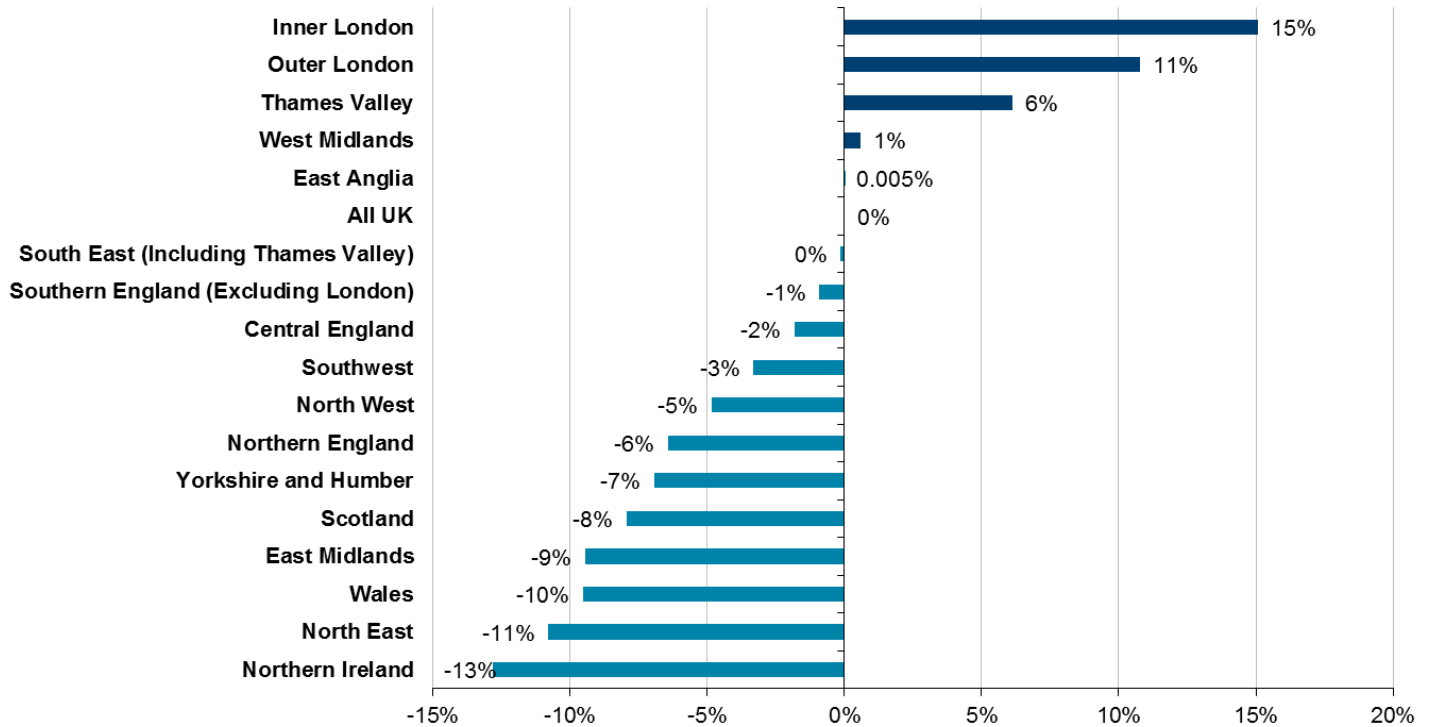
Looking at regional pay markets provides a more complete picture of powerful geographic differentials that might exist within a country. Doing so, and understanding the nuances from region to region, becomes even more imperative when looking to fill talent gaps in an already-competitive job market.

Our data from the [Radford Global Technology Survey](#) reveals that technology sector employees located in Inner London receive salaries that are, on average, 15% ahead of the overall UK market compared to 16% in 2018. This year-over-year [comparison](#) underlines the importance of carefully understanding the nuances of regional data and how annual variation may have an impact on pay decisions.

In Figure 1 below, we examine regional disparities in pay for the tech sector across the UK, with a particular emphasis on how pay for London compares to other regions in the country.

Figure 1

Regional Differentials in Pay for the UK Technology Sector



Source: Radford Global Technology Survey, January 2019

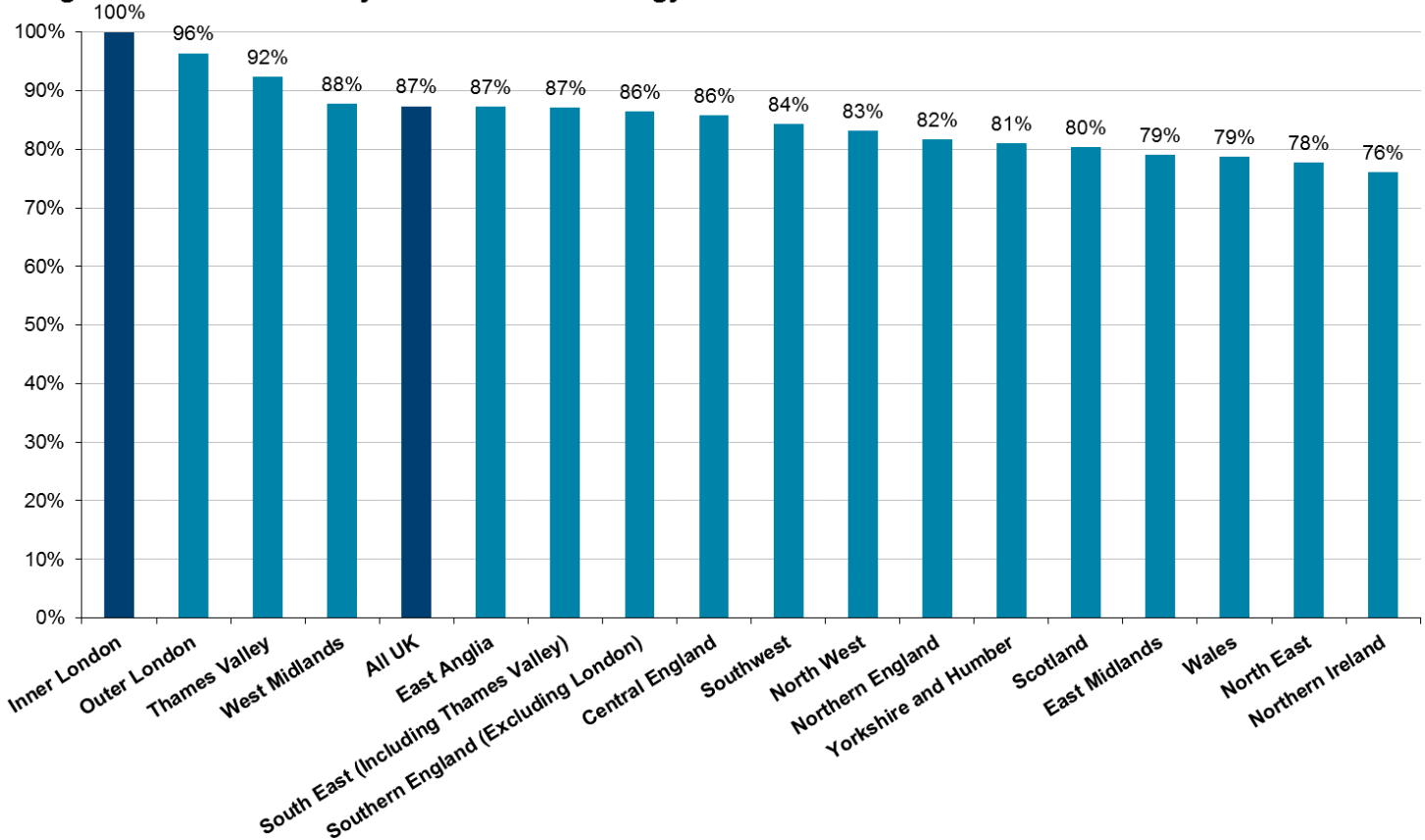
Geographic differentials in pay can range from relatively small increments to data points with significant potential to drive pay and business strategy. Taking a comprehensive view of regional differences in compensation across an entire country provides perspective on which data points should influence compensation plan design. In our opinion, differentials in pay approaching +/- 10% serve as a useful dividing line for when to seriously consider introducing regionally specific pay.

Another approach for considering regional differences in pay is to examine the hypothetical "discount" achieved by transplanting talent from expensive to inexpensive regions. We use the term hypothetical because moves of this nature are often easier said than done. Looking at discount rates makes a lot of sense when opening a new office (assuming the right talent pool is available in your desired location), but it's quite another endeavor to pick up an existing office and move it.

Figure 2 illustrates discount rates across our 17 UK regions as well as the UK average. We used Inner London as a baseline (set to 100%) for technology talent.

Figure 2

Regional Discounts in Pay for the UK Technology Sector



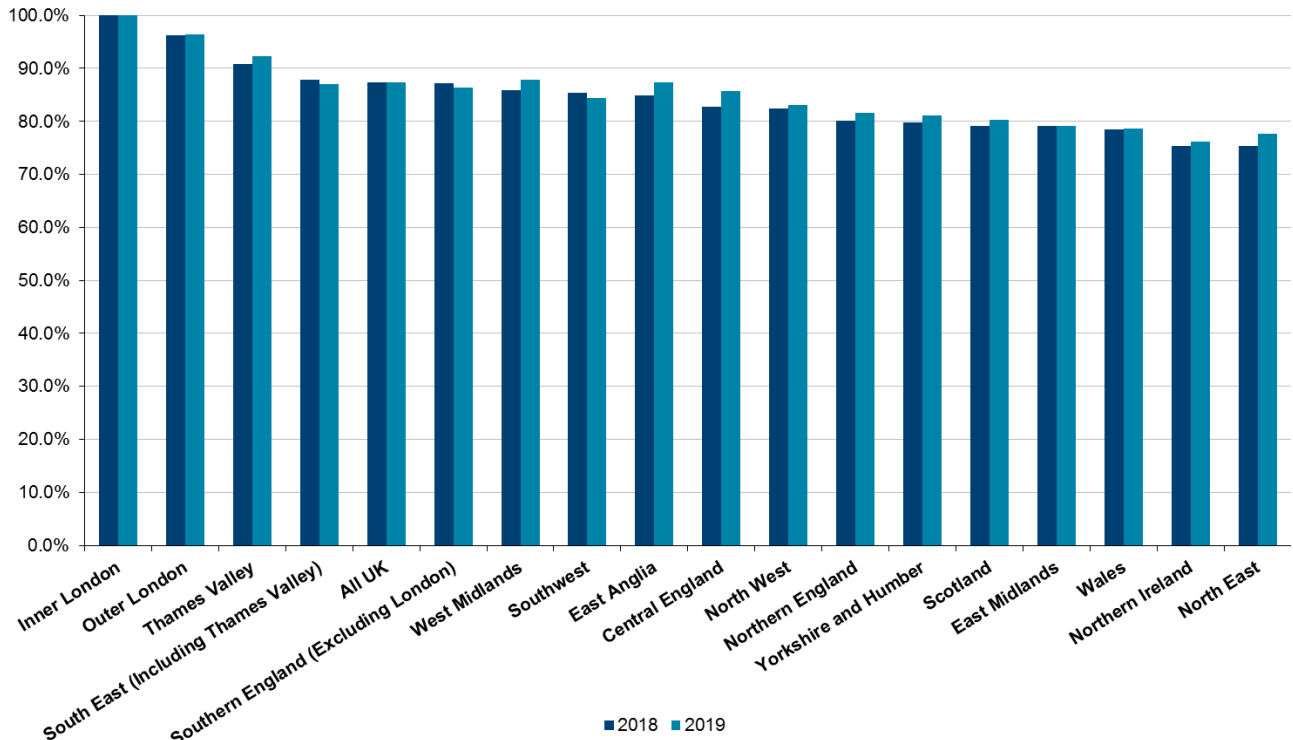
Source: Radford Global Technology Survey, January 2019

Examining discount rates can reveal meaningful opportunities for labor cost differentiation, especially when some locations outside of Inner London carry technology talent discount rates in excess of 10%. However, using these differential figures with additional data points — like voluntary employee turnover rates in excess of 10% — could suggest taking more proactive steps to hire and retain talent, particularly for certain critical-skill jobs or positions where turnover has been highest. In the UK, voluntary turnover among technology companies stands at 10.9% as of Q4 2018.

Compared to 2018, the regional pay gap between Inner London and other select regions has begun to close in 2019, as evidenced in Figure 3 below.

Figure 3

Inner London Pay Gap Falls in Selected Regions



Source: Radford Global Technology Survey, January 2018 & 2019

What We Are Seeing

Tech sector pay in the other regions of the UK has begun an upward climb to catch up to that of Inner London, reflecting companies hunting for top tech talent. The narrowing regional pay gap is apparent as companies realize that there are [viable alternatives](#) to London and look within these emerging hubs of regional talent as they have the following characteristics amongst others:

- The cost of living is cheaper compared to London;
- There are good universities (Manchester, Birmingham and Bath/Bristol are becoming known for specialized, innovative industry focus);
- Housing prices are cheaper; and
- Reliable transportation is making it easier to travel to other places.

In the West Midlands, for example, we can see a notable year-over-year pay increase. Companies including Channel 4, HSBC and Deutsche Bank have recently [relocated offices to Birmingham](#), the second most populous city in the UK with a surplus of talent. Additionally, off the back of being selected as the UK's 'IoT Demonstrator City' and receiving a government award to invest in smart city technology in 2016, Manchester has become a [national leader](#) in IoT industries — not to mention that based on market valuation, there are three unicorns located within the Manchester region.

Manchester, Birmingham and Bath/Bristol are becoming known for specialized and innovative tech talent. Oxbridge (Oxford & Cambridge) continue to be centers of excellence and innovative research, forming the other two corners of the “Golden Triangle” of tech innovation along with London.

As wage growth in these and other regions continue an upward trajectory to catch up to Inner London, assessing talent needs and taking a closer look at regional pay differentials becomes all the more imperative to stay competitive.

For the latest trends and to learn more about participating in a Radford survey, please [contact our team](#). To speak with a member of our compensation consulting group, please write to consulting@radford.com.

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About Radford

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