

# Understanding Regional Pay Differences in the UK Technology Sector

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Practice Areas: [Managing Pay & Career Programs](#), [Technology](#), [Europe](#), [Middle East & Africa](#)

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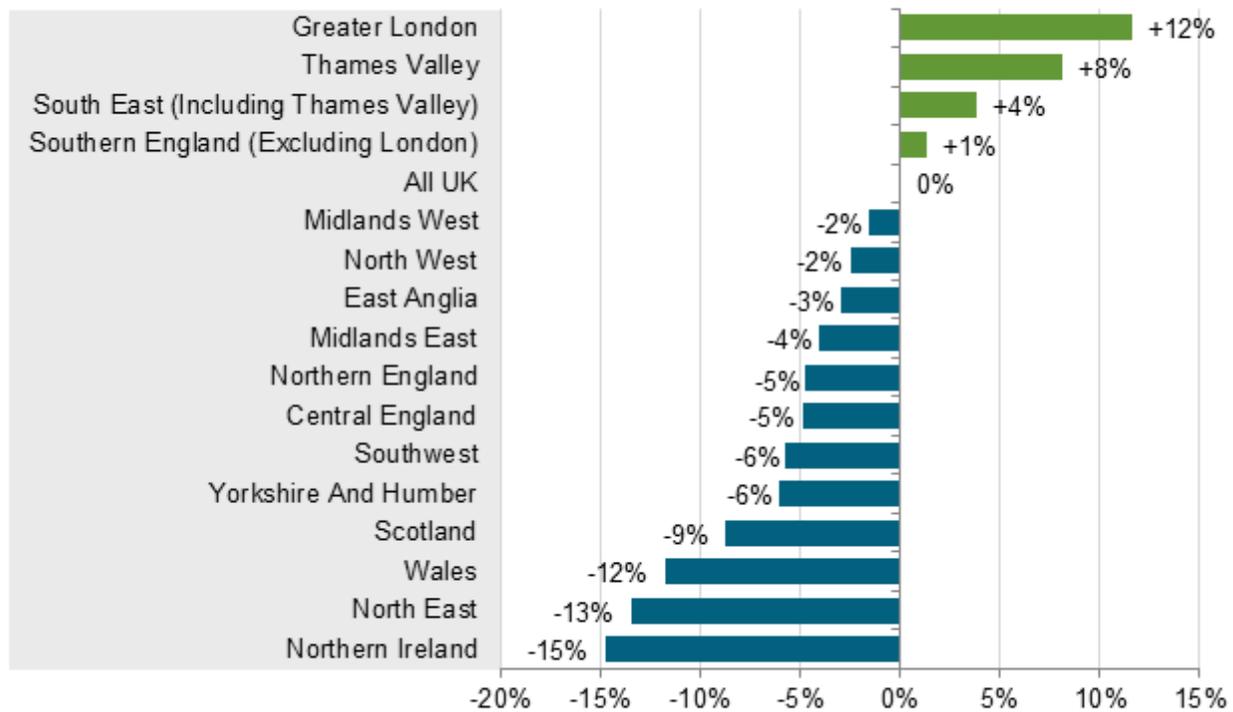
Designing compensation programs is both art and science. The science portion of the role comes down to correctly crunching the numbers, while the artistic element of the job revolves around picking the right numbers to crunch. As most experienced compensation professionals will tell you, selecting the right market for talent (i.e., industry, region, and/or specific comparator group) is usually the first and last step in determining the success or failure of a meaningful compensation assessment.

This is particularly true when dealing with countries that have especially powerful economic or industrial hubs — civic centers like London in the United Kingdom (UK) and global talent magnets like Silicon Valley in the United States. These zones are extremely expensive for residents to live in, and simultaneously rich in talent-hungry companies. The combination of these forces ratchets up pay and can adversely impact the usefulness of country-wide data.

At Radford, we often combat this effect by diving deeply into our databases to provide clients with region- and/or post code-specific analyses. Only by dropping to this level of granularity can compensation professionals begin to understand the true nature of compensation markets, and powerful "geographic differentials" that might exist within a country. To illustrate this point, our team recently used data from Radford's [Global Technology Survey](#) to evaluate differences in base salaries across 17 UK regions.

With data for the entire UK serving as a baseline (set to zero), we discovered that technology sector employees located in Greater London enjoy an average boost in pay of 12% vs. the overall UK market. However, the story does not end there. Incumbent data from London plays a massive role in determining overall results for the UK, so it is far most interesting to compare Greater London to other regions within the country. When taking this view of the data, as is the case in the chart below, regional disparities in pay become even more pronounced.

## Regional Differentials in Pay for the UK Technology Sector

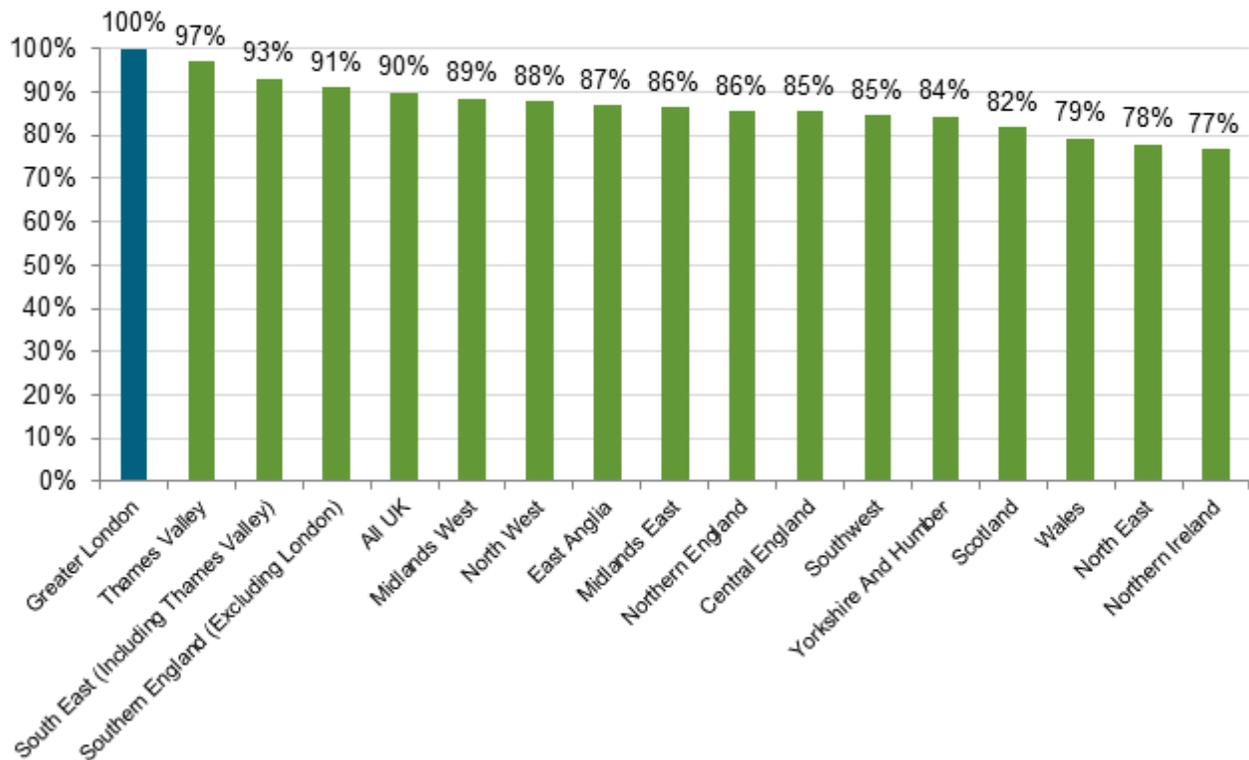


As the above chart illustrates, geographic differentials in pay can range in scale from relatively minor rounding errors to data points with significant potential to drive pay and business strategy. Taking a comprehensive view of regional differences in compensation across an entire country provides proper perspective on which data points should influence program design. In our opinion, differentials in pay approaching +/- 10% serve as a useful dividing line for when to seriously consider regionally targeted approaches to compensation. With this threshold in mind, it is clear that managing technology talent in the UK requires a fairly nuanced strategy.

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.

In the following chart, we illustrate discount rates across our 17 UK regions, using Greater London as a baseline (set to 100%) for technology talent.

## Regional Discounts in Pay for the UK Technology Sector



As the above chart illustrates, discount rates between Greater London and several UK regions are within a range of +/- 10%, which may not be enough, in its own right, to justify exchanging London for another UK location. This is especially true when factors like access to talent, partners, suppliers and logistics are considered. Nevertheless, examining discount rates can reveal meaningful opportunities for labor cost differentiation, especially when some locations outside of Greater London carry technology talent discount rates in excess of 20%.

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](mailto:consulting@radford.com).

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