

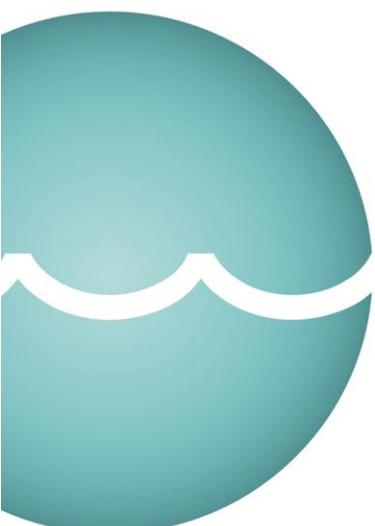


# ENERGY & UTILITY SKILLS

ATTRACT ▶ DEVELOP ▶ ASSURE



## **A statistical analysis of salary levels within the energy and utility sector**



March 2014

## Copyright

All rights reserved. No part of this publication may be reproduced, stored in a retrievable system, or transmitted in any form or by any means whatsoever without prior written permission from the copyright holder.

© EU Skills Group • March 2014

Registered Office: Friars Gate, 1011 Stratford Road, Shirley, Solihull, B90 4BN

Registered no: 3812163

**W:** [www.euskills.co.uk](http://www.euskills.co.uk)

**T:** 0845 077 99 22

**E:** [communications@euskills.co.uk](mailto:communications@euskills.co.uk)

**A:** Friars Gate, 1011 Stratford Road, Shirley, Solihull, B90 4BN

# A statistical analysis of salary levels within the energy and utility sector

March 2014

## Contents

<b>1</b>	<b>Introduction.....</b>	<b>4</b>
<b>2</b>	<b>Your feedback on this report .....</b>	<b>4</b>
<b>3</b>	<b>Executive summary .....</b>	<b>4</b>
<b>4</b>	<b>Overview of 2013 (provisional) results for the sector .....</b>	<b>6</b>
<b>5</b>	<b>Industry analysis.....</b>	<b>7</b>
5.1	Gas transmission and distribution	7
5.2	Power	8
5.3	Waste management	9
5.4	Water	10
<b>6</b>	<b>Occupational analysis .....</b>	<b>11</b>
<b>7</b>	<b>Apprenticeships and Graduates .....</b>	<b>14</b>
7.1	Apprenticeships	14
7.2	Graduates	15
<b>8</b>	<b>Hay Group Reward &amp; Salary Benchmarking .....</b>	<b>15</b>
8.1	Overview	16
8.2	Sizing methodology and data collection	16
8.3	Industry comparisons	17
8.4	Further analysis and benchmarking	19
<b>9</b>	<b>Next steps for salary benchmarking.....</b>	<b>20</b>

## 1 Introduction

Wage returns are one of the main economic measures of the balance between the supply and demand of skilled labour. At a macro level, increasing salary returns in a specific job role could be an indication that the supply of appropriately skilled labour is insufficient to meet demand; similarly, a decrease in salary levels for a specific job role could mean that it is easier to recruit into that role. There may, of course, be a number of factors behind salary increases/ decreases at the job role level, of which the availability of appropriately skilled labour is only one.

At a micro level, this analysis can be useful at the company level. If company A offers a lower salary/ benefits package than either their industry average or is lower than similar job roles in other parts of the economy, this could explain any difficulties in recruiting.

This report into salary levels within the energy and utility sector provides an analysis of the wage returns and related benefits available in the gas, power, waste management and water industries in the UK.

The principal source of data is the provisional results of the 2013 Annual Survey of Hours and Earnings produced by the Office for National Statistics (with comparisons to the 2012 revised results). This provides salary information for 369 occupations (“unit groups”) from across the UK economy.

This data has been supplemented by industry-level data provided by Hay Group, a world-leader in the collection and use of reward and salary data. This offers an alternative, but ultimately supportive, perspective on the picture across the energy and utility sector. We are grateful to John Burkin at Hay Group for his support and assistance in supplying this data.

## 2 Your feedback on this report

EU Skills is continually looking to improve the quality, usefulness and impact of its market and labour intelligence. To help us do this, we would welcome your views on the quality and content of this report.

There are a number of ways in which you can do this:

- Visit the website below and complete a very short on-line survey:

[www.surveymonkey.com/s/euskillsresearchevaluation](http://www.surveymonkey.com/s/euskillsresearchevaluation)

- Send your comments, suggestions or questions to [research@euskills.co.uk](mailto:research@euskills.co.uk)
- Alternatively, you can contact Rob Murphy, Head of Research, on 0845 077 7054 or [rob.murphy@euskills.co.uk](mailto:rob.murphy@euskills.co.uk)

## 3 Executive summary

Across the UK economy as a whole, the mean salary of workers increased by 1.4 per cent between 2012 and 2013.

In each of the four main industries of the energy and utility sector, the increase in mean salaries was higher than the national average.

In the Sewerage sub-sector of the water industry mean salaries increased by 9.5 per cent, while in the gas transmission and distribution, power and waste management industries mean salaries increased by over 5 per cent (5.6, 5.9 and 5.3 per cent respectively). In Water collection and treatment the increase was a more modest 3.7 per cent.

There are, however, some important and significant differences within each industry. In activities relating to the *Distribution of gaseous fuels through mains*, the mean salary increased by 6.7 per cent over the year, while in the *Manufacture of gas* the mean salary decreased by 0.8 per cent.

In the power sector we can see that salary increases were similar in Production and Distribution activities (6.6 and 6.4 per cent respectively).

The 10<sup>th</sup> percentile salary in the economy as a whole is £14,678 – this means that the lowest paid 10 per cent of the workforce earn below this figure. It should be a positive sign for attraction of new talent that the 10<sup>th</sup> percentile salary in each energy and utility industry is higher than the national average – in the gas transmission and distribution industry the 10<sup>th</sup> percentile salary is £22,496, almost £8,000 higher.

Occupations where mean annual salaries have increased by more than double the national average (i.e. increased by 2.8 per cent or more) over the last year are:

- Mechanical engineers
- Electrical engineers
- Production and process engineers (e.g. chemical engineer; process engineer; production engineer)
- Engineering professionals (e.g. project engineer; technical engineer)
- Science, engineering and production technicians (e.g. technician; technical assistant)
- Energy plant operatives

At the other Occupations where mean annual salaries have decreased by more than double the national average (i.e. decreased by -1.4 per cent or more) over the last year are:

- Production managers and directors in mining and energy
- Waste disposal and environmental services managers
- Civil engineers
- Electronics engineers
- Electrical and electronics technicians (e.g. Electrical technician; Electronics technician; Installation engineer (Electricity Supplier))
- Call and contact centre occupations
- Plant and machine operatives

It is not possible to say with any certainty, just from looking at this data, what the causes of these increases and decrease in mean salary are. They could be any number of reasons, including:

- shifts in either the supply of, or demand for, appropriately skilled labour
- shifts in the total number of employees (e.g. an influx of new talent will probably be on less-than-average salaries until they become experienced)

- standard deviation in the survey methodology and outputs

Data supplied by Hay Group indicates that pay rewards in the UK utilities sector are, on average, around 10% more than the UK average.

It is often cited by employers in the energy and utility sector (particularly in the renewable energy aspects of the sector) that the Oil & Gas industry is a major competitor for skills; and one that it struggles to match in terms of salary rewards – this data appears to back that claim up, with Oil & Gas pay rewards being around 127 per cent of the UK market average.

## 4 Overview of 2013 (provisional) results for the sector

The average growth in *mean* salary levels across the UK economy between 2012 and 2013 was 1.4 per cent (the growth in the *median* salary was slightly higher at 2.1 per cent).

In each of the four industries the increase in mean salaries was higher than the national average.

**Table 1: Gross annual pay for full-time employees by sub-sector, UK, 2013**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest percentile	Highest percentile
<b>Gas transmission and distribution</b>						
<b>Manufacture of gas; distribution of gaseous fuels through mains</b>	£37,576	4.8%	£41,697	5.6%	£22,496	£50,739*
<b>Power</b>						
<b>Electric power generation, transmission and distribution</b>	£38,128	8.0%	£43,080	5.9%	£19,240	£70,779
<b>Waste management</b>						
<b>Waste collection, treatment and disposal activities; materials recovery</b>	£26,889	2.4%	£33,117	5.3%	£16,442	£40,945*
<b>Water</b>						
<b>Water collection, treatment and</b>	£31,162	1.9%	£33,776	3.7%	£20,594	£38,973*

<b>supply</b>						
<b>Sewerage</b>	£30,610	9.0%	£33,482	9.5%	£18,798	£33152*
<b>All sectors</b>						
<b>All sectors</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

\* These data represent the highest available percentile figure given that the 90<sup>th</sup> percentile is suppressed.

In the gas transmission and distribution, power and waste management industries mean salaries increased by over 5 per cent between 2012 and 2013 (5.6, 5.9 and 5.3 per cent respectively).

In the sewerage sub-sector of the water industry mean salaries increased by 9.5 per cent, while in water collection and treatment the increase was a more modest 3.7 per cent.

## 5 Industry analysis

This section details the gross annual pay for full-time employees within each industry of the energy and utility sector. These data are based on 2013 provisional results from the Annual Survey of Hours and Earnings published by the Office for National Statistics. As these are provisional data, they may be subject to change by ONS.

Each sector contains data regarding:

Median salary	This is the “middle” value based on all the salaries in the sector being sorted from lowest to highest (it is a calculation of the “average” which is resistant to extreme values in the sample)
Mean salary	This is the arithmetic average (and can be affected by extreme values at the low and high end of the scale)
Annual percentage change	Shown for both the <i>median</i> and <i>mean</i> salaries
Lowest percentile salary	This is used as a measure of the lowest salary in the sector and is normally based on the 10 <sup>th</sup> percentile (unless other stated). This means that only 10 per cent of the sample earn a salary of less than this value.
Highest percentile salary	This is used as a measure of the highest salary in the sector and is normally based on the 90 <sup>th</sup> percentile (unless other stated). This means that 90 per cent of the sample earn a salary of less than this value.

### 5.1 Gas transmission and distribution

This industry is defined as activities relating to the transportation of gas through the National Transmission System (NTS) into the Local Distribution System, and then up to, and including, the main control valve, usually adjacent to the customer’s properties. Also included is the manufacture and distribution of Liquefied Natural Gas (LNG) and other bottled gases and the operation and maintenance of network infrastructure, such as pipe laying, repair, maintenance and shortage.

Across the industry as a whole, the mean salary increased by 5.6 per cent over the previous year to £41,697.

**Table 2: Gross annual pay for full-time employees in the gas transmission and distribution industry, UK, 2013 (provisional)**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Manufacture of gas; distribution of gaseous fuels through mains</b>	£37,576	4.8%	£41,697	5.6%	£22,496	£50,739 (80 <sup>th</sup> )
Manufacture of gas	£44,653	0.8%	£46,581	-0.8%	£26,616	£56,633 (75 <sup>th</sup> )
Distribution of gaseous fuels through mains	£35,924	4.3%	£39,796	6.7%	£21,894	£48,126 (80 <sup>th</sup> )
<b>UK average (all sectors)</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

\* These data represent the highest available percentile figure given that the 90<sup>th</sup> percentile is suppressed.

There are, however, some important and significant differences within the constituent sub-sectors. In the *Manufacture of gas* the mean salary fell by 0.8 per cent over the year (although the median actually increased by 0.8 per cent). Meanwhile, in activities relating to the *Distribution of gaseous fuels through mains*, the mean salary increased by 6.7 per cent over the year – significantly more than the UK average of 1.4 per cent.

Across the gas transmission and distribution industry the lowest percentile salary is consistently and significantly higher than the equivalent figure for UK as a whole (c+£8,000). At the highest percentile it would appear that they are also higher than the UK average, but perhaps at a more modest level.

## 5.2 Power

The electricity transmission network plays a central role in the electricity system. Maintaining the balance between supply and demand is a vital task which touches every aspect of electricity supply. The transmission companies are required to develop, maintain and operate an efficient and economical system and not to restrict, prevent or distort competition in generation and supply.

There are 12 licensed Distribution Network Operator (DNO) regions in England & Wales, one in Northern Ireland, and two in Scotland. These companies hold a distribution license granted by Ofgem for the provision of distribution network services. Each DNO owns and operates the local electricity distribution system within its own authorised area. All DNOs have statutory duties to develop and maintain an efficient, co-ordinated and economical system of distribution and facilitate competition in generation and supply.

Across the power sector, mean salaries increase by 5.9 per cent over the year; significantly more than the UK average of 1.4 per cent.

**Table 3: Gross annual pay for full-time employees in the power industry, UK, 2013 (provisional)**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Electric power generation, transmission and distribution</b>	£38,128	8.0%	£43,080	5.9%	£19,240	£70,779
Production of electricity	£40,813	7.1%	£46,972	6.6%	£18,937	£66,478 (80 <sup>th</sup> )
Transmission of electricity	x	y	x	y	x	x
Distribution of electricity	£37,538	8.0%	£40,747	6.4%	£19,559	£54,405 (80 <sup>th</sup> )
Trade of electricity	£14,267	y	£16,916	y	x	x
<b>UK average (all sectors)</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

x Data is suppressed

y These data are not able to be calculated because either 2012 or 2013 data has been suppressed.

At sub-sector level we can see that salary increases were similar in Production and distribution activities (6.6 and 6.4 per cent respectively).

The lowest percentile salary is around £5,000 higher than the UK average. However, at the highest percentile, salaries can be significantly higher in the power sector than across the UK as a whole.

The mean salary in Trade of electricity is, perhaps unsurprisingly given the predominant occupations, significantly lower than the UK mean salary.

### 5.3 Waste management

This industry covers the collection, transport, treatment and final management of waste and recyclables. Once waste is collected, it will pass through a series of processes that result in either valuable or non-valuable outputs. Valuable outputs from waste, once dismantled and/or sorted, are passed to other parties that sit outside of our remit to be remade or recycled into new products. Non-valuable outputs, which consist of materials that are unsuitable for recovery, are either sent to landfill or used to create energy from waste.

Mean salaries in the waste management industry increased by 5.3 per cent over the year; compared to the UK average of 1.4 per cent. However, mean salaries increased by a more modest 1.2 per cent in the *Materials recovery* sub-sector.

**Table 4: Gross annual pay for full-time employees in the waste management industry, UK, 2013 (provisional)**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Waste collection, treatment and disposal activities; materials recovery</b>	£26,889	2.4%	£33,117	5.3%	£16,442	£40,945 (80 <sup>th</sup> )
Waste collection	£25,366	6.9%	£30,549	6.0%	£19,875 (25 <sup>th</sup> )	£27,243 (60 <sup>th</sup> )
Waste treatment and disposal	£32,725	1.8%	£38,979	4.8%	£20,295	£47,216 (75 <sup>th</sup> )
Materials recovery	£24,669	3.2%	£29,472	1.2%	£13,539	£31,448 (70 <sup>th</sup> )
<b>UK average (all sectors)</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

The mean salary in the industry as a whole is almost identical to the UK mean salary (£33,117 compared to £33,288). However, in *Waste collection* and *Materials recovery* the mean salary is lower than the UK mean; while in the *Waste treatment and disposal* industry the mean salary is more than £5,500 higher than the national average.

## 5.4 Water

This industry is made up of the regulated water utility companies, non-regulated subsidiary water utility companies (i.e., involved in construction, engineering, consultancy, etc.), and the supply chain (i.e., suppliers, manufacturers, contractors, etc.). Combined, the industry starts at the generation of clean water right through to the customers' stop valves in their homes. It also covers the collection and treatment of waste water collected through public sewers and private drains.

The mean salary in the *Sewerage* sub-sector increased substantially over the year, by 9.5 per cent. This brings the actual mean salary in line with the UK average.

Although the mean salary in *Water collection, treatment and supply* increased by a more modest 3.7 per cent, this again brings the actual mean salary for this sub-sector into line with the UK average.

**Table 5: Gross annual pay for full-time employees in the water industry, UK, 2013 (provisional)**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Water collection, treatment and supply</b>	£31,162	1.9%	£33,776	3.7%	£20,594	£38,973 (80 <sup>th</sup> )
<b>Sewerage</b>	£30,610	9.0%	£33,482	9.5%	£18,798	£33,152 (60 <sup>th</sup> )
<b>UK average (all sectors)</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

The lowest percentile salaries in both water sub-sectors are significantly higher than the UK figure.

## 6 Occupational analysis

The following analysis is based on occupation rather than industry. Although this data is not specifically related to the energy and utility sector, it does give an indication of the salary levels available across the whole of the UK economy for occupations (and associated skills) which are highly relevant to energy and utility employers.

Within each of the nine main occupational groups, relevant sub-occupations have been identified and reported separately.

**Table 6: Gross annual pay for full-time employees by occupational group, UK, 2013 (provisional)**

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Managers, directors and senior officials</b>	£39,982	2.7%	£56,047	0.6%	£18,964	£99,739
Production managers and directors in mining and energy	*	*	£65,185	<b>-10.4%</b>	£37,894 (25 <sup>th</sup> )	£43,612 (40 <sup>th</sup> )
Waste disposal and environmental services managers	£37,294	-6.1%	£43,349	<b>-7.6%</b>	£26,718 (25 <sup>th</sup> )	£36,088 (40 <sup>th</sup> )
<b>Professional occupations</b>	£36,279	0.8%	£41,218	0.9%	£22,765	£62,635
Natural and social science professionals	£35,644	-0.8%	£40,289	0.3%	£22,207	£62,011
Civil engineers	£36,285	2.4%	£39,002	<b>-2.0%</b>	£22,498	£46,012 (80 <sup>th</sup> )
Mechanical engineers	£41,003	2.1%	£45,551	<b>4.4%</b>	£27,250	£58,075 (80 <sup>th</sup> )

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
Electrical engineers	£42,905	*	£45,222	5.1%	£24,672	£51,641 (75 <sup>th</sup> )
Electronics engineers	£38,424	8.3%	£39,542	-5.8%	£30,938 (30 <sup>th</sup> )	£41,841 (60 <sup>th</sup> )
Design and development engineers	£38,736	2.5%	£41,178	1.0%	£25,620	£51,661 (80 <sup>th</sup> )
Production and process engineers	£36,873	5.6%	£38,725	2.9%	£27,856 (20 <sup>th</sup> )	£46,163 (80 <sup>th</sup> )
Engineering professionals n.e.c.	£39,434	5.1%	£42,070	3.0%	£26,014	£49,641 (80 <sup>th</sup> )
Quality control and planning engineers	£34,057	5.1%	£35,434	0.8%	£22,910	£40,751 (80 <sup>th</sup> )
<b>Associate professional and technical occupations</b>	£30,885	1.2%	£36,231	1.0%	£18,992	£54,290
Electrical and electronics technicians	£30,900	1.3%	£29,928	-3.3%	£22,390 (20 <sup>th</sup> )	£34,811 (75 <sup>th</sup> )
Engineering technicians	£32,608	1.0%	£33,687	1.1%	£20,066	£40,731 (80 <sup>th</sup> )
Planning, process and production technicians	£27,373	-0.1%	£30,301	-0.7%	£21,680 (20 <sup>th</sup> )	£39,077 (80 <sup>th</sup> )
Science, engineering and production technicians n.e.c.	£25,719	1.5%	£28,185	4.1%	£16,877	£40,039
<b>Administrative and secretarial occupations</b>	£21,000	1.8%	£23,356	0.5%	£14,480	£34,492
<b>Skilled trades occupations</b>	£24,777	0.9%	£26,602	1.0%	£15,318	£39,987
Metal forming, welding and related trades	£26,247	0.1%	£28,156	0.9%	£18,123	£35,558 (80 <sup>th</sup> )
Electricians and electrical fitters	£29,538	1.5%	£30,407	1.3%	£19,262	£41,752
Skilled metal, electrical and electronic trades supervisors	£32,664	0.3%	£35,538	1.1%	£22,077	£42,401 (80 <sup>th</sup> )
<b>Caring, leisure and other service occupations</b>	£17,281	0.7%	£18,317	0.6%	£11,413	£26,662

	Median	Annual percentage change	Mean	Annual percentage change	Lowest (10 <sup>th</sup> ) percentile	Highest (90 <sup>th</sup> ) percentile
<b>Sales and customer service occupations</b>	£17,166	1.8%	£19,198	1.1%	£11,681	£29,172
Call and contact centre occupations	£17,051	1.4%	£17,835	-1.8%	£12,407	£20,770 (80 <sup>th</sup> )
Customer service managers and supervisors	£26,716	-2.8%	£30,199	-1.2%	£17,730	£38,027 (80 <sup>th</sup> )
<b>Process, plant and machine operatives</b>	£22,809	2.1%	£24,443	2.1%	£14,352	£36,625
Energy plant operatives	£27,119	3.7%	£28,165	6.1%	£24,112 (40 <sup>th</sup> )	
Water and sewerage plant operatives	£29,581	0.9%	£29,374	-0.3%	£23,431 (20 <sup>th</sup> )	£33,234 (75 <sup>th</sup> )
Plant and machine operatives n.e.c.	£22,755	2.9%	£24,556	-1.6%	£14,180	£31,283 (80 <sup>th</sup> )
Large goods vehicle drivers	£26,151	1.0%	£26,346	1.4%	£18,323	£34,567
Mobile machine drivers and operatives	£24,245	1.2%	£25,406	0.3%	£15,575	£31,147 (80 <sup>th</sup> )
<b>Elementary occupations</b>	£17,873	1.4%	£19,089	3.0%	£11,398	£28,831
Elementary process plant occupations	£18,000	1.7%	£19,281	1.5%	£12,692	£28,121
Refuse and salvage occupations	£19,347	1.1%	£20,143	-1.0%	£14,803	£23,355 (80 <sup>th</sup> )
<b>UK average (all sectors)</b>	£27,017	2.1%	£33,288	1.4%	£14,678	£53,720

Source: Annual Survey of Hours and Earnings, Office for National Statistics.

\* These data are suppressed.

Occupations where mean annual salaries have increased by more than double the national average (i.e. increased by 2.8 per cent or more) over the last year are:

- Mechanical engineers
- Electrical engineers
- Production and process engineers (e.g. chemical engineer; process engineer; production engineer)
- Engineering professionals (e.g. project engineer; technical engineer)
- Science, engineering and production technicians (e.g. technician; technical assistant)
- Energy plant operatives

At the other Occupations where mean annual salaries have decreased by more than double the national average (i.e. decreased by -1.4 per cent or more) over the last year are:

- Production managers and directors in mining and energy

- Waste disposal and environmental services managers
- Civil engineers
- Electronics engineers
- Electrical and electronics technicians (e.g. Electrical technician; Electronics technician; Installation engineer (Electricity Supplier))
- Call and contact centre occupations
- Plant and machine operatives

It is not possible to say with any certainty, just from looking at this data, what the causes of these increases and decrease in mean salary are. They could be any number of reasons, including:

- shifts in either the supply of, or demand for, appropriately skilled labour
- shifts in the total number of employees (e.g. an influx of new talent will probably be on less-than-average salaries until they become experienced)
- standard deviation in the survey methodology and outputs

## 7 Apprenticeships and Graduates

### 7.1 Apprenticeships

The national minimum wage for Apprentices is £2.68 per hour (£2.68 from October 2013), which equates to an annual salary of £5,156 based upon a 37 hour week.

Data from the Apprenticeship Service shows that many employers choose to pay above the minimum wage rate, equating to an annual salary of £8,840.

The following table shows the potential salaries Apprentices can expect once they are qualified.

**Table 7: Apprentice salary (once qualified) from selected Apprenticeship frameworks**

Framework	Salary	Framework	Salary	Framework	Salary
Gas	£17,000-£28,000	Business and Admin	£12,000-£18,000	Sales and Telesales	£11,000-£15,000
Power	£20,000	ICT	£14,000-£17,000	Retail	£11,000-£15,000
Water	£17,000	Marketing	£15,000-£18,000	Travel services	£12,000
Sustainable Resource Management	£15,000-£20,000	Contact Centre	£12,000	Facilities Management	£18,000
Engineering Construction	£14,500-£17,000				

Source: Taken from <http://www.apprenticeships.org.uk/types-of-apprenticeships.aspx>, accessed on 11<sup>th</sup> March 2014.

There is clear evidence that technical Apprenticeships frameworks attract higher salaries than non-technical frameworks. Salaries for successful Apprentices on Gas, Power, Water and

Sustainable Resource Management frameworks tend to receive higher salaries than many of the non-technical frameworks Apprentices (such as Contact Centre and Travel Services).

## 7.2 Graduates

Each year, the Higher Education Statistics Agency (HESA) collect data on the destinations of graduates who have completed degree level education within the UK. The following table shows the proportion of graduates earning various salary ranges for those entering the energy and utilities sector.

**Table 8: Salary levels of UK graduates (2011/12)**

Salary range	Gas Trans & Dist	Gas Utilisation	Power	Waste Management	Water	All sectors
<=£10,000	2.9%	14.9%	1.9%	2.6%	1.6%	12.5%
£10,001 to £20,000	48.9%	54.5%	30.2%	34.0%	34.4%	35.1%
£20,001 to £30,000	35.6%	17.9%	38.1%	34.3%	43.3%	37.8%
£30,001 to £40,000	5.1%	6.7%	14.0%	9.1%	12.1%	9.0%
£40,001 to £50,000	2.3%	2.2%	6.9%	12.4%	4.4%	3.0%
=>£50,001	5.2%	3.7%	8.9%	7.7%	4.4%	2.7%

Source: HESA Destinations Survey, 2011/12

Note: Columns may not add up to 100% due to rounding

Nearly three-quarters (72.0 per cent) of all UK graduates in employment six months after leaving education earn between £10,001 and £30,000, with 14.7 per cent earning more than £30,001.

In both Gas transmission and distribution and Gas utilisation industries a higher proportion of graduates than average earn between £10,001 and £20,000; although fewer earn less than £10,000.

In the power sector, the proportion of graduates that earn more than £30,001 is double that of the national average (29.8 per cent compared to 14.7 per cent respectively).

Graduates working in the waste management industry are also twice as likely to earn more than £30,001 than the national average.

## 8 Hay Group Reward & Salary Benchmarking

To add context to data and analysis presented so far, EU Skills has teamed-up with Hay Group, a world-leader in the collection and use of reward and salary data, to offer an alternative perspective.

## 8.1 Overview

Hay Group is a global management consultancy that works with leaders to transform strategy into reality. By developing talent, organising people to be more effective and motivating them to perform at their best the focus is on making change happen and helping people and organisations realise their potential.

Hay Group comprises of over 2,600 employees working in 85 offices in 47 countries. These offices span clientele from the private, public and not-for-profit sectors, across every major industry. With 60 years of practice and experience, Hay Group's Job Evaluation methodology is the most widely used in the world, matching a global database prevalent across over 100 countries, 14,500 organisations and 12 million incumbents.

## 8.2 Sizing methodology and data collection

Hay Group's propriety method of sizing roles is Job Evaluation. Job Evaluation ensures consistency by creating a globally standardised output that is fair, robust, precise and flexible enough for any organisation in any industry.

Job Evaluation involves breaking a role down into its constituent parts, Know-How, Problem-Solving and Accountability, taking into account the context of the role not the individual doing it. The result is a precise points-value accumulated from adding each part:



Each organisation that subscribes to Hay Group's Reward services has had its positions evaluated using this method, or via a lighter touch version of evaluation called Job Mapping that uses the Know-How component only (if time or budgets are in short supply). Hay Group collects this data several times a year for upload into the global reward database, PayNet.

All Hay Group reward data is therefore measured in Hay Points specific to each role, or as Hay Reference Levels simply representing Hay Point ranges. For example, a Senior Receptionist may have a Hay Points value of 166, equating to a Reference Level 11.

Typically a junior operational role such as a Machine Operator or Maintenance Office will sit at Reference Level 8 or 9, a skilled Graduate at level 13 and a Head of Department at Reference level 20. Positions above level 20 tend to be considered executive/board-level, with the CEO typically sitting at level 23/24 upwards.

### 8.3 Industry comparisons

Hay Group's PayNet UK database currently comprises of about 730 organisations, roughly 50 of which are categorised as Utilities (including energy, waste, water, gas, power networks and renewable), separately from Oil and Gas production.

From this data it is possible to analyse trends across the economy, function and job family and create premia for each. Below is the current database (January 2014) sector comparison for the UK:

Hay Group Reference Level	Construction	FMCG	Finance	High Technology	Industrial Goods
23 (1261 - 1507)	92.6%	102.8%	112.4%	96.1%	93.5%
22 (1056 - 1260)					
21 (880 - 1055)					
20 (735 - 879)					
19 (614 - 734)					
18 (519 - 613)					
17 (439 - 518)			99.9%		
16 (371 - 438)					
15 (314 - 370)					
14 (269 - 313)					
13 (228 - 268)			100.2%		
12 (192 - 227)					
11 (161 - 191)					
10 (135 - 160)					
9 (114 - 134)	92.7%				
8 (98 - 113)					
7 (85 - 97)					
<b>Overall</b>	<b>94%</b>	<b>103%</b>	<b>102%</b>	<b>96%</b>	<b>98%</b>

Hay Group Reference Level	Chemicals	Oil & Gas	Utilities	Pharma	Retail
23 (1261 - 1507)	96.4%	126.5%	110.0%	122.9%	111.8%
22 (1056 - 1260)					
21 (880 - 1055)					
20 (735 - 879)	105.3%			98.5%	87.7%
19 (614 - 734)					
18 (519 - 613)					
17 (439 - 518)					
16 (371 - 438)					
15 (314 - 370)					
14 (269 - 313)					
13 (228 - 268)	113.1%			98.5%	87.7%
12 (192 - 227)					
11 (161 - 191)					
10 (135 - 160)					
9 (114 - 134)	106%			127%	110%
8 (98 - 113)					
7 (85 - 97)					
<b>Overall</b>					

Hay Group Reference Level	Public Sector	Education	Justice	Government	Not-For-Profit			
23 (1261 - 1507)	93.4%	89.8%	90.8%	84.2%	91.2%			
22 (1056 - 1260)								
21 (880 - 1055)								
20 (735 - 879)		108.1%		95.0%		96.9%	94.9%	99.4%
19 (614 - 734)								
18 (519 - 613)								
17 (439 - 518)								
16 (371 - 438)								
15 (314 - 370)								
14 (269 - 313)								
13 (228 - 268)	101%	93%	95%	90%	96%			
12 (192 - 227)								
11 (161 - 191)								
10 (135 - 160)								
9 (114 - 134)	101%	93%	95%	90%	96%			
8 (98 - 113)								
7 (85 - 97)								
<b>Overall</b>								

This indicates from the data that the UK utilities sector offers an average 10% more on the UK market median salary. However, it is often cited by employers in the energy and utilities sector that the Oil & Gas industry is a major competitor for similar skills; and one that it struggles to match in terms of salary rewards – this data appears to back that claim up, with Oil & Gas premia being 127 per cent of the UK market median.

A similar analysis can also be drawn between different job functions:

Hay Group Reference Level	Finance	IT	HR	Legal	Marketing
23 (1261 - 1507)	102%	102%	99%	115%	104%
22 (1056 - 1260)					
21 (880 - 1055)					
20 (735 - 879)					
19 (614 - 734)					
18 (519 - 613)					
17 (439 - 518)					
16 (371 - 438)	99%	95%	103%	96%	
15 (314 - 370)					
14 (269 - 313)					
13 (228 - 268)					
12 (192 - 227)					
11 (161 - 191)					
10 (135 - 160)					
9 (114 - 134)	112%				
8 (98 - 113)					
7 (85 - 97)					
<b>Overall</b>	<b>102%</b>	<b>100%</b>	<b>99%</b>	<b>107%</b>	<b>98%</b>

Hay Group Reference Level	Sales	Customer Service	Logistics	Engineering	Production
23 (1261 - 1507)	102%	96%	99%	100%	100%
22 (1056 - 1260)					
21 (880 - 1055)					
20 (735 - 879)					
19 (614 - 734)					
18 (519 - 613)					
17 (439 - 518)				98%	96%
16 (371 - 438)					
15 (314 - 370)					
14 (269 - 313)					
13 (228 - 268)					
12 (192 - 227)					
11 (161 - 191)	111%				
10 (135 - 160)					
9 (114 - 134)					
8 (98 - 113)	104%				
7 (85 - 97)					
<b>Overall</b>	<b>99%</b>	<b>96%</b>	<b>100%</b>	<b>103%</b>	<b>105%</b>

From this data we can see the strong position in the job's market that Engineering and Production (and legal) roles command. At the other end of the scale we can see the relative ease of acquiring talent in Customer Services.

#### 8.4 Further analysis and benchmarking

The data included here represents an extremely broad overview of current trends across sector and function in the UK market. Hay Group also specialises in providing highly accurate and

detailed compensation and benefits analysis at both a sector-wide and an individual company level.

At a company level, benchmarking using the PayNet database is possible by region, job family, incumbent role, and across the entire benefits spectrum (some 20 compensation elements including cars, pension, healthcare etc. in all). Benchmark information can also be provided in the form of static reports, taken from the same database but useful for a once-per-year annual review.

Hay Group can also undertake bespoke and peer-led remuneration surveys. The typical approach involves working closely with the peer group to identify the target job model, jobs, compensation elements and key trends. Examples of this include:

RenewableUK: the only salary and benefits survey designed in partnership with key industry members, approved by RenewableUK and six sponsor organisations. Ran successfully since 2009.

Refineries Survey: a club survey amongst the seven main refiners of oil in the UK; ConocoPhillips, ExxonMobil, INEOS, Murco, Petroplus, Total and Valero. Survey includes 31 sector-specific roles, salary and benefits policy data.

Oil Field Services Survey: The UK's most comprehensive Oil-Field Services survey, spanning 26 participants on a live-access database. Participants partake in twice annual reward workshop and network groups.

Testimonials from participants:

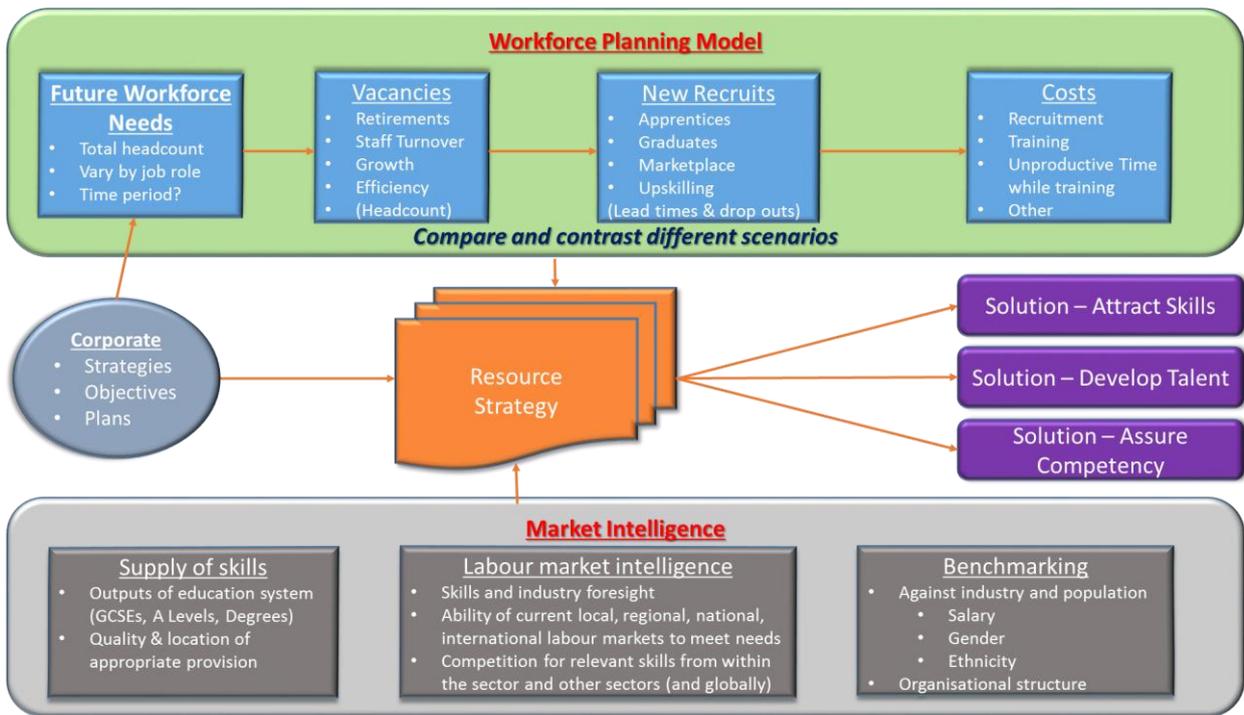
*"Participation was much easier than we initially expected and we were supported by Hay Group throughout the survey process"* Scottish Power

*"The clear industry focus and comprehensiveness of the analysis makes this survey an indispensable tool for companies in the Renewables sector who are looking to bring fairness and commercial realism to their reward strategy"* RES

Sector specific surveys are tailored to the peer group's specific requirements and are available either as a live database through PayNet or as a static report. The size, scope, cost and process associated with the survey can all be agreed according to the bespoke requirements of the group and leveraging Hay Group's resources. More information on Hay Group's compensation and benefits benchmarking data, evaluation and sizing and overall reward strategy can be obtained from John Berkin, Business Development Manager, on 0207 856 7043 or [john.berkin@haygroup.com](mailto:john.berkin@haygroup.com).

## 9 Next steps for salary benchmarking

EU Skills is developing a range of products and services as part of its Workforce Planning portfolio:



An integral part of this service is the collection and analysis of a range of workforce and market intelligence that are available for both individual companies to benchmark their own company's data against or for a sector-wide picture to be developed that can be compared to other sectors of the economy. In addition to salary levels and trends, these metrics also include gender, ethnicity and workforce nationality. These data are collected from a range of sources, including from individual companies and large-scale national sources.

More information about EU Skills' Workforce Planning services can be obtained from Rob Murphy, Head of Research at EU Skills, on 07834 751608 or [rob.murphy@euskills.co.uk](mailto:rob.murphy@euskills.co.uk).