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Benchmarking employment costs: A research report for the CAA

Stansted

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**From
Incomes Data Services**



Contact details

Name: Adam Elston
Title: Senior Project Manager
Telephone: 020 7422 4926
E-mail: adam.elston@thomsonreuters.com

Address: Incomes Data Services, Finsbury Tower, 103-105
Bunhill Row, London EC1Y 8LZ

This report was researched and written by Incomes Data Services (IDS) on behalf of the CAA

The authors of this report are:

IDS Staff

Adam Elston
Esmond Lindop
Raymond Storry
Lisa Trehitt

Hymans Robertson Actuaries (for pension analysis)

Ben Clare
James Franklin-Adams
Philip Slater

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1 Introduction

Information presented in this report is based on the findings of research undertaken by Incomes Data Services (IDS) for the Civil Aviation Authority (CAA). The work on this element of this project took place in a nine-week period between September and November 2012.

At the end of August 2012 IDS were asked by the CAA to undertake an evaluation of employment costs at the three UK airports subject to economic regulation: Stansted, Gatwick and Heathrow. The scope of the work was defined by the CAA as follows:

- To examine, for each major staff category and level at the airport including security and central support services, the current wage and other employment costs (including pensions), benchmarked against relevant comparators from local/regional labour markets;
- To examine trends in wage and other employment costs over time including details of recent collective pay settlements;
- To analyse current absence and turnover rates and their impact on overall employment costs using benchmarking data where relevant;
- To examine the current use of overtime and shift working, and the impact of this on overall employment costs; and
- To assess the assumptions on employment costs set out within each airport's Q6 operating cost projections set out in the relevant business plan.

The outputs of the study are an interim report and a final report.

To analyse the data and reach its conclusions IDS has drawn on the expertise of its in-house researchers, particularly on their experiences and lessons learned compiling the 2006 report on employment costs at Stansted, Gatwick and Heathrow airports for the CAA, as well as the expertise of IDS associates in key areas. We have also utilised the expertise of Hymans Robertson for the pension data analysis.

2 Executive summary

2.1 General economic overview/context

- One of the striking features of the recent recession and the subsequent period of flat economic activity has been that aggregate employment levels have shown relatively little change.
- Across the UK as a whole, employment rates have dropped by only 2.3 percentage points between 2005 and 2012.
- The UK-wide pattern of relatively little change has been essentially replicated in the South East of England, where employment rates have dropped by 2.9 percentage points between 2005 and 2012.
- The labour market in which Stansted operates has shown remarkable resilience overall since 2005 despite turbulent economic conditions.
- One of the factors seen as contributing to the stability of employment levels has been the relatively low level of pay settlements in recent years.

2.1.1 Projected employment costs at STAL

Projected staff numbers were requested but not supplied by STAL

2.2 STAL Salary and earnings analysis

Basic salaries at STAL have grown significantly faster than the rest of the economy over the period 2005-2011.

- Analysis of data supplied by STAL shows that the average weighted increase of basic salaries by grade is 29 per cent over the six-year period while the median increase is slightly lower at 28 per cent.
- This is equivalent to an annual growth rate in earnings of 4.4 per cent at the mean compared to 2.8 per cent in regular pay across the whole economy.
- ASHE data shows that the increase in earnings for Security Guards in the South East is equivalent to an annual increase of 3.6 per cent over the period. By contrast, earnings for Security Guards at STAL increased by 4.5 per cent over the same period.

2.2.1 Change in staff numbers

Analysis of data provided shows that there have been significant changes in both staff numbers and composition between 2006 and 2012. Overall, staff numbers have increased by 20 per cent from 745 full-time equivalents (FTE) to 993 FTE in mid-2012.

2.2.2 Evidence of grade drift

There appears to be a degree of grade drift occurring across some staff groups at STAL, although this may be justified in some cases by increased levels of skill or complexity in the work.

- The most significant movement has been the re-grading of security supervisors operating in the terminal to the higher Service Team Manager position following the introduction of more complex passenger and baggage security screening requirements in 2006.
- There has also been a significant increase in the ratio of leading fire fighters to that of the ordinary fire fighter. There are now five leading fire fighters for every fire fighter, compared to a ratio of three to one in 2006.

2.2.3 Shift working

Large proportions of operational, operational support, engineering and fire service staff work shifts at STAL, as is to be expected in any facility that is fully operational seven days a week and for most hours of the day.

- For purposes of comparison the shift working regime at Stansted is similar to double-day continuous shift working¹ with the additional requirement to work some 'night hours'. All staff receive an additional payment depending on the hours worked. The premiums are expressed as fixed hourly amounts which do not vary by grade. For example, staff working weekends receive an additional £4 an hour regardless of position. This translates to a premium of between 9 per cent for a junior/middle manager and 17 per cent for a passenger services assistant.
- Shift premiums at STAL are a little lower than IDS has found across a range of industries for some jobs. Precise comparisons can be difficult to make as particular patterns of working hours do not always exactly match across companies

2.2.4 Overtime

Overall, levels of number of hours overtime worked per person in operational areas at STAL are not high, compared to that seen at other airports in London and the South East. They are also not high when compared to figures published in ASHE for a number of broad occupational groups:

¹ Continuous shift working is commonly used to refer to a pattern of working which includes weekends as part of the standard working hours.

2.3 All staff pay benchmark analysis

This section summarises the findings of the earnings benchmarking analyses. Analysis was carried out on 'All' staff (those on pre- and post-97 contracts) only. Analysis covered basic salaries, total cash and total reward and separate benchmark calculations were made versus general market data and aviation sector only.

2.3.1 Basic salaries

Findings here show average basic salaries for the majority of roles at Stansted are greater than the market median.

- Analysis of basic salaries versus general market data shows that seven roles at STAL were within 10 per cent of the market median. Of these, two roles: Senior Manager 2 and Airside Operations Managers/Terminal Duty Manager were slightly below the marked median.
- Average salaries at the remaining 8 jobs analysed at STAL were more than 10 per cent greater than the market median with three of these roles: Watch Manager, Passenger Service Assistant/Driver and Station Manager 36 per cent, 35 per cent and 34 per cent greater than the market median.
- A different picture emerges in a comparison with aviation sector data with five roles: Technician/Maintenance Technician, Senior Manager 2, Airside Operations Managers/Terminal Duty Manager, Fire Fighter and Leading Fire Fighter below the aviation market median.
- Among roles greater than the aviation sector market median were Passenger Services Assistant/Driver, at 45 per cent above median and Security Officer at 23 per cent.

2.3.2 Total cash

Total cash comprises basic salary, bonus and shift payments. Analysis of data here shows that total cash for the majority of roles at Stansted are greater than the market median.

- Watch Manager and Station Manager total cash is 60 per cent and 58 per cent respectively greater than the market median.
- The remaining roles range from Passenger Services Assistant/Driver, at 31 per cent ahead of general market to Senior Manager 2 at 1 per cent ahead of market.
- Two roles, Security Team Managers (Terminal) and Airside Operations Managers/Terminal Duty Manager were behind the market at -3 and -9 per cent respectively.
- A comparison with aviation market data shows that total cash for the majority of roles at STAL are ahead of the aviation market median ranging from 45 per cent for Passenger Services Assistant/Driver to 4 per cent for Airside Operations Managers/Terminal Duty Manager and Technician.

2.3.3 Total reward 1

'Total reward 1' includes all the elements of Total Cash as well as the combined employer cost of pensions of DC and DB schemes and holidays. Holidays are valued by dividing any additional holidays (x) over the statutory 28 days by 232 working days multiplied by basic salary ($x/232 \times \text{basic salary}$).

- Data here shows that all jobs analysed at STAL are ahead of general market comparators. Variances range from 79 per cent for Watch Manager and 76 per cent for Station Manager, to 9 per cent for Airside Operations Managers/Terminal Duty Manager
- Comparison with the aviation market data shows that although two jobs, Fire Fighter and Leading Fire Fighters are broadly in line with the market, the remaining jobs are greater from the aviation median, ranging from 28 per cent for Airside Operations Managers/Terminal Duty Manager, to 82 per cent for Passenger Service Assistant/Driver

2.3.4 Total reward 2

'Total reward 2' includes all elements of total cash as total reward 1 above, as well as the value of **DC employer contributions only** so is only relevant to those staff joining after June 2008. Please note that it was not possible for us to construct 'Total reward 2 data for the aviation benchmark data.

- Analysis of total reward 2 data shows that roles at STAL are more aligned with the general market data, with variances ranging from 49 per cent ahead of market for Watch Manager down to -9 per cent vs market for Airside Operations Managers/Terminal Duty Manager
- Average salaries for the Security Officer role at Stansted are some 16 per cent ahead of the median.

2.4 Pensions analysis

STAL currently operates two pension schemes – the STAL (final salary) Pension Scheme and the STAL Defined Contributions (DC) Pension Plan. The STAL final salary scheme closed to new members with effect from June 2008.

2.4.1 STAL (final salary) Pension Scheme

- Over the last three years average employee contributions to the STAL (final salary) Pension Scheme have been as follows: 5.2 per cent (2010); 5.18 per cent (2011) and 5.19 per cent (2012). Members' contributions are based on shift-inclusive salaries, which is pensionable salary plus shift pay.

- Over the last three years, and as stated in the audited Annual Trustee Reports and Financial Statements, scheme expenses have been as follows: £2,455m (30 September 2009); £2.892m (2010); £2,757m (2011).
- BAA has contributed a further £24m per annum (with effect from January 2012, to continue to 31 December 2020) to address the deficit identified in the 2010 actuarial valuation².
- Total pensionable Defined Benefits salary for 2013 is £146.3 million.
- Based on data supplied our analysis shows that the cost for STAL of providing the next year of Defined Benefits for employees is 41% of pensionable salary.

2.4.2 STAL Defined Contribution Scheme

- Total pensionable Defined Contribution salary for 2013 is £5.4 million.
- Based on analysis of STAL DC pension scheme information, the cost for STAL of providing the next year of Defined Contribution benefits as a per cent of pensionable salary is 10.4 per cent.
- The total future pension cost to STAL is a salary weighted average of the DB and DC contribution rates. This will produce a contribution rate expressed as a percentage of the total pensionable salary of both schemes, as shown below.

Total STAL contribution rates to its pension plans

Pension scheme	Pensionable salary (£m)	Average STAL contribution rate as a % of pensionable salary
STAL Pension Scheme	19.4	41
STAL Defined Contributions Pension Plan	5.4	10.4
Total	24.8	34.3

As the table below shows, according to the ONS, the weighted average contribution rates to private sector defined benefit occupational pension schemes with between 5,000 and 9,999 employees were running at 16.8 per cent, and, for defined contribution schemes, were 6.9 per cent. This puts the contribution rates at STAL some way ahead of the market but drawing firm conclusions from these figures, especially regarding comparisons with DB scheme rates is problematic due to the many company- and market-specific variables that determine ongoing costs. Comparisons of DC scheme rates are more straightforward and analysis shows that employer contribution rates at STAL are some 3.8 per cent ahead of the private sector comparators.

² At 30 September 2010 there was a shortfall of £275.0m, which means that the Scheme's assets were sufficient to cover 89 per cent of its liabilities. At the previous valuation at 30 September 2007, the surplus was £49.9m, equivalent to a funding level of 102 per cent. The main reasons for the change in funding position between 2007 and 2010 were lower than expected investment returns and changes in assumptions reflecting changes as a result of market movements.

Weighted average contribution rates to private sector occupational pension schemes by size, benefit structure and contributor (Source: ONS, 2012)

No. of employees	Defined benefit			Defined contribution		
	Member %	Employer %	Total %	Member %	Employer %	Total
10,000+	4.7	13.7	18.5	2.5	6.8	9.3
5,000-9,999	5.8	16.8	22.5	2.7	6.9	9.6
1,000-4,999	5.4	14.4	19.8	3.3	6.5	9.8
100 to 999	5.0	15.3	20.3	3.5	5.9	9.4
12 to 99	3.9	19.0	22.9	2.2	5.2	7.4
Total	4.9	14.2	19.2	2.8	6.6	9.4

2.5 Absence management and labour turnover

- The estimated absence rate at Stansted currently stands at 9.1 days per employee, compared to an industry-wide average of 6.8 days.
- Data on total number of days lost to sickness between 2011 and 2012 shows that as a FTE equivalent, Security Officers represent over 80 per cent of all days lost to sickness over a 12-month period.
- The costs of absence to STAL in the period August 2011 to July 2012 came to £1.2 million of which the highest absence cost of £886,671 was incurred by Operational Support.
- Estimated labour turnover at STAL is 6.15 per cent and is an improvement of the 2006 figure of 8.6 per cent and an industry-wide average of 12.7 per cent.

2.6 Conclusion

To estimate the potential cost saving that might be achieved as a result of the salary benchmarking exercise we first calculated the total cash payroll – basic, shift, overtime and bonus - for each grade covered in the benchmarking analysis. The figures were calculated by weighting the average ALL basic salary by the number of FTEs in the grade. The average ALL salary is a weighted average of the pre- and post-97 average salaries supplied by STAL in their last submission. We then did a similar calculation for shift, overtime and bonus using the salary data and employee numbers in receipt of each of the payments. This exercise creates a separate total basic, total shift, total overtime and total bonus figure for each grade. We then added these separate totals to arrive a grade sub-total. The grade sub-totals were then added together to arrive at a grand total.

For the grades covered by the general market analysis this came to £32,059,014 and for the grades covered by the aviation market analysis it came to £32,002,965.

We then took the percent variation from the market for each of the benchmark jobs and used these figures to calculate a percentage of the grade sub-total. We did this separately for the general and for the aviation markets. We then separately added these values to arrive at a grand total of over/under-paid compared to each of the markets, and then calculated this amount as a percentage of the overall grand total for the jobs covered by each market comparison.

This analysis indicates potential cost savings, based on the cash paybill of 16% versus the general market and 18% versus the aviation market. The basic differences between the two comparisons, and hence accounting for the higher aviation market figure, is that fire and engineering are better paid in the aviation sector compared to the general market but operatives and service team leaders are not as well paid. This analysis does not include changes to pensions (where additional savings may be possible, see section 10.2) and staff grading. It is important to emphasise that these are potential savings and assume that the cash paybill can be reduced in line with benchmarks. STAL operates in a negotiated environment in which potential changes to pay may not easily be introduced and the scope of savings possible will depend on a number of wider factors including background economic growth, existing pay agreements and industrial relations.

As a roster analysis was out of scope for this exercise this conclusion does not cover any cost savings that could be achieved by changes to rosters and potential closer matching of labour supply to both seasonal demand and fluctuations during the day and from one day to another.

3 Methodology

This study follows our 2006 report in undertaking an extensive benchmark analysis of employment costs at STAL and, as in 2006, relied on the provision of relevant data to enable robust comparative analyses to be paid.

Following a post-tender meeting in late July 2012 with the CAA we outlined our data requirements and submitted our data requests to airports on 1 August 2012 (see appendices for data requests). These data requests were followed up with on-site meetings to talk through individual elements of the request. Broadly, these included a breakdown of pay and employment cost data for major staff groups employed at the airport. Data provision was an iterative process and additional detailed data was requested on roster/shift details for security staff, and airport pension arrangements. There were also data requests concerning absence and turnover levels, past and future pay settlement levels, turnover rates, and total staff costs over the last five years.

The sections below outline our methodology for each section of the report.

3.1 General economic overview/context

This section 'sets the scene' by reviewing developments in the wider labour market and the pattern of pay and earnings movements over the past five years. As well as general trends, this section provides analysis of data on whole economy and transport sector pay settlement levels over the period including a comparison of STAL pay settlement levels versus whole economy and transport sector pay settlements. This section also provides analysis of STAL projected employment costs by comparing forecasts for employment costs at STAL versus ITEM club whole-economy earnings figures.

3.2 STAL salary and earnings analysis

This section of the report provides an analysis of basic salary growth at STAL over the period 2006 to 2012 and from data provided calculates an annual compound growth rate and compares this figure to whole economy equivalents derived from IDS and the Annual Survey of Hours and Earnings (ASHE).

The chapter also analyses the changes in STAL employee numbers over the period by job family and by employee grade.

3.3 All staff pay benchmark analysis

The aim of the earnings benchmarking section of the report was, for each major staff category and job level, including security and central support services, to benchmark the current wage and other employment costs (including pensions) against relevant comparators from local/regional labour markets. We recognise that STAL is, in its immediate region, a 'unique' employer and relative to the

market in which it operates its labour costs are high. For this reason, to facilitate a more representative comparison we widened the analysis to include comparators in Outer London and the South East.

3.3.1 Data collection

For the earnings benchmarking element of the report data was initially requested from STAL on:

- Major staff group
- Staff grade
- Hay points
- Job examples
- Average basic salary £pa (based on 40 hr FTE)
- Min basic salary £pa
- Max basic salary £pa
- No. of FT staff
- No. of PT staff
- FTE
- Ave. annual salary for all those receiving shift pay £pa
- FTE for those in receipt of shift pay (no.)
- P60 earnings for all those with 12 months service and not affected by long-term sickness
- Ave. o/time hrs of all those with o/time hrs (no.)
- FTE of those in receipt of overtime payments (no.)
- Ave. bonus paid for a FT employee from 1st April 2011-31st Mar 2012 £pa

The data collection process, including data on the major staff groups and grades, followed the procedure undertaken in 2006. It was our understanding that data provided would cover all/the majority of staff groups at STAL. The initial data on groups and grades covered:

Staff groups and grades at STAL		
Staff Group	Grade	
Operative	OPD	Passenger Services Assistant (Drivers)
	OPE	Security Officer
Operational support	SPG	Security Supervisor (Airside)
	SPH	Security Team Managers (Terminal)
COR roles (Central support services)	SPG	HR Administrator
	SPG	PA to Director
Engineering	TME	Technician
	TCA	Apprentice
	TEL	Technician
Fire	FS09	Leading Fire Fighter
	FS10	Fire Fighter
Managerial	B3	Airside Operations Managers/Terminal Duty Manager
	FS07	Station Manager
	FS08	Watch Manager
Management	CSM	Senior Manager 1 (inc. Head of Function)
	ASM	Senior Manager 2

3.3.2 The benchmarking process

Given the relatively unique nature and functions of some of the roles at STAL covered by this exercise we were keen to ensure that the benchmarking comparisons fully reflect the nature and scope of the jobs at STAL, especially the security function which, given their number, represent a significant proportion of STAL's employment costs. The uniqueness of the role naturally presents a potential problem when it comes to identifying relevant comparators. As a result our approach was two-fold: to make both a 'general' comparison and a sector specific aviation industry comparison using data supplied by airlines and airports. The general data was derived from a variety of sources including IDSPay.co.uk and Croner Reward, and the airline/airport data was supplied by 3 airlines and two UK airports. Further information on data sources is provided in section 6.2.

Earnings data from IDSPay was filtered to reflect Outer London and South East. A timelag adjustment of 2.5% was made to the data. This figure was derived from the national pay settlements database of IDSPay.co.uk. Regional labour market premiums were derived from the Government's Annual Survey of Hours and Earnings and applied to the aviation market data. The adjustment for this data comprised an

average of the market premium for jobs of a similar level in Outer London, the South East and East of England³.

3.3.3 Aviation data requests

From airports we requested data on the following roles:

- Trolley Driver
- Security Officer
- Call Centre Customer Advisor
- Senior Call Centre Customer Advisor
- Engineering technician (ENO3)
- Engineering Maintenance Foreman (ENO2)
- Engineering Maintenance Manager (ENO1)
- Supervisor/Service Co-ordinator
- Supervisor/Team Manager/Duty Manager
- Duty Manager
- Operations Manager
- HR Advisor
- HR Manager/Business Partner
- Management Accountant
- Finance Manager

And from airlines we requested earnings data on the following roles:

- Ground Handling Operative
- Lead Ground Handling Operative
- Passenger Service Agent
- Lead Passenger Service Agent
- Call Centre Customer Advisor
- Senior Call Centre Customer Advisor
- Engineering Technician (ENO3)
- Engineering Maintenance Foreman (ENO2)
- Engineering Maintenance Manager (ENO1)
- Supervisor/Service Co-ordinator
- Supervisor/Team Manager/Duty Manager
- Duty Manager

³ According to Government office region, Essex and Hertfordshire are classified as being in the 'East' of England. For IDS data collection (and other survey providers such as Croner) these regions are classified as South East.

- Operations Manager
- HR Advisor
- HR Manager/Business Partner
- Management Accountant
- Finance Manager

Information provision from airlines and airports was facilitated for this process by the use of ‘job capsules’ that enabled providers to identify relevant roles within their organisation and to provide benchmark data. Further information on job capsules provided is shown in 10.1.

3.3.4 Weighting of data

Relevant adjustments were made to the general market data and airline/airport data to account for regional variations and, where applicable, time lag. These adjustments were made using relevant data sources pertaining to particular posts e.g. for engineering technician we used IDS pay data for engineer technicians to calculate a regional differentiation between the location of the original data and the South East.

3.3.5 Pre- and post-97 salaries

We were provided with both all (pre and post-97) and post-97 data only, but, given the extreme similarity between the two sets of data we made the decision to work with ‘all’ data.

3.3.6 Benchmarking elements

Four separate benchmarking comparisons were made:

1. Basic salaries
 2. Total cash
 3. Total Reward 1
 4. Total Reward 2
- Basic salaries are the average salary of each of the benchmark roles
 - Total cash, following our standard IDS definition, comprises basic salary, bonus and shift payments.
 - The value of the pension benefit (used for Total Reward 1 and Total Reward 2) has been calculated as a per cent of basic salary.
 - Total reward 1 includes all the elements of Total Cash as well as the combined employer cost of pensions for DC and DB schemes and holidays. Holidays are valued by dividing any additional holidays (x) over the statutory 28 days by 232 working days multiplied by basic salary ($x/232 \times \text{basic salary}$).
 - Total reward 2 includes all elements of total cash as total reward 1 above, as well as the value of DC employer contributions so is only relevant to those staff joining after June 2008.

3.4 Pensions

The chapter commences with a brief overview of pension trends across the wider economy from 2007, followed by a discussion of current pension arrangements available to employees at Stansted Airport. Section 7 provides a comprehensive and detailed account of the work undertaken on pensions analysis.

3.5 Absence management and labour turnover

The first section of this chapter examines the current absence situation at Stansted, additionally drawing on information contained in industry-wide data sources and previous absence data provided by BAA in 2006. The second part of the chapter provides an analysis of labour turnover, similarly reporting on the situation in the wider economy and looking at how labour turnover has changed at Stansted over the last six years.

3.6 Conclusion

In this chapter we present the conclusions of the report. To estimate the potential cost saving that might be achieved as a result of the salary benchmarking exercise we first calculated the total cash paybill, including basic pay, shift pay, overtime pay and bonuses - for each grade covered in the benchmarking analysis. The figures have been calculated by weighting the average all basic salary by the number of FTEs in grade. The average all salary is a weighted average of the pre- and post-97 average salaries

supplied by Stansted. We undertook a similar calculation for shift, overtime and bonus payments using the salary data and employee numbers in receipt of each of the payments. This exercise created a separate total basic, total shift, total overtime and total bonus figures for each grade. We then added these separate totals to arrive a grade sub-total. The grade sub-totals were then added together to arrive at a grand total.

We then took the percentage variation from the market for each of the benchmark jobs and calculated a percentage of the grade sub-total. We did this separately for the general and for the aviation markets. We then separately added these values to arrive at a grand total of over/under-paid compared to each of the markets, and then calculated this amount as a percentage of the overall grand total for the jobs covered by each market comparison.

The resulting figure provides an estimate of potential cost saving if Stansted salaries were aligned with the market median, excluding pension costs.

4 General Economic Overview

In this section we provide a context to the changes in employment costs at Stansted by reviewing developments in the wider labour market and the pattern of pay and earnings movements across the economy over the past five years to set changes at Stansted in context.

4.1 Trends in the wider economy

Following a prolonged period of sustained growth, the UK economy experienced a sharp and sudden downturn from early in 2008 as a result of the global financial crisis and the related disruption to much of the global economy. As Table 1 shows, UK gross domestic product (GDP) declined for five consecutive quarters from Q2 of 2008. The subsequent recovery has been painfully slow and uneven. As a consequence, seventeen quarters after the start of the 2008 recession, the UK's GDP remains more than 4 per cent below its pre-recession peak. GDP growth has been essentially flat over the past two years.

Table 1 Quarterly changes in UK gross domestic product

Year		% growth
2005	Q1	0.6
	Q2	1.2
	Q3	0.8
	Q4	1.1
2006	Q1	0.5
	Q2	0.3
	Q3	0.2
	Q4	0.9
2007	Q1	1.1
	Q2	1.2
	Q3	1.2
	Q4	0.2
2008	Q1	0.1
	Q2	-0.9
	Q3	-1.8
	Q4	-2.1
2009	Q1	-1.5
	Q2	-0.2
	Q3	0.4
	Q4	0.4
2010	Q1	0.6
	Q2	0.7
	Q3	0.6
	Q4	-0.4
2011	Q1	0.5
	Q2	-0.1
	Q3	0.6
	Q4	-0.4
2012	Q1	-0.3
	Q2	-0.4

Source: ONS

The recession inevitably affected levels of activity at Stansted (Table 2). Passenger numbers dropped by some 24 per cent over the period 2007 to 2011 and aircraft movements at the airport declined even more by 29 per cent. Cargo movements have been more stable, falling by only 1 per cent. However, there was a significant decline in 2007 compared to the previous year.

Table 2 Changes in activity levels at Stansted

Year	Total terminal passengers		Aircraft movements		Cargo (000 tonnes)	
	No (000s)	% change	No	% change	No	% change
2007	23,759.0	0.3	191.5	0.7	206.6	-9.4
2008	22,337.6	-6.0	177.2	-7.5	199.5	-3.4
2009	19,951.7	-10.7	156.2	-11.8	183.6	-8.0
2010	18,564.7	-7.0	143.3	-8.3	202.8	10.4
2011	18,042.4	-2.8	136.9	-4.5	203.8	0.5
% change 2007-2011		-24.1		-28.5		-1.4

Source: STAL

4.2 Developments in the labour market

One of the striking features of the recent recession and the subsequent period of flat economic activity has been that aggregate employment levels have shown relatively little change. Across the UK as a whole, employment rates have dropped by only 2.7 per cent between 2005 and 2012, remaining above the 70 per cent level for the working age population (Table 3). After an initial increase in 2009, the UK unemployment rate has remained relatively stable at close to 8 per cent – well below the levels anticipated at the start of the recession.

The UK-wide pattern of relatively little change has been essentially replicated in the East of England, with the employment rate in 2012 only 2.4 per cent lower than in 2005.

In brief, the labour market in which Stansted operates has shown remarkable resilience overall since 2005 despite turbulent economic conditions. There have of course continued to be widespread redundancies in individual companies and sectors: in the three months to June 2012, there were 150,000 redundancies across the UK, according to the ONS, compared with 136,000 in the same period of 2006. But looking at the overall results for the labour market, the changes at the level of individual organisations have not fed through to cause major changes in the aggregate figures for employment and unemployment. There has been no major shedding of labour at an aggregate level in London and the South East and the surge in unemployment anticipated by many commentators has not materialised.

Table 3 Changes in employment & unemployment rates in UK, South East and the East 2005-12

Year	East		South East		UK	
	Employment	Unemployment	Employment	Unemployment	Employment	Unemployment
	%	%	%	%	%	%
2005	76.5	3.9	77.4	3.8	72.5	4.8
2006	75.6	4.5	76.9	4.7	72.3	5.3
2007	75.2	4.4	76.8	4.2	72.5	5.4
2008	75.6	4.3	76.7	4.1	72.5	5.2
2009	74.8	5.9	76.0	5.8	71.3	6.9
2010	73.5	6.7	74.2	6.1	70.2	7.9
2011	73.5	6.9	74.7	5.8	70.1	7.9
2012	74.1	6.8	74.5	6.3	70.2	8.2

Source: ONS/NOMIS

Note Figures relate to 12 months to June. Employment rate based on all people aged 16 to 64 and unemployment rate measured as percentage of total economically active.

4.3 The pattern of pay settlements

One of the factors seen as contributing to the stability of employment levels has been the relatively low level of pay settlements in recent years. Over the period Q1 of 2005 to Q2 of 2012, the median level of pay settlements and awards monitored by IDS never rose above 3.8 per cent despite two spikes in inflation as measured by the RPI (Table 4).

Table 4 shows the lower quartile, median and upper quartile figures for pay settlements in each three-month period. The percentage figures measure the increase in basic pay levels, excluding bonuses or lump sum payments. For settlements where the percentage rise varies for different employees, the figure used is the average increase where this is known or, alternatively, the increase received by the largest group of employees or the paybill increase. In 20 of the 30 quarters monitored to Q2 of 2012, the median level of pay settlements was below the annual increase in the RPI (based on the last month of each quarter).

Using the alternative inflation measure of the CPI, the median level of pay settlements lagged behind the year-on-year CPI increase in 12 of the 30 quarters.

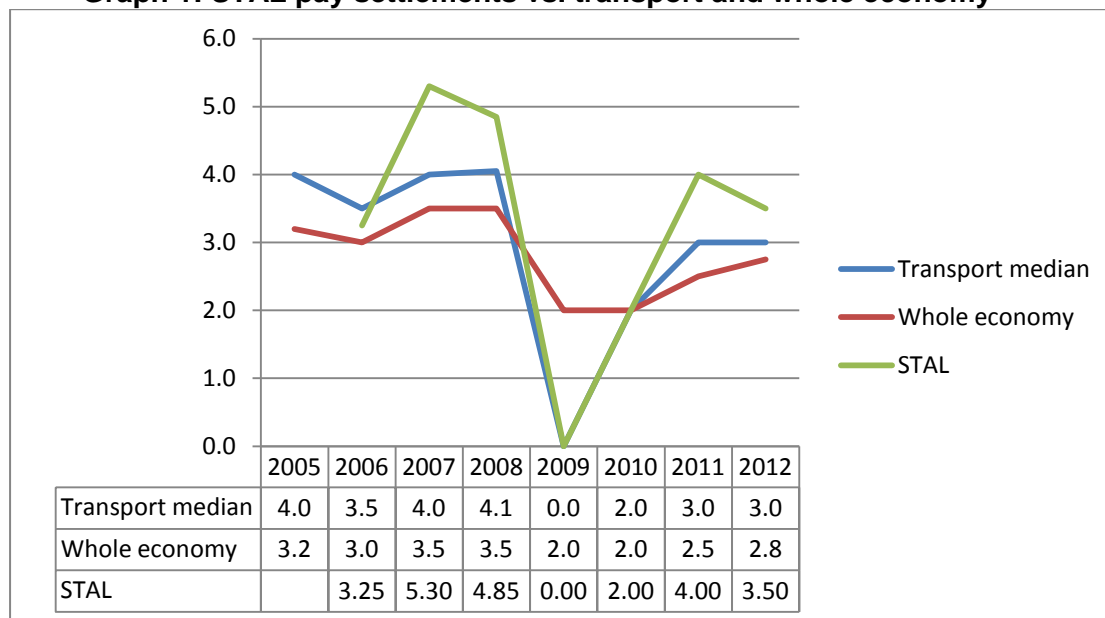
Table 4 Settlement levels for three-month periods 2005-12 (whole economy) and inflation

Year		Lower quartile	Median	Upper quartile		RPI	CPI
		%	%	%		Year on year %	Year on year %
2005	Q1	3.0	3.3	3.8	Mar	3.2	1.9
	Q2	3.0	3.1	3.6	Jun	2.9	2.0
	Q3	3.0	3.2	3.7	Sep	2.7	2.5
	Q4	3.0	3.2	4.0	Dec	2.2	1.9
2006	Q1	2.5	3.0	3.4	Mar	2.4	1.8
	Q2	2.6	3.0	3.5	Jun	3.3	2.5
	Q3	2.8	3.1	3.6	Sep	3.6	2.4
	Q4	3.0	3.5	4.2	Dec	4.4	3.0
2007	Q1	3.0	3.5	3.9	Mar	4.8	3.1
	Q2	3.0	3.5	4.3	Jun	4.4	2.4
	Q3	3.0	3.5	4.1	Sep	3.9	1.8
	Q4	2.8	3.3	4.0	Dec	4.0	2.1
2008	Q1	3.0	3.5	4.0	Mar	3.8	2.5
	Q2	3.0	3.5	4.2	Jun	4.6	3.8
	Q3	3.0	3.7	4.0	Sep	5.0	5.2
	Q4	3.0	3.8	4.5	Dec	0.9	3.1
2009	Q1	1.0	3.0	3.8	Mar	-0.4	2.9
	Q2	0.0	1.5	2.5	Jun	-0.6	1.8
	Q3	0.0	1.8	2.5	Sep	-1.4	1.1
	Q4	0.6	1.5	2.0	Dec	2.4	2.9
2010	Q1	0.0	1.9	2.3	Mar	4.4	3.4
	Q2	1.0	2.0	2.5	Jun	5.0	3.2
	Q3	0.3	2.0	2.4	Sep	4.6	3.1
	Q4	1.9	2.2	3.0	Dec	4.8	3.7
2011	Q1	2.0	2.7	3.3	Mar	5.3	4.0
	Q2	2.0	2.5	3.0	Jun	5.0	4.2
	Q3	0.3	2.5	3.0	Sep	5.6	5.2
	Q4	2.0	2.5	3.0	Dec	4.8	4.2
2012	Q1	2.5	3.0	3.6	Mar	3.6	3.5
	Q2	2.0	2.8	3.1	Jun	2.8	2.4

Source: IDS and ONS

Further analysis on pay settlements is shown in the graph below which charts how settlements at STAL have kept pace with the wider economy and transport sector, as collected by IDS.

Graph 1: STAL pay settlements vs. transport and whole economy



4.4 The pattern of earnings movements

Pay settlements are one of the factors contributing to movements in the ONS average weekly earnings index, but the index is also affected by a range of other factors. Between April 2006 and April 2012 the index for total pay including bonuses for the whole economy rose by 16.5 per cent (Table 5). The regular pay series excluding bonuses showed a very similar increase of 17.0 per cent over the same period. These figures compare with a 23.4 per cent rise in the RPI between April 2006 and April 2012. These figures are equivalent to an average annual increase in earnings of 2.6 per cent and an increase in RPI of 3.6 per cent, showing that average earnings are, on average, 1 percentage point behind earnings.

Narrowing analysis to the private sector and to private sector services (including air transport) shows a broadly similar pattern. Average weekly earnings on the total pay measure rose by 16.0 per cent between April 2006 and April 2012 across the private sector as a whole (16.2 per cent on the regular pay series). Earnings rose a little faster in the private services sector over the period, up by 17.2 per cent on the total pay series and by 17.7 per cent on the regular pay index excluding bonuses.

Table 5 Average weekly earnings movements

	AWE total pay index			AWE regular pay index		
	Whole economy	Private sector	Private services	Whole economy	Private sector	Private services
Apr 2006	126.3	125.9	128.0	125.0	124.0	126.4
Oct 2006	129.0	129.2	131.1	127.9	127.0	129.5
Apr 2007	132.2	131.7	133.9	130.0	129.3	131.7
Oct 2007	135.7	135.2	136.9	133.0	132.2	134.6
Apr 2008	138.5	138.3	140.5	136.2	135.5	138.1
Oct 2008	139.9	139.7	141.9	137.8	137.0	139.8
Apr 2009	140.6	140.0	142.9	138.6	137.4	140.9
Oct 2009	140.1	138.7	142.4	139.2	137.1	141.4
Apr 2010	141.2	139.5	143.2	140.6	138.3	142.6
Oct 2010	143.3	141.6	145.5	142.4	140.0	144.7
Apr 2011	144.2	142.6	147.0	143.7	141.3	146.4
Oct 2011	146.4	144.7	148.9	145.2	142.9	147.9
Apr 2012	147.1	146.1	150.0	146.2	144.1	148.8
% rise over period	16.5	16.0	17.2	17.0	16.2	17.7

Source: ONS

Note: Seasonally adjusted average weekly earnings index, base on year 2000 = 100. Total pay includes bonuses but excludes arrears of pay

Further insight into earnings changes is provided by the Annual Survey of Hours and Earnings (ASHE⁴) survey conducted by the ONS each April. The survey gathers information about the levels, distribution and make-up of earnings and hours worked by employees in all industries and occupations across Britain. The ASHE sample is based on 1 per cent of all employee National Insurance records and the results give a snapshot of earnings in April each year.

Looking at the results for the period April 2005 to April 2011 (the 2012 results are not yet available) shows median hourly earnings excluding overtime for all full-time employees across the economy increased by 18.3 per cent (Table 6). The increase was rather slower in the private sector as a whole, up by 16.2 per cent over the period. Over the same time period, the RPI rose by 22.3 per cent.

Focusing on the South East and the East, private sector data is not available for these areas on an equivalent basis for the whole period 2005 to 2011. The ASHE survey, however, illustrates the extent to which pay levels in the East are lower, and in the South East are higher on average than across the country as a whole. Pay rates in the South East and Outer London are pertinent to this analysis given that that two of three of Stansted's 'Travel to Work' (TWA) areas – Harlow & Bishop Stortford and Cambridge – have earnings levels similar to those found in the South East or Outer London respectively, as the table below shows. These points notwithstanding, it is also relevant to take into account the fact that part of the differences will be explained by differences in regional occupational mix.

Table 6 Median hourly pay excluding overtime for full-time employees 2005-11

	All economy		All private sector		Private sector	
	£	% increase on previous year	£	% increase on previous year	East £	South East £
2005	10.67	3.2	9.90	2.6	~	~
2006	11.11	4.1	10.30	4.1	~	~
2007	11.36	3.0	10.54	3.0	~	~
2008	11.88	4.5	11.01	4.5	~	~
2009	12.33	3.8	11.34	2.9	11.05	12.50
2010	12.50	1.4	11.36	0.2	11.21	12.59
2011	12.62	1.0	11.50	1.2	11.33	12.65
% rise over period	18.3		16.2			

Source: ASHE (ONS)

Note: Comparable data is not available for private sector employees in the South East and East prior to 2009

A more detailed picture of this is provided in Table 7, below. The table shows a comparison of hourly pay excluding overtime in East versus London, South East and three Stansted TWAs. As the table indicates,

⁴ Please see appendix for further information on ASHE methodology

pay rates in the Stansted TWAs are more in line with rates in the South East and because of this the South East/Outer London regions are a more suitable benchmarking comparator region.

Table 7 Median hourly pay excluding overtime for full-time employees 2007-2011

	London	South East	East	Harlow and Bishop's Stortford	Chelmsford & Braintree	Cambridge
2007	15.25	12.01	11.08	12.66	10.98	12.33
2008	15.79	12.61	11.52	13.05	11.24	12.75
2009	16.39	12.99	11.82	12.99	11.67	13.51
2010	16.78	13.18	12.09	12.58	12.44	13.82
2011	16.96	13.38	12.17	13.04	12.57	14.09

Source: ASHE (ONS)

Table 8 uses ASHE data for the period 2006 to 2012. The figures show median hourly earnings excluding overtime for all full-time employees across the economy as increasing by 14.9 per cent over the period April 2006 to April 2012 and in the private sector by 12.9 per cent. The latter figure would imply that private sector earnings will have risen by 1.5 percentage points less than the increase in the RPI over the same period.

Table 8 Median hourly pay excluding overtime for full-time employees 2006-12 (projected)

	All economy		All private sector		Private sector	
	£	% increase on previous year	£	% increase on previous year	East £	South East £
2006	11.11	4.1	10.30	4.1	~	~
2007	11.36	3.0	10.54	3.0	~	~
2008	11.88	4.5	11.01	4.5	~	~
2009	12.33	3.8	11.34	2.9	11.05	12.50
2010	12.50	1.4	11.36	0.2	11.21	12.59
2011	12.62	1.0	11.50	1.2	11.33	12.65
2012	12.76	1.7	11.63	1.7	11.39	13.00
% rise over period	14.9		12.9			

Source: ASHE (ONS)

4.5 Earnings and pay movements in air transport

The ASHE survey includes equivalent earnings data for full-time employees in the air transport sector (Table 9). The results should be treated with a degree of caution as the sample sizes tend to be relatively small in most of the years. According to the ONS, however, the results are “reasonably precise”.⁵

The survey results point to a growing dispersion of earnings within the air transport sector over the period 2005 to 2011. While at the lower quartile level the earnings excluding overtime of full-time employees rose by 16.3 per cent, at the upper quartile level they increased by 20.3 per cent. At the median, the increase was 14.2 per cent.

Measured against the private sector as a whole, median earnings excluding overtime for full-time employees in air transport were 52.5 per cent higher in 2005, with the pay lead declining a little to 49.9 per cent in 2011.

⁵ This applies, according to the ONS, where the coefficient of variation (CV) is greater than 5% but under 10%.

Table 9 Median hourly pay excluding overtime for full-time employees in air transport 2005-11

Year	Lower quartile £	Median £	Upper quartile £
2005	10.09	15.10	21.51
2006	9.67	14.14	20.49
2007	11.02	15.17	22.90
2008	12.49	17.65	26.83
2009	11.29	16.57	24.17
2010	11.79	17.25	24.41
2011	11.73	17.24	25.87
% rise over period	16.3	14.2	20.3

Source: ASHE (ONS)

Note: Because of restricted sample size in some years, these results should be treated with a degree of caution

Table 10 provides the ASHE data for the period 2006 to 2011 but adds projected figures for April 2012. These have been calculated by increasing the 2011 results in line with the 1.7 per cent increase in the whole economy regular pay series of the ONS average weekly earnings index. This combination of actual and projected figures shows median hourly earnings for full-time employees in air transport as increasing by 24.0 per cent over the period April 2006 to April 2012.

Table 10 Median hourly pay excluding overtime for full-time employees in air transport 2006-12 (projected)

Year	£ LQ	£ Median	£ UQ
2006	9.67	14.14	20.49
2007	11.02	15.17	22.90
2008	12.49	17.65	26.83
2009	11.29	16.57	24.17
2010	11.79	17.25	24.41
2011	11.73	17.24	25.87
2012 projected	11.93	17.53	26.31
% rise over period	23.4	24.0	28.4

Source: ASHE (ONS) for 2006 to 2011; IDS projections for 2012

Note: Because of restricted sample size in some years, these results should be treated with a degree of caution

4.6 STAL projected employment costs

Projected staff numbers were requested but not supplied by STAL

5 STAL salary and earnings analysis

Table 11 shows that on average basic salaries for operational, operational support, core support staff, and middle managers increased by between 22 per cent – for Senior Manager – and 36 per cent for a Firefighter between 2006 and 2012. The average weighted increase by grade is 29 per cent over the six-year period, while the median increase is slightly lower at 28 per cent. This is equivalent to an annual growth rate in earnings of 4.4 per cent at the mean compared to 2.8 per cent in regular pay across the whole economy.

Table 11 Increases in average STAL employees' basic salaries at Stansted, by grade			
Staff grade	Job examples	Increase in average basic salary between 2005/06 and 2011/12 %	Annual compound growth rate in average basic salary between 2005/06 and 2011/12 %
OPD	Passenger Services Assistant/Driver	31.2	4.6
OPE	Security Officer	30.5	4.5
SPG	Apron Area Assistant/Information Desk Assistant/Terminal Controller	26.8	4.0
SPH	Service Team Leader/Customer Service Team Leader	24.8	3.8
SPH	Personal Assistant/Team Administrator	33.1	4.9
TME	Technician/Maintenance Technician	25.2	3.8
TEL	Technician	21.9	3.4
F09	Leading Fire Fighter	30.1	4.5
F10	Fire Fighter	35.7	5.2
MNM	Airside Operations Managers/Terminal Duty Manager	21.1	3.2
MNJ	Ground Handling Manager	25.6	3.9
FS07	Station Manager	29.0	4.3
FS08	Watch Manager	34.2	5.0
SM1	Senior Manager (incl. Head of function)	24.6	3.7
SM2	Senior Manager	21.5	3.3
	Average	28.2	4.2
	Weighted average	29.3	4.4
	Median	27.9	4.0

This is significantly above growth in average earnings across the whole economy, within the air transport industry and in the South East over a similar time period. As shown in Chapter 4 the increase in median earnings for all jobs in the private sector across the UK is 16 per cent between 2005 and 2011, while for the air transport sector it is a little lower at 14 per cent.

There is some evidence to show that the economy in the South East has held up better than in other parts of the country. However, as our analysis of ASHE data shows, this has not led to higher increases in median earnings across the region over the last six years for which there is available data. In the South East, between 2005 and 2011, median earnings for all jobs increased by 17 per cent, which is only slightly higher than for the whole economy (Table 13). The general buoyancy of the South East labour market cannot then account for much higher increases in average basic salaries found at Stansted among STAL employees.

Year	Median, £ph
2005	10.00
2006	10.41
2007	10.76
2008	11.15
2009	11.50
2010	11.64
2011	11.75

Year	Median
2006	4.1
2007	3.4
2008	3.6
2009	3.1
2010	1.2
2011	0.7
% over period	17.5

Passenger search and perimeter security are major operational activities for STAL and one which has seen significant changes since 2006. Indeed, across the whole economy the estimated number of employees in the Security Guards occupational grouping increased from 112,000 in 2005 to 147,000 in 2011. The increase in the South East has been even sharper, rising from an estimated 14,000 to

23,000 over the same period. This could account for the above average increase in earnings for security staff of 23 per cent seen across the UK (Table 15) and a rise of 22 per cent in the South East.

Table 14 Hourly earnings for security guards and related occupations, excluding overtime, UK	
Year	Median, £ph
2005	6.96
2006	7.22
2007	7.61
2008	7.88
2009	8.31
2010	8.46
2011	8.57

Table 15 Percentage change in earnings for security guards and related occupations, 2005-2011, UK	
Year	Median
2006	3.7
2007	5.4
2008	3.5
2009	5.5
2010	1.8
2011	1.3
2005-2011	23.1

The increase in earnings for Security Guards in the South East is equivalent to an annual increase of 3.6 per cent over the period. By contrast, earnings for Security Guards at STAL increased by 4.5 per cent over the same period, an annual difference of 1.2 per cent

Table 16 Hourly earnings for security guards and related occupations, excluding overtime, South East	
Year	Median, £pa
2005	7.01
2006	7.40
2007	7.50
2008	8.11
2009	8.50
2010	8.61
2011	8.52

Table 17 Percentage change in security guards earnings, 2005-2011, South East	
Year	Median
2006	5.6
2007	1.4
2008	8.1
2009	4.1
2010	1.3
2011	-1.0
% over period	21.5

5.1 Change in staff numbers

There have been significant changes in both staff numbers and staff composition between 2006 and 2012. Overall, staff numbers have increased by 20 per cent from 745 full-time equivalents (FTE) to 993 FTE in mid-2012. This is largely accounted for by the 73 per cent increase in the number of Security Officers (Table 18).

The increase in Security Guards is, according to STAL, partly in response to the change in security procedures introduced by the Government in the latter half of 2006 and in 2007, and partly in response to the change in baggage charges by airlines operating out of Stansted which has increased the complexity and number of items to be screened.

Passenger numbers and the number hand luggage per passenger reached a peak in 2007/08 at Stansted. The following year the airport was hit by the recession and the withdrawal or collapse of a number of airlines whose passenger tended to have more pieces of hand luggage (Table 19). At the same time the number of security officers employed in the terminal reached a peak of 651 FTE. Since then the number of security officers has fallen in each year and has continued to fall. At the same time the number of items screened per passenger has been on the increase. However, the number of items screened per security officer is still 18 per cent below that reached in 2007/08.

However, STAL reports that airside security and engineering operations have been reducing in the number of FTEs since 2006/07. This is supported by the number of engineering technicians employed at STAL, which has declined by 10 per cent between 2006 and 2012. This is despite the hiring of 12 additional staff following the insourcing of the baggage systems maintenance.

Table 18 Changes in number of staff, 2006 to 2012, by grade, at STAL				
Staff grade	Job examples	Total staff No. (FTE), 2006	Total staff No. (FTE), 2012	Change in headcount 2006 to 2012 %
OPD	Passenger Services Assistant/Driver	18	25	39
OPE	Security Officer	401	693	73
	Total Operational	419	718	71
SPG	Security Supervisor Airside	59	13	-78
SPH	Security Team Managers (Terminal)	9	61	578
	Total Operational Support	68	74	9
TME	Technician	49	41	-16
TEL	Technician	12	14	17
	Total Engineering	61	55	-10
F09	Leading Fire Fighter	44	47	7
F10	Fire Fighter	15	9	-40
	Total Fire Service	59	56	-5
MNM	Airside Operations Manager/Terminal Duty Manager	41	11	-73
MNJ	Ground Handling Manager / Duty Manager	48	22	-54
FS07	Fire Station Manager	5	6	20
FS08	Fire Watch Manager	9	9	0
	Total Managers (junior and middle)	103	48	-53
SM1	Senior Manager (incl. Head of Function)	11	18	64
SM2	Senior Manager	24	24	0
	Total Senior Managers	35	42	20
	Total	745	993	33

Table 19 Changes in the number of passengers, baggage screened and Security Officers (SO)					
	2007/08	2008/09	2009/10	2010/11	% change 2007/07- 2010/11
Passenger numbers	11,724,666	10,751,803	9,810,248	9,075,533	-22.6
Change in passenger numbers, year-on-year, %		-8.3	-8.8	-7.5	
Hand baggage per passenger	1.70	1.27	1.47	1.69	
Images processed	19,901,042	13,630,214	14,394,718	15,316,002	-23.0
Security staff (Terminal)	624	651	603	586	-6.1
Images per SO	31,893	20,937	23,872	26,137	-18.0
Change in number of images processed per SO, year-on-year, %		-34.4	14.0	9.5	
Passengers handled per SO in a year	18,790	16,516	16,269	15,487	-17.6
Change in number of passengers handled per SO, year-on-year, %		-12.1	-1.5	-4.8	

5.2 Evidence of grade drift

There appears to be a degree of grade drift occurring across some staff groups at STAL, although this may be justified in some cases by increased levels of skill or complexity in the work.

The most significant movement has been the re-grading of security supervisors operating in the terminal to the higher Service Team Manager position following the introduction of more complex passenger and baggage security screening requirements in 2006.

There has also been an increase in the proportion of engineering technicians employed on either the higher-paid electrical (TEL) grades, compared to 2006. Although the overall number of technicians has fallen, the higher-paid electrical technicians now account for a third of the population, compared to a quarter in 2006.

Finally, there has also been a significant increase in the ratio of Leading Fire Fighters to that of the ordinary Fire Fighter. There are now five Leading Fire Fighters for every Fire Fighter, compared to a ratio of three to one in 2006. In the UK Fire Service the role of leading Fire Fighter is a supervisory position with responsibility for a single fire appliance and its crew. The size of crew ranges from three to six (including the leading Fire Fighter). The role has now been replaced in the UK fire service by the role of Crew Commander/Crew Manager bringing together both the traditional roles of leading Fire Fighter and that of sub-officer.

5.3 Shift working

Table 20 shows that large proportions of operational, operational support, engineering and fire service staff work shifts as is to be expected in any facility that is fully operational seven days a week and for most hours of the day.

We have assumed the core operational hours are between 6am and 10pm with requirements for additional staffing between 4.30am and 6am and for some staffing between 10pm and 4.30am. In addition, weekend working is normal with volumes as high if not higher than during the week.

This means that for purposes of comparison the shift working regime at Stansted is similar to double-day continuous shift working⁶ pattern with the additional requirement to work some 'night hours'. All staff receive an additional payment depending on the hours worked. The premiums are expressed as fixed hourly amounts which do not vary by grade. For example, staff working weekends receive an additional £4 an hour regardless of position. This translates to a premium of between 9 per cent for a junior/middle manager and 17 per cent for a passenger services assistant.

⁶ Continuous shift working is commonly used to refer to a pattern of working which includes weekends as part of the standard working hours.

This is a little lower than IDS has found across a range of industries for some jobs. Precise comparisons can be difficult to make as particular patterns of working hours do not always exactly match across companies. However, to give an indication of the levels of shift premiums that can be expected, IDS recently found a median premium of 18 per cent in the chemical process industry for working three shifts rotating between earlies, lates, and nights between Monday and Friday, whereas in the aerospace and car industries the median for a similar pattern of work is 25 per cent. Higher shift premiums of up to and over 40 per cent are not uncommon for continuous working which includes an equal amount of night as day shifts.

In general, nights and weekends attract the largest premiums plus there is an element for the degree of rotation. The precise level of premium will depend on the particular balance of hours worked, the degree of rotation and level of seniority. It is not uncommon, for example, for the 'shift premium' to be part of the basic salary for foremen or shift managers; the equivalent level at Stansted is that of Ground Handling Manager/Duty Manager. For example, in a recent study undertaken by IDS, we found that half of the companies contacted included shift in the basic salary for foreman and above.

The approach we have adopted is to take examples of shift premiums paid for a pattern of working hours which closely match those worked by security staff at Stansted i.e. weekend working is the norm plus there is some requirement for nights from three leading service organisations.

The three benchmark organisations used in the exercise are BT, Tesco Distribution and Thames Valley Police. The premiums paid by these organisations for a double day continuous shift are 22, 25 and 20 per cent respectively. In the benchmarking section of the report we have used 22 per cent as the shift premium for the general market comparisons for those jobs at Stansted for which shift working is the norm. We have reduced this for the Duty and Service Managers (grades MNJ and MNM) to reflect market practice of incorporating shift premiums into basic salary and a slightly smaller unsocial element in the hours worked at this level.

Table 20 Proportion of STAL staff working shift and shift pay received as a % of basic pay by relevant grade, 2012			
Staff grade	Job examples	% of staff working shifts	Shift as a % of basic
OPD	Passenger Services Assistant/Driver	100	22
OPE	Security Officer	100	18
	Total Operational⁷	100	18
SPG	Security Supervisor Airside	100	19
SPH	Security Team Managers (Terminal)	100	14
	Total Operational Support		15
TME	Technician	85	14
TEL	Technician	86	12
	Total Engineering		13
F09	Leading Fire Fighter	100	14
F10	Fire Fighter	100	15
	Total Fire Service		14
MNM	Airside Operations Manager/Terminal Duty Manager	91	12
MNJ	Ground Handling Manager/Duty Manager	n/a	n/a
FS07	Fire Station Manager	100	9
FS08	Fire Watch Manager	100	10
	Total Managers (junior and middle)		10

⁷ All totals are weighted by the number of staff working shift on each grade covered by the relevant figure.

5.4 Overtime

Overall, levels of overtime hours worked per person in operational areas at STAL are not high, compared to that seen at other airports in London and the South East. They are also not high when compared to figures published in ASHE for a number of broad occupational groups: process, plant and machine operatives – 6.2 and elementary occupations – 4.6. The figures for Engineering Technicians at STAL are a little higher than that found across all associate professional and technical occupations – 3.0 – but not significantly. Lack of official figures on the level overtime working in the UK fire service makes comparisons in this area difficult.

Table 21 Average overtime by job role, STAL, 2011/12

Staff grade	Job examples	Ave. o/time hrs for a year of all those with o/time hrs (no.)	Average weekly overtime hours of those working overtime (person FTE)	Average weekly overtime hours of those working overtime (workforce, FTE)	Average weekly overtime as a % of normal hours of those working overtime (workforce, FTE)	Number of employees in receipt of overtime payments (FTE)	No. employees who work overtime as a % of those in grade (FTE)
OPD	Passenger Services Assistant/Driver	48	1.1	0.9	2.3	22	88
OPE	Security Officer	109	2.8	2.4	6.1	486	87
	Total Operational	107	2.7	2.4	5.9	508	87
SPG	Security Supervisor	206	4.5	4.0	9.9	12	92
SPH	Security Team Manager/Customer Service Team Manager	128	2.7	2.4	6.0	37	90
	Total Operational Support	147	3.2	2.8	7.0	49	91
TME	Technician	199	4.4	3.8	9.6	41	100
TEL	Technician	194	4.2	3.7	9.3	12	100
	Total Engineering⁸	198	4.3	3.8	9.5	55	100
F09	Leading Fire Fighter	153	3.3	2.9	7.3	47	100
F10	Fire Fighter	133	2.9	2.9	6.4	9	100
	Total Fire Service	150	3.3	2.9	7.2	56	100
MNM	Airside Operations Managers/Terminal Duty Manager	344	7.5	6.6	16.6	9	20
MNJ	Ground Handling Manager	36	0.8	0.7	1.7	2	9
FS07	Station Manager	153	3.4	3.0	7.4	6	100
FS08	Watch Manager	158	3.5	3.0	7.6	9	100
	Total Managers	161	4.7	4.1	10.2	26	31
	Total All	138	3.0	2.6	7.7	694	73

Note: all totals are weighted by the number of FTEs.

⁸ Engineering figures exclude apprentices.

A comparison of levels of overtime working by job and grade between 2006 and 2012 shows that, overall, there has been a reduction in the average number of hours worked per person – from 4.0 to 2.6 hours – and in the proportion of relevant staff working overtime from 87 to 73 per cent (Table 22).

Significant contributions to the reduction in hours worked per person have come from the Fire Service and from the junior manager grade (MNJ). The latter is in part linked to virtual removal of this level of supervision in the operational areas.

Further contributions have come from the movement of terminal Security Supervisors to a higher graded position of Security Team Manager, which has traditionally a lower level of overtime requirement. Reduced overtime working among Security Officers – from 3.3 to 2.4 hours – has also contributed to the overall reduction. However, there may be greater scope for further reductions in this key operational area given the very significant fall seen for Passenger Services Assistants. As the latter is probably a reflection of the large fall in both in the number of passengers handled in the number of aircraft movements (Table 2)

Table 22 Comparison of overtime working by grade, 2006 and 2012, at Stansted

Staff grade	Job examples	2006		2012	
		Average weekly overtime hours of those working overtime (workforce, FTE)	No. employees who work overtime as a % of those in grade (FTE)	Average weekly overtime hours of those working overtime (workforce, FTE)	No. employees who work overtime as a % of those in grade (FTE)
OPD	Passenger Services Assistant/Driver	3.6	78	0.9	88
OPE	Security Officer	3.3	92	2.4	87
	Total Operational	3.3	91	2.4	87
SPG	Security Supervisor	4.6	92	4.0	92
SPH	Security Team Manager/Customer Service Team Manager	2.4	100	2.4	90
	Total Operational Support	4.3	93	2.8	91
TME	Technician	3.9	98	3.8	100
TEL	Technician	2.9	100	3.7	100
	Total Engineering⁹	3.7	98	3.8	100
F09	Leading Fire Fighter	7.3	100	2.9	100
F10	Fire Fighter	5.3	67	2.9	100
	Total Fire Service	6.9	92	2.9	100
MNM	Airside Operations Managers/Terminal Duty Manager	4.7	42	6.6	20
MNJ	Ground Handling Manager	4.5	57	0.7	9
FS07	Station Manager	8.6	100	3.0	100
FS08	Watch Manager	5.5	100	3.0	100
	Total Managers	5.5	57	4.1	31
	Total All	4.0	87	2.6	73

⁹ Engineering figures exclude apprentices.

6 All staff pay benchmark analysis

As in our 2006 report, the pay benchmarking analysis is one of the main facets of the work undertaken and the findings are shown in the following sections. We have benchmarked data against relevant jobs in the general economy and against UK airline/airport data.

6.1 Job sizing

The following table provides an overview of how STAL grades were matched to IDS job levels.

Table 23 Summary of IDS job level matches to STAL grades

Job family	Grade	IDS Job Level	Example Hay Points	Example job title
Operational	OPD	2	91-125	Passenger Services Assistant/Driver
	OPE	3	91-125	Security Officer
Operational Support	SPG	4	169-218	Security Supervisor
	SPH	5	219-281	Security Team Manager (Terminal), Customer Service Manager, Team Manager
COR roles	SPG	4	169-218	HR Administrator, PA to Director
Engineering	TME	5	n/a	Technician
	TEL	5	n/a	Technician
	TR3		n/a	
Fire Service	F09	5	n/a	Leading Fire Fighter
	F10	4	n/a	Fire Fighter
Managerial	MNM	7	373-483	Airside Operations Managers/Terminal Duty Manager
	MNJ	6		Ground Handling Manager
	FS07	7	n/a	Station Manager
	FS08	6	n/a	Watch Manager
Senior Management	SM1	8/9	629-818	Senior Manager (incl. Head of Function)
	SM2	8	484-628	Senior Manager

6.2 Data sources

A number of data sources were used to provide benchmark data. All data has been adjusted to account for organisation size and regionality. Analysis has been carried out on: 'All' STAL salary data (those on both pre- and post-97 contracts).

6.2.1 IDSpay.co.uk

IDSpay.co.uk is an online repository of all pay and settlement data collected by IDS and includes current salary data on over 10,000 job records from around 900 organisations. Data in the report from IDSPay was filtered by region (Outer London/South East) and subject to a timelag adjustment of 2.5 per cent based on our IDSPay national pay settlement database.

6.2.2 Croner Clerical and Operative survey

The Croner Clerical and Operative survey was used to benchmark salaries of Driver Operative and Passenger Services Assistant/Driver jobs. National data from this survey was further refined using regional adjustments (Eastern region) and a timelag adjustment using the survey's suggested methodology.

6.2.3 Airline/Aviation industry benchmarks

As well as general market benchmark data provided by IDSPay.co.uk and Croner we included sector specific benchmark data received from 4 airlines and 2 UK airports contacted during the course of the project. In total, IDS contacted nine airlines and an additional three UK airports. The data provided was supplemented where necessary by data from the EEF Airport Salary Survey 2011

An overview of the actual benchmarks used for each job is shown in Table 24. Information provision from airlines and airports was facilitated for this process by the use of 'job capsules' that enabled providers to identify relevant roles within their organisation and to provide benchmark data. Further information on job capsules provided is shown in section 10.1. Regional adjustments using the ASHE were derived from the average of labour market premiums for Outer London, the South East and Eastern regions and applied to the airline/airport data. No timelag adjustment was made as the data was current as at Sept/Oct 2012.

Table 24 Benchmarks for each job

Job ID	STAL job title	IDS Benchmark	Croner Clerical and Operative and Distribution Surveys	Airline/Airport Survey data
1	Passenger Service Assistant/Driver	-	Driver/Packer	Grounds Handling Operative/ Passenger Services Agent/ Trolley Operative
2	Security Officer	-	Security Guard	Security Officer/ Lead Passenger Service Agent
5	Security Supervisor (Airside)	Managerial & Supervisory (ROSEland), level 4	-	-
6	Security Team Managers (Terminal)	Managerial & Supervisory, Level 5, (ROSEland)	-	Supervisor/ Service Co-ordinator/
7	HR Administrator	Admin job family, (ROSEland)	-	-
8	PA to Director	PA/Senior Secretary (ROSEland) Level 5	-	-
9	Technician/Maintenance Technician	Technician/Senior Technician Level 5,(ROSEland)	-	Licensed Aircraft Engineer/ Airfield Technician/ Engineering Technician
10	Technician	Technician/Senior Technician Level 5, (ROSEland)	-	Engineering Technician/ Airfield Electrician/ Licensed Aircraft Engineer
12	Leading Fire Fighter	Crew Manager (competent)	-	Leading Fire Fighter
13	Fire Fighter	Firefighter (competent)	-	Fire Fighter
14	Ground Handling Manager	Managerial & Supervisory, Level 6, London	-	
15	Airside Operations Managers/Terminal Duty Manager	Middle Manager, Operations, (ROSEland)	-	Engineering Maintenance Foreman/ Duty Maintenance Manager/ Engineering Maintenance Manager
16	Customer Security Leader/Duty Manager	Managerial & Supervisory, Level 6,(ROSEland)	-	Supervisor / Team Manager/Duty Manager
17	Station Manager	Station Manager	-	Station Manager
18	Watch Manager	Watch Manager	-	Sub-Officer
19	Senior Manager 1 (inc Head of Function)	Managerial & Supervisory, Level 8, London	-	Head of Customer Services
20	Senior Manager 2	Managerial & Supervisory, Level 8/9, London	-	Operations Manager

6.3 Shift benchmarking

For the basis of the benchmark comparisons which include shift payments we have used 22 per cent as the market comparison for Operational and Operational Support. We have reduced this to 18 per cent for engineering staff on the basis that there will be proportionately less very early and weekend hours worked, and we have reduced this for the operational middle management as evidence collected by IDS in previous exercises indicates.

6.4 Pensions benchmarking

In addition to the main pension chapter an element of pension benchmarking has been carried out in our analysis of total reward. In the following sections, both total reward 1 and total reward 2 tables display total reward calculations based on two different Stansted pension scenarios compared against market data. The first takes the combined employer cost for both defined benefit (DB) and defined contribution (DC) for Stansted and compares this against current market data from IDS, Croner and ONS, which for the general market is the median employer contribution for all employees who are active members of a pension scheme, including those who are in DB schemes closed to new starters. The second analysis, Total Reward 2 is based on STAL's employer costs for DC contributions only, so only relevant to staff joining after June 2008, the date at which the DB scheme closed to new members.

6.5 Main benchmark findings – Market summary data

Graphs 2 to 5 provide an overview of the aggregate of average salary, total cash and total reward 1 and 2 data versus the general market medians and airline/airport medians.

Table 25 to Table 28 show a summary of market data used for comparison purposes while Table 29 to Table 35 provide breakdowns of STAL variations from the respective comparator data. Analysis is repeated for basic salary, total cash and total reward 1 and 2.

Please note this analysis is based on the following assumptions

- Total cash, following our standard IDS definition, comprises basic salary, bonus and shift payments
- Total reward 1 includes all the elements of total cash as well as the combined employer cost of pensions of DC and DB schemes and holidays.
- Holidays are valued by dividing any additional holidays (x) over the statutory 28 days by 232 working days multiplied by basic salary ($x/232 * \text{basic salary}$)
- Total reward 2 includes all elements of total cash as total reward 1 above, as well as the value of DC employer contributions so is only relevant to those staff joining after June 2008
- For comparable senior managerial benchmark positions it is likely that there will be other elements of pay not taken into account when providing a total reward comparison - these could include share awards including options and long-term incentive payments as well as the cash value of flexible benefits.

Graph 2: Overview of All STAL basic salary data vs. General Market and Airline/Airport sample



Graph 3: Overview of all STAL total cash data vs. General Market and Airline/Airport sample



Graph 4: Overview of all STAL total reward 1 data vs. General Market and Airline/Airport sample



Graph 5: Overview of STAL total reward 2 data vs. General Market sample



6.6 Basic salary general market summary

The following table provides a summary of the general market benchmark basic salary data.

Table 25 Basic salary general market summary data

Job ID	Job title	IDS Job level	Grade	Lower quartile £pa	Median £pa	Upper quartile £pa
1	Passenger Service Assistant/Driver	2	OPD	15,489	✂	18,464
2	Security Officer	2	OPE	17,063	✂	23,759
5	Security Supervisor (Airside)	4	SPG	17,425	✂	24,833
6	Security Team Managers (Terminal)	5	SPH	24,177	✂	32,048
7	HR Administrator	4	SPG	20,783	✂	23,431
8	PA to Director	5	SPG	23,422	✂	28,516
9	Technician/Maintenance Technician	5	TME	26,094	✂	29,628
10	Technician	5	TEL	27,278	✂	30,972
12	Leading Fire Fighter	5	FS09	-	✂	-
13	Fire Fighter	4	FS10	-	✂	-
14	Ground Handling Manager	3	B4	28,205	✂	44,560
15	Airside Operations Managers/Terminal Duty Manager	7	MNM	44,132	✂	62,166
17	Station Manager	6	FS07	-	✂	-
18	Watch Manager	6	FS08	-	✂	-
19	Senior Manager 1 (inc Head of Function)	8/9	CSM	52,632	✂	90,000
20	Senior Manager 2	8	ASM	47,950	✂	72,656

6.7 Basic salary airline/airport summary

The following table provides a summary of the airline/aviation market basic salary benchmark data.

Table 26 Basic salary airline/airport market summary data

JOB ID	STAL Job title	Airline/Airport Survey job tile	Lower quartile £pa	Median £pa	Upper quartile £pa	No.
1	Passenger Service Assistant/Driver	Grounds Handling Operative	15,815	✂	16,490	4
2	Security Officer	Lead Passenger Service Agent	19,029	✂	20,191	4
6	Security Team Managers (Terminal)	Supervisor/Service Co-ordinator	19,334	✂	28,967	4
9	Technician/Maintenance Technician	Licensed Aircraft Engineer	32,000	✂	36,864	5
10	Technician	Licensed Aircraft Engineer	35,654	✂	36,864	5
12	Leading Fire Fighter	Leading Fire Fighter	40,850	✂	41,343	2
13	Fire Fighter	Fire Fighter	34,845	✂	36,972	2
15	Airside Operations Managers/Terminal Duty Manager	Engineering Maintenance Foreman	41,420	✂	49,108	9
17	Station Manager	Station Officer	35,311	✂	39,090	6
18	Watch Manager	Sub-Officer	47,862	✂	47,957	2
19	Senior Manager 2	Operations Manager	44,292	✂	45,059	2
20	Senior Manager 1 (inc Head of Function)	Operations Manager	51,372	✂	58,251	4

*Includes data from EEF Airport Survey 2011, adjusted for age/region

6.8 Total cash general market summary

The following table provides a summary of the general market total cash benchmark data.

Table 27 Total cash general market summary data

Job ID	Job title	Job level	Grade	Lower quartile £pa	Median £pa	Upper quartile £pa
1	Passenger Service Assistant/Driver	2	OPD	20,686	✂	23,661
2	Security Officer	2	OPE	22,737	✂	29,432
5	Security Supervisor (Airside)	4	SPG	23,115	✂	30,522
6	Security Team Managers (Terminal)	5	SPH	31,379	✂	39,250
7	HR Administrator	4	SPG	21,523	✂	24,171
8	PA to Director	5	SPG	24,304	✂	29,397
9	Technician/Maintenance Technician	5	TME	32,836	✂	36,369
10	Technician	5	TEL	34,326	✂	38,019
12	Leading Fire Fighter	3	FS09	-	✂	-
13	Fire Fighter	5	FS10	-	✂	-
14	Ground Handling Manager	4	B4/MNJ	29,408	✂	45,763
15	Airside Operations Managers/Terminal Duty Manager	3	MNM	53,167	✂	71,201
17	Station Manager	7	FS07	-	✂	-
18	Watch Manager	6	FS08	-	✂	-
19	Senior Manager 1 (inc Head of Function)	8/9	ASM	54,801	✂	79,507
20	Senior Manager 2	8	CSM	60,886	✂	98,254

6.9 Total cash airline/airport market summary

The following table provides a summary of the airline/airport market total cash benchmark data.

Table 28 Total cash airline/airport market summary data

Job ID	Job title	IDS Job level	Grade	Lower quartile £pa	Median £pa	Upper quartile £pa
1	Passenger Service Assistant/Driver	2	OPD	19,622	✂	20,963
2	Security Officer	2	OPE	22,499	✂	23,499
6	Security Team Managers (Terminal)	5	SPH	23,288	✂	32,047
9	Technician/Maintenance Technician	5	TME	36,737	✂	41,150
10	Technician	5	TEL	39,105	✂	41,308
12	Leading Fire Fighter	5	F09	41,498	✂	42,069
13	Fire Fighter	4	F10	35,705	✂	38,020
15	Airside Operations Managers/Terminal Duty Manager	7	MNM	47,250	✂	56,452
17	Station Manager	7	MNJ	48,890	✂	49,130
18	Watch Manager	6	FS07	44,977	✂	45,798
19	Senior Manager 1 (inc Head of Function)	8/9	BA2	✂	✂	✂
20	Senior Manager 2	8	FS08	54,993	✂	63,157

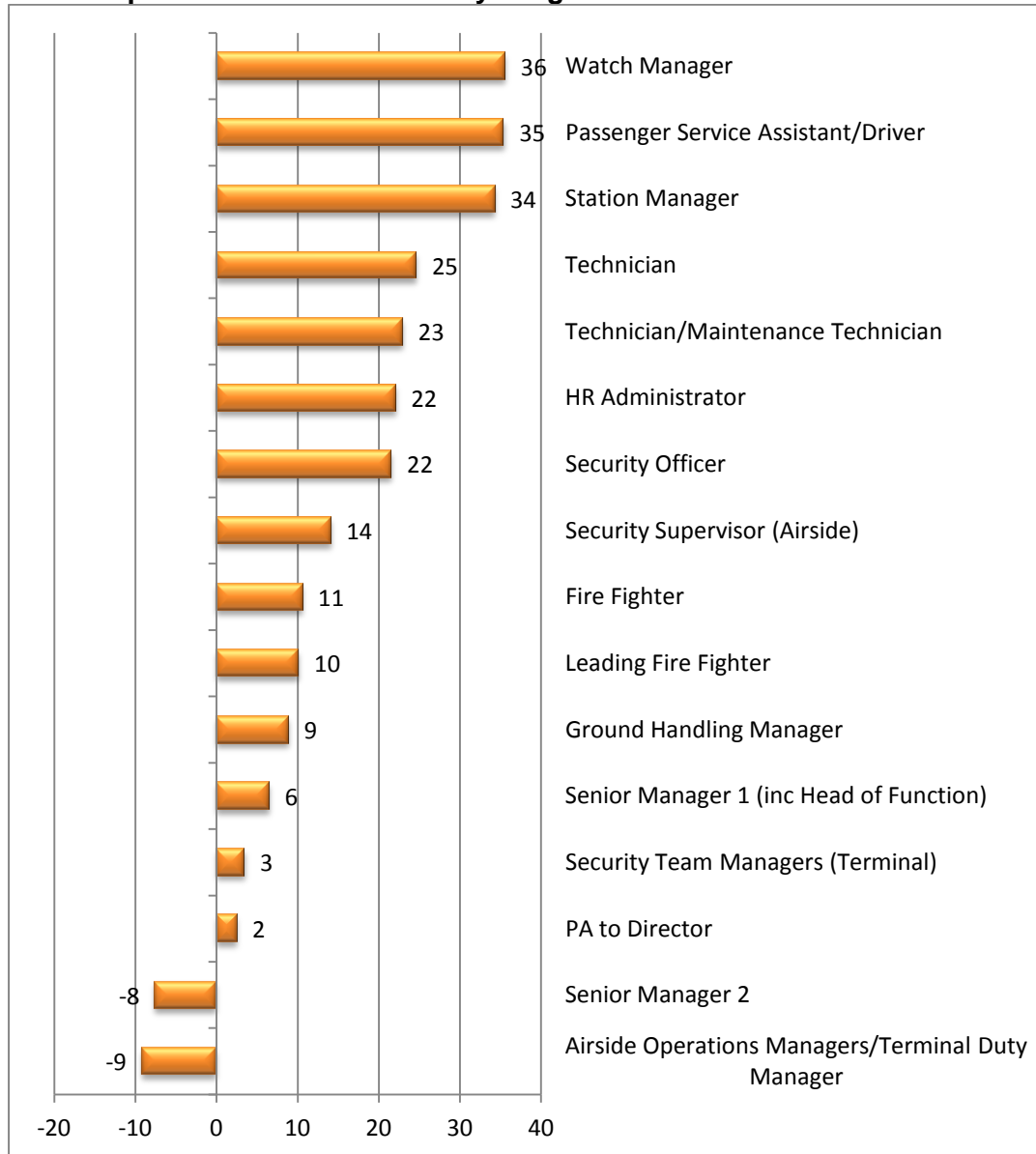
6.10 STAL All basic salary variation from the general market

The following table and graph provides an overview of the basic salary differential between all STAL jobs and the general market.

Table 29 All (Pre/Post 97) STAL basic salary variation from the general market



Graph 6: All STAL basic salary vs. general market data %



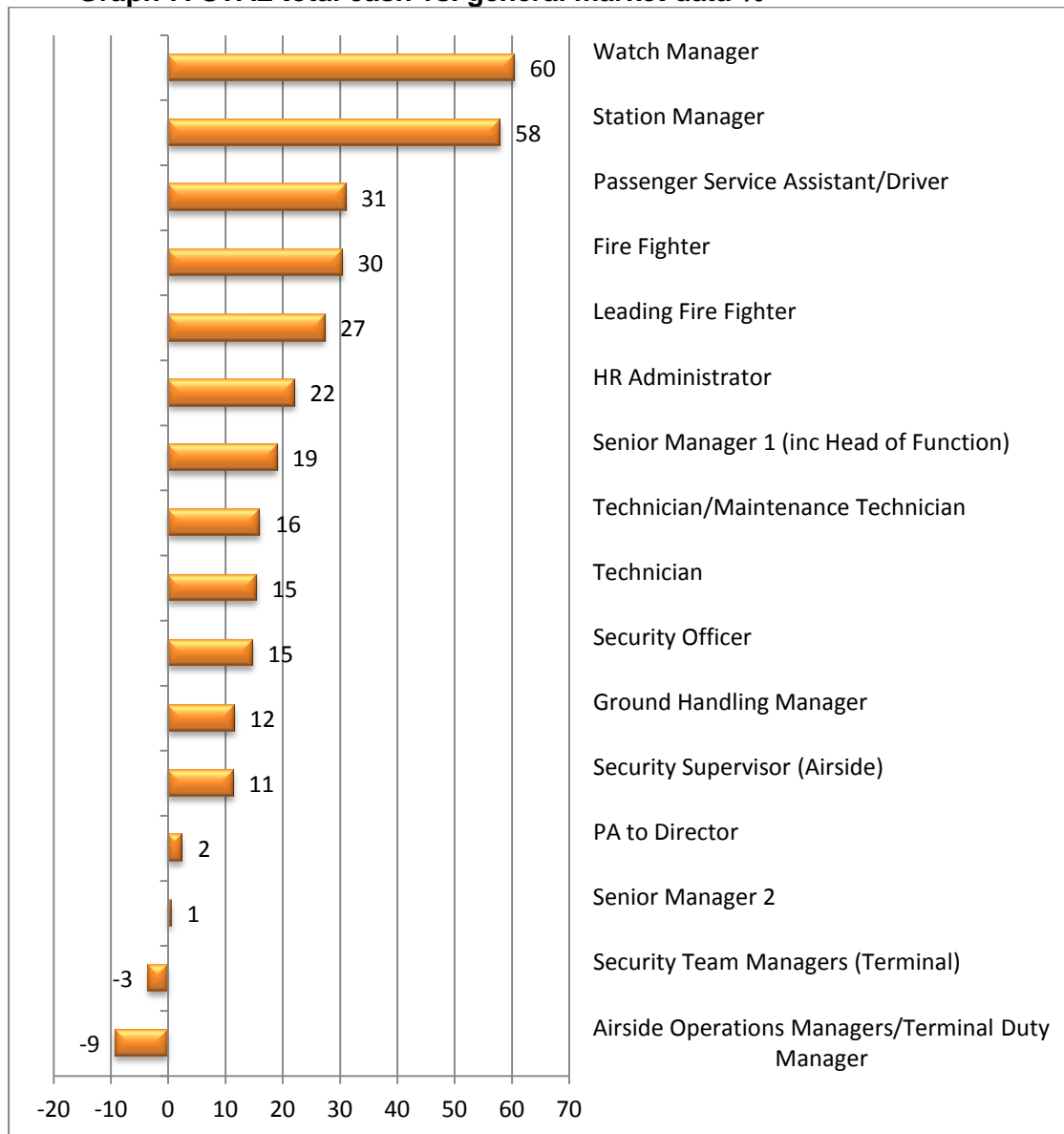
6.11 STAL all total cash variation from the general market

The following table and graph provides an overview of the total cash differential between all STAL jobs and the general market.

Table 30 All STAL total cash variation from the general market



Graph 7: STAL total cash vs. general market data %



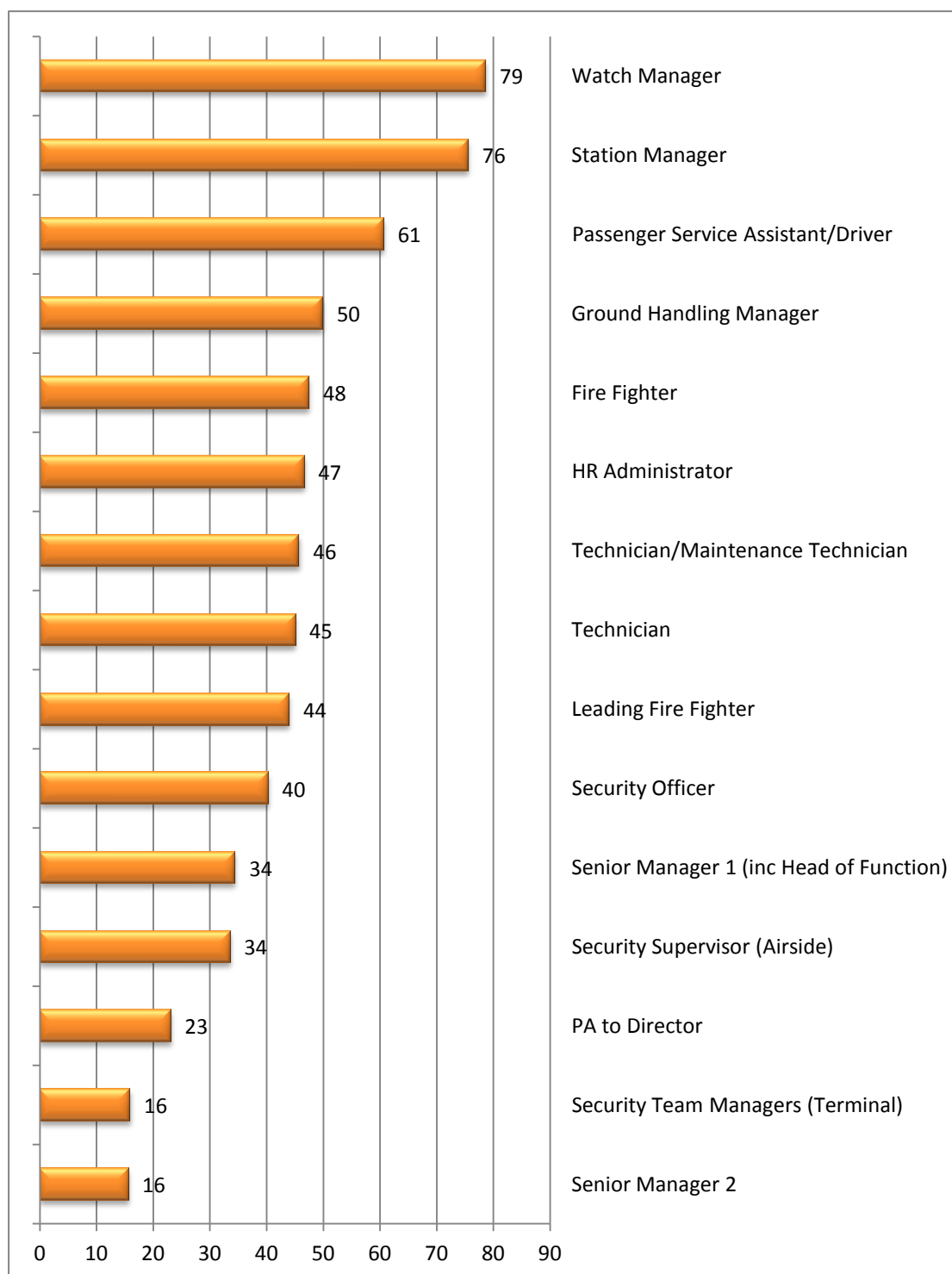
6.12 STAL all total reward 1 variation from the general market

The following table and graph provides an overview of the total reward 1 differential between all STAL jobs and the general market.

Table 31 STAL All total reward 1 variation from the general market.

✂

Graph 8: STAL all total reward 1 vs. market data %



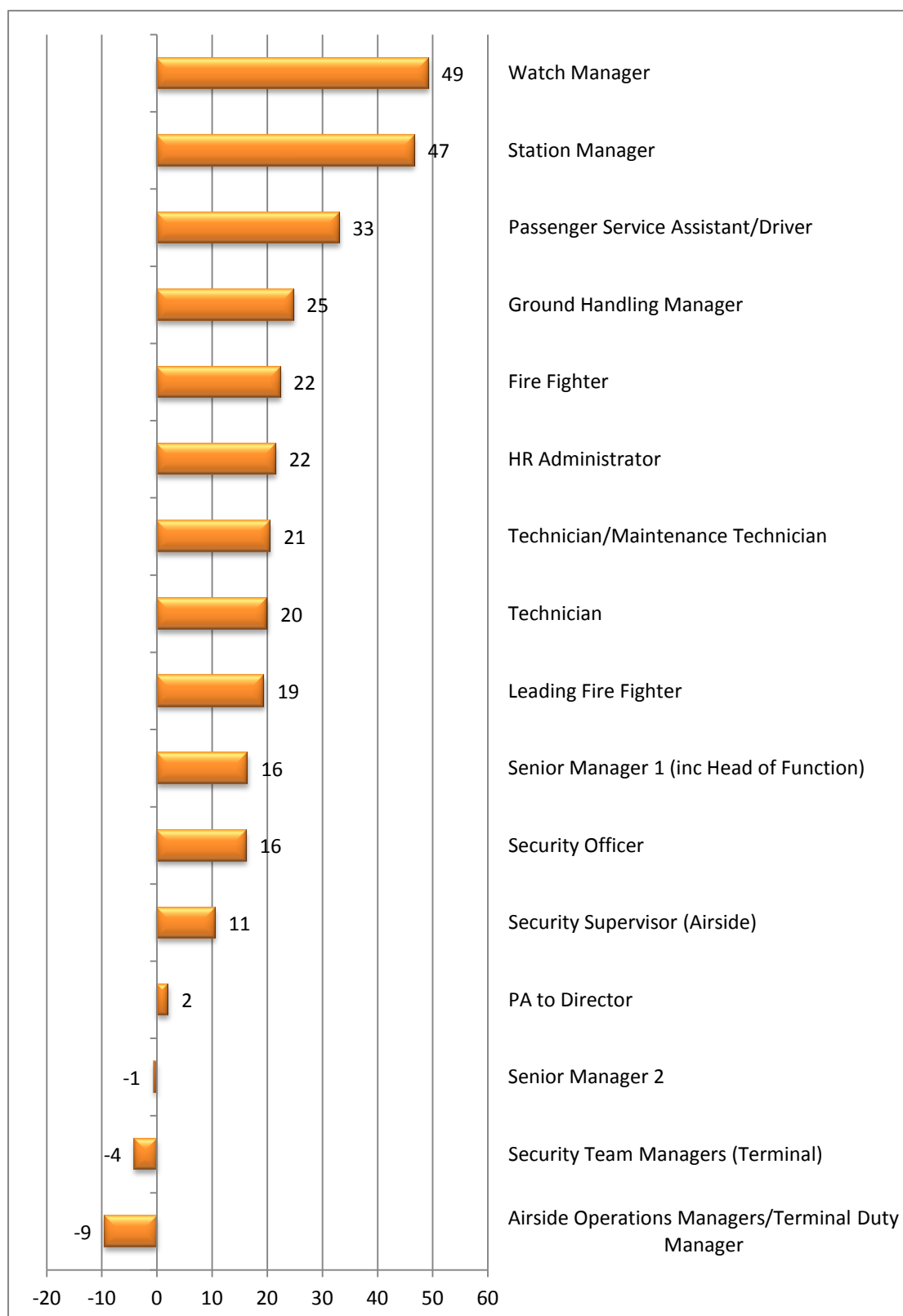
6.13 STAL all total reward 2 variation from the general market

The following table and graph provides an overview of the total reward 2 differential between all STAL jobs and the general market.

Table 32 STAL All total reward 2 variation from the general market

✂

Graph 9: STAL all total reward 2 vs. market data %



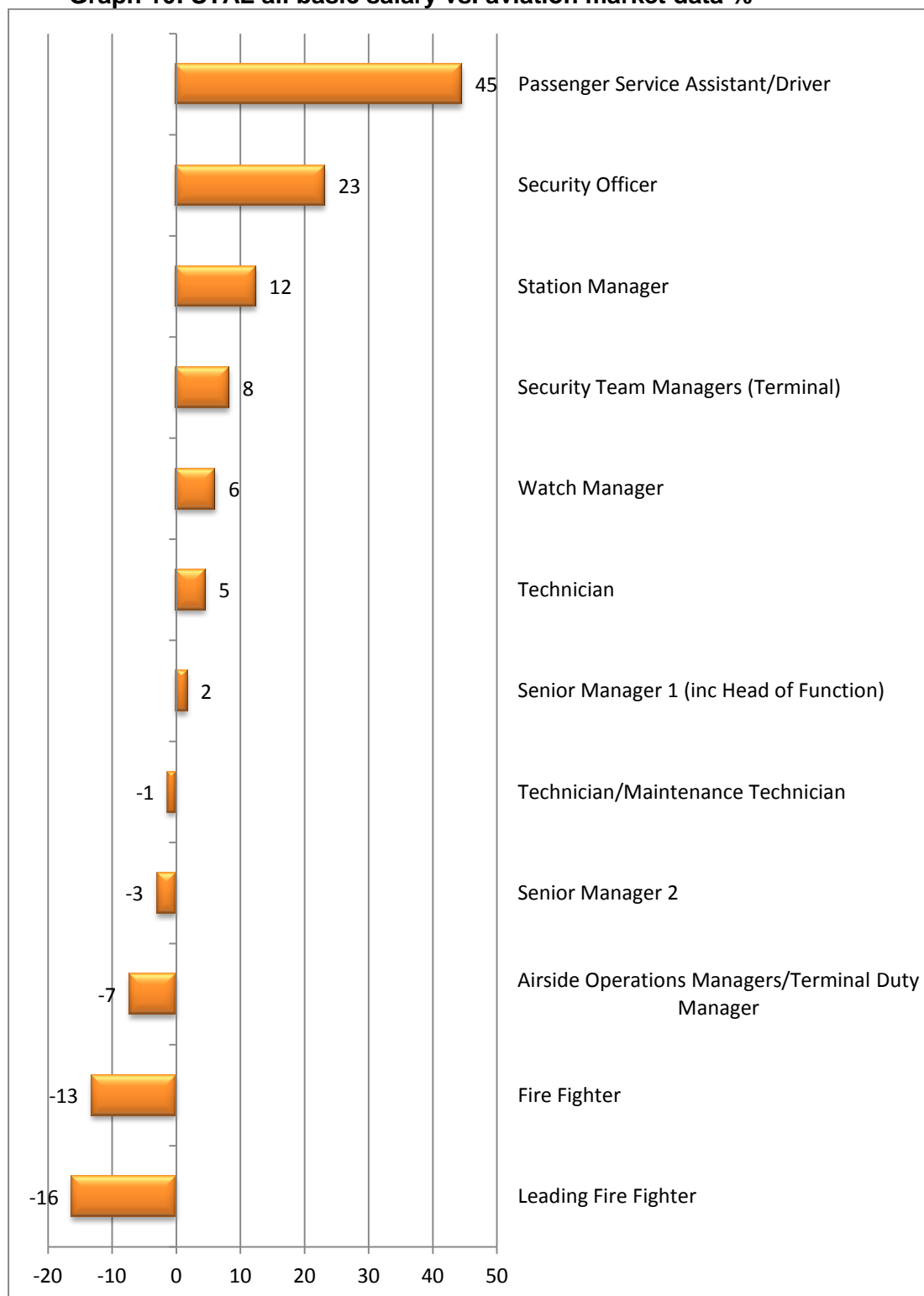
6.14 STAL all basic salary variation from the aviation market

The following table provides an overview of the basic salary differential between all STAL jobs and the airline/airport benchmark data.

Table 33 STAL All basic salary variation from the aviation market



Graph 10: STAL all basic salary vs. aviation market data %



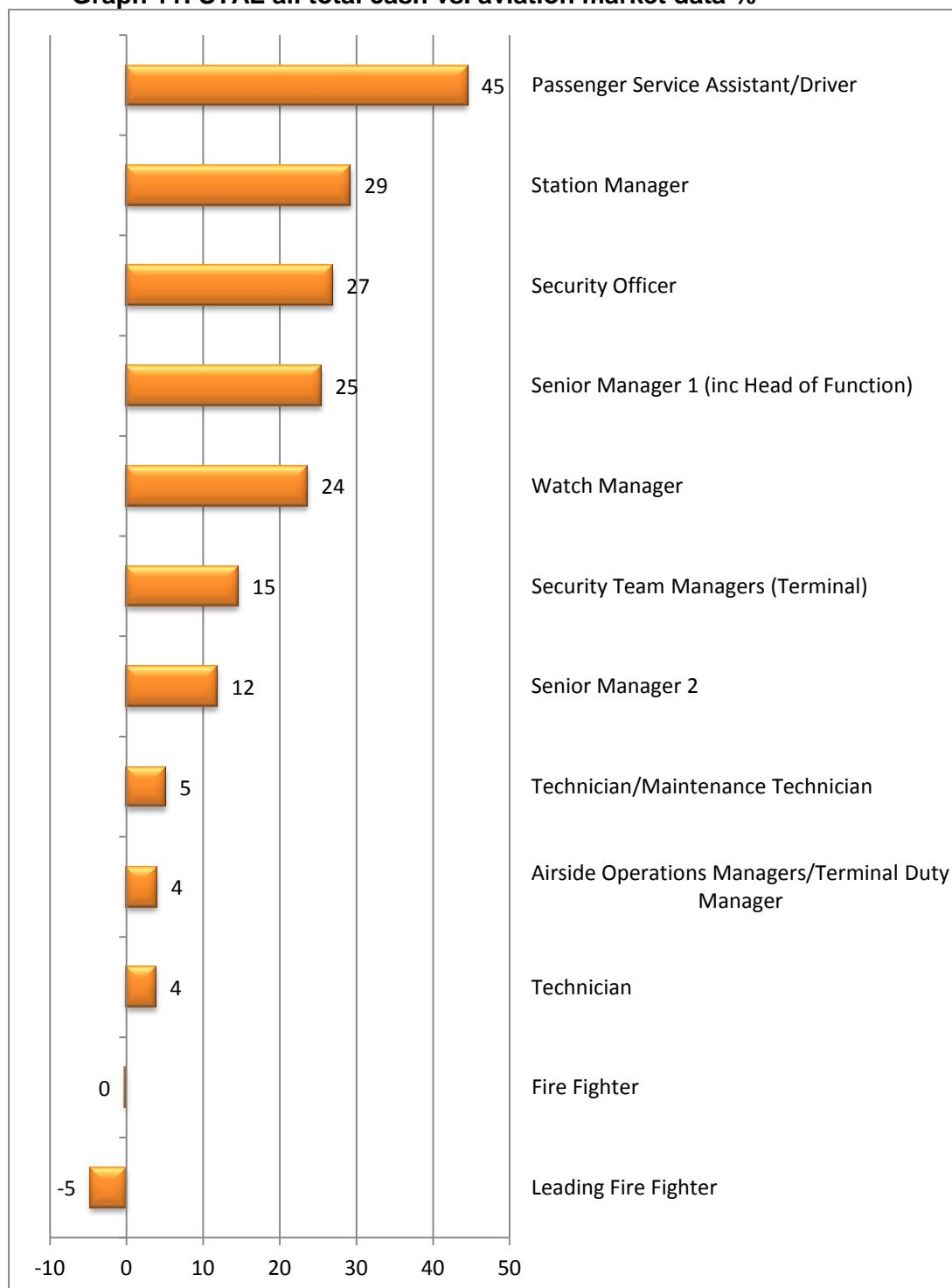
6.15 STAL all total cash variation from the aviation market

The following table provides an overview of the total cash differential between all STAL jobs and the airline/airport benchmark data.

Table 34 STAL all total cash variation from the aviation market



Graph 11: STAL all total cash vs. aviation market data %



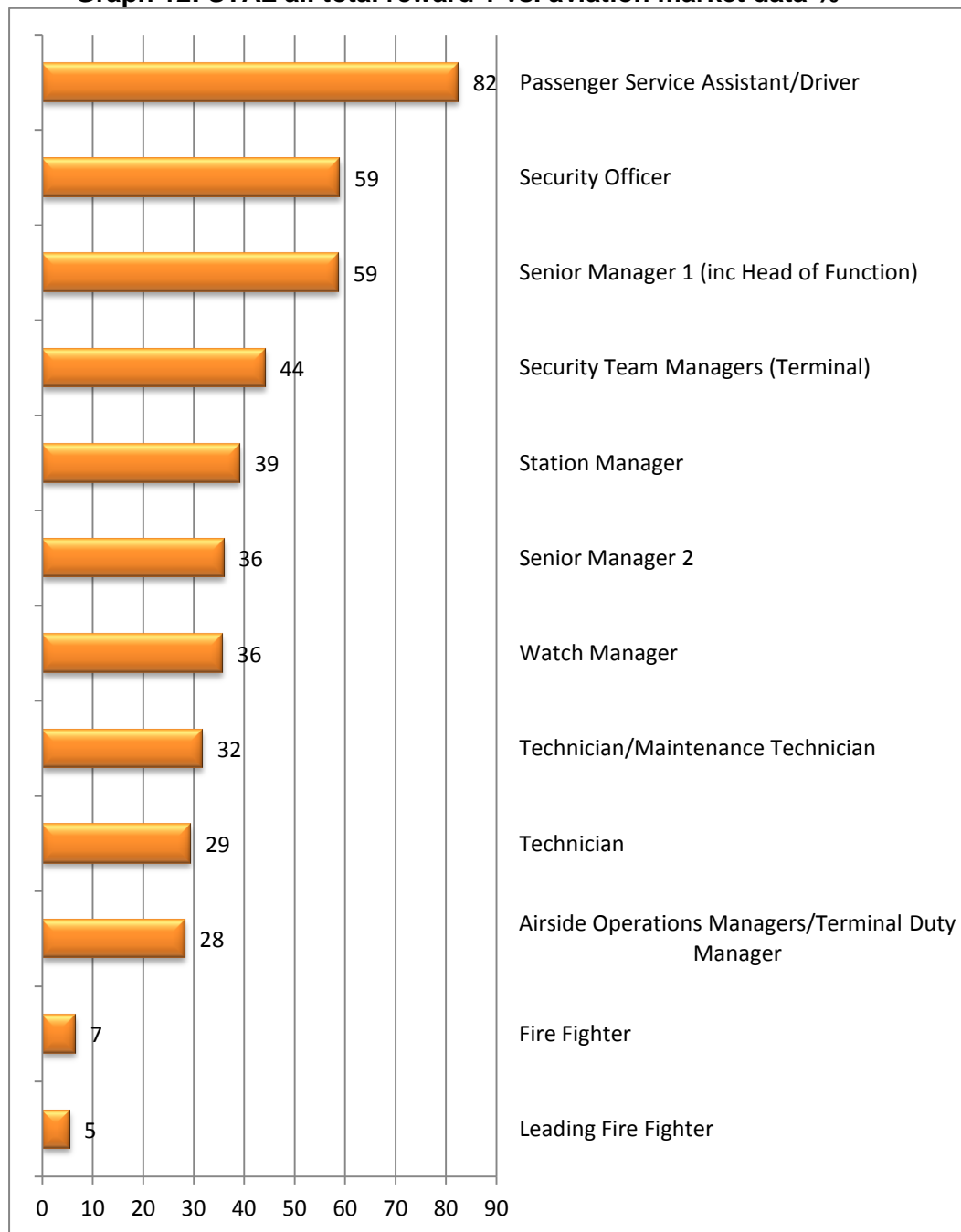
6.16 STAL all total reward 1 variation from the aviation market

The following table provides an overview of the total reward 1 differential between all STAL jobs and the airline/airport benchmark data.

Table 35 STAL all total reward 1 variation from the aviation market



Graph 12: STAL all total reward 1 vs. aviation market data %



7 Pension analysis

As part of this employment cost study for Stansted Airport Limited (STAL), it was necessary to undertake a review in respect of the costs to the employer of providing future pension benefits for employees at the airport. IDS worked with actuarial firm Hymans Robertson in order to complete the work and full details of the review undertaken are presented towards the end of this chapter. The chapter commences with a brief overview of pension trends across the wider economy from 2007, followed by a discussion of current pension arrangements available to employees at STAL.

7.1 Pension trends across the wider economy

In 2011 the Occupational Pension Schemes (OPSS) Annual Report from the Office of National Statistics reported an estimated total of 44,190 occupational pension schemes in the private sector. This marked a slight fall from 2010 (43,370) and represented just over three-quarters of the 2007 estimate of 57,010. In addition, almost 23,000 of the 44,190 schemes were open schemes, compared with 12,520 that were closed, 6,940 frozen schemes and 2,040 schemes that were winding up. Table 36 summarises the main trends in private sector occupational pension provision, by status since 2007, while Table 37 and Table 38 provide breakdowns of members in occupational pension schemes by sector, membership type and benefit structure over the same period.

Table 37 shows that there were around 8.2 million active members of occupational pension schemes in 2011, comprising 2.9 million private sector members and 5.3 million in the public sector. This is down from a total active membership of 8.3 million in the previous year. In the private sector alone there were approximately 1.9 million active members in defined benefit (DB) schemes in 2011 and 0.9 million in defined contribution (DC) schemes (Table 38). The results presented show a decline overall in the number of active members of private sector occupational schemes since 2007, particularly DB schemes, although active membership in the public sector has remained relatively constant i.e. there were 5.4 million active members of occupational schemes in 2008 and 2009, and 5.3 million active members in 2010 and 2011.

Comparative figures in Table 39, from the 2011 Department for Work and Pensions (DWP) survey, show membership status by scheme type including the proportion of active members and current pensioners in DB schemes (22 per cent compared with 41 per cent).

Table 36 Private sector occupational pension schemes by status, 2007-2011 (Source: ONS, 2012)

	No. of schemes				
	2007	2008	2009	2010	2011
Open	30,460	34,030	24,930	21,730	22,690
Closed	20,110	10,080	16,480	12,990	12,520
Frozen	4,550	6,870	4,050	8,400	6,940
Winding up	1,890	3,130	3,110	1,250	2,040
Total	57,010	54,110	48,570	44,370	44,190

Notes:

1. Respondents to OPSS survey: 1,278 private sector schemes with 'live' status on the Pension Scheme Register and 198 public sector schemes.
2. Changes to the part of the questionnaire used to estimate pensions in payment and preserved pension entitlements in 2008 mean that comparisons with 2007 should be treated with caution.
3. Hybrid schemes were treated as DB schemes for the purpose of the survey
4. All public sector schemes in the survey are DB.

Table 37 Number of members of private sector occupational pension schemes by membership type and sector, 2004-2011 (Source: ONS, 2012)

	Millions (no.)				
	2007	2008*	2009	2010	2011
Active members	8.8	9.0	8.7	8.3	8.2
– Private sector	3.6	3.6	3.3	3.0	2.9
– Public sector	5.2	5.4	5.4	5.3	5.3
Pensions in payment	8.5	8.8	9.0	9.0	9.2
– Private sector	4.8	5.0	5.1	5.0	5.0
– Public sector	3.7	3.9	3.9	4.0	4.2
Preserved pension entitlements	9.4	9.9	10.1	9.8	9.8
– Private sector	6.3	6.7	6.6	6.6	6.3
– Public sector	3.1	3.2	3.5	3.2	3.4
Total	26.7	27.7	27.7	27.2	27.2
– Private sector	14.7	15.3	15.0	14.7	14.2
– Public sector	12.0	12.4	12.7	12.5	13.0

* Changes to the part of the questionnaire used to estimate pensions in payment and preserved pension entitlements in 2008 means that comparisons with 2007 and earlier should be treated with caution.

Table 38 Number of members in private sector occupational pension schemes by membership type and benefit structure (Source: ONS, 2012)

	Millions (no.)				
	2007	2008	2009	2010	2011
Active members	3.6	3.6	3.3	3.0	2.9
– Defined benefit	2.7	2.6	2.4	2.1	1.9
– Defined contribution	0.9	1.0	1.0	1.0	0.9
Pensions in payment	4.8	5.0	5.1	5.0	5.0
– Defined benefit	4.8	4.9	5.0	5.0	4.9
– Defined contribution	0.1	0.0	0.1	0.1	0.1
Preserved pension entitlements	6.3	6.7	6.6	6.6	6.3
– Defined benefit	5.4	5.6	5.5	5.4	5.2
– Defined contribution	0.9	1.1	1.1	1.2	1.1
Total	14.7	15.3	15.0	14.7	14.2
– Defined benefit	12.9	13.1	12.9	12.5	12.1
– Defined contribution	1.8	2.2	2.1	2.2	2.1

Table 39 Profile of total membership of occupational schemes in 2009 and 2011, by type of scheme* (Source: DWP, 2012)

Aggregate % of members that are ...	Type of scheme		All 2011**%	All 2009**%
	DB %	DC%		
Active members	22	40	24	22
Deferred members	38	47	41	42
Current pensioners	41	12	35	36
<i>Weighted base</i>	<i>989</i>	<i>195</i>	<i>1,397</i>	<i>781</i>
<i>Unweighted base</i>	<i>476</i>	<i>250</i>	<i>845</i>	<i>577</i>

* Based on a total sample of over 3,000 private sector organisations on the 2011 Inter-Departmental Business Register

** Excludes hybrid schemes

More widely, the latest DWP survey reported that around three in ten private sector organisations (31 per cent) made some form of pension provision for their employees in 2011, although the provision of pensions is considerably more common among larger employers than among smaller ones. Table 40 shows that, in 2011, 88 per cent of employers with 50 or more employees made some form of provision, compared with 21 per cent of organisations with fewer than five employees.

Table 40 Any pension provision by size of organisation, 2007-2011 (Source: DWP, 2012)

Pension provision	Private sector organisations			Employees working for such organisations		
	2007 %	2009 %	2011 %	2007 %	2009 %	2011 %
Any pension provision*	41	28	31	87	82	81
Size of organisation						
1-4 employees	26	15	21	27	17	21
5-9 employees	58	56	42	61	59	44
10-19 employees	84	64	70	84	65	72
20-49 employees	89	79	77	90	80	77
50+ employees	96	95	88	99	98	96
Any workplace pension scheme**	33	27	24	86	81	79
Size of organisation						
1-4 employees	16	13	13	19	15	13
5-9 employees	56	54	40	58	57	42
10-19 employees	81	63	66	82	63	68
20-49 employees	88	77	71	89	78	72
50+ employees	95	93	86	99	98	96

* 'Any pension provision' refers to the provision of an occupational scheme, a GPP scheme or a workplace-based stakeholder pension scheme (SHP), and to arrangements whereby employers make contributions to employees' personal pensions.

** 'Any workplace pension scheme' refers to the provision of an occupational pension scheme, a GPP scheme or a workplace-based SHP scheme. It thus excludes contributions to personal pensions.

The DWP survey also looked at the incidence of pension schemes by type and industry sector (Table 41). Occupational pension schemes were most likely to be found in manufacturing firms (29 per cent), GPP schemes were most common in the information and communication sector (28 per cent) and the highest incidence of stakeholder schemes was found in professional, scientific and technical industries (14 per cent). In addition, those making contributions to personal pensions were most likely to be operating in wholesale and retail (29 per cent).

Finally, Table 42 provides an overview of average contribution rates to private sector occupational pension schemes, by size, benefit structure and contributor (i.e. member or employer). Results are drawn from the latest OPSS survey from the ONS and show that across all DB schemes, the average member contribution is 4.9 per cent, and 14.2 per cent for employers. Across DC schemes, member and employer contribution rates are 2.8 per cent and 6.6 per cent respectively.

Table 41 Type and incidence of pension schemes provided by industry sector (Source: DWP, 2012)

SIC code	Industry sector	Occupational scheme %	GPP %	SHP %	Contributing to PPs %
A.	Agriculture, forestry and fishing	0	1	1	1
B.	Mining and quarrying	2	1	0	0
C.	Manufacturing	29	12	9	10
D.	Electricity, gas, steam and air conditioning supply	0	0	0	0
E.	Water supply, sewerage and waste management	0	1	0	0
F.	Construction	15	5	12	2
G.	Wholesale and retail	8	13	12	29
H.	Transportation and storage	5	3	5	4
I.	Accommodation and food service	1	3	10	4
J.	Information and communication	1	28	7	4
K.	Financial and insurance activities	6	2	1	3
L.	Real estate activities	2	1	4	2
M.	Professional, scientific and technical activities	3	9	14	17
N.	Administrative and support service activities	2	9	5	16
O.	Public administration and defence	0	0	0	0
P.	Education	1	2	2	1
Q.	Human health and social work	18	5	8	2
R.	Arts, entertainment and recreation	5	3	3	2
S.	Other service activities	4	2	6	4
	<i>Weighted base</i>	<i>94</i>	<i>139</i>	<i>578</i>	<i>303</i>
	<i>Unweighted base</i>	<i>900</i>	<i>965</i>	<i>1,512</i>	<i>543</i>

Table 42 Weighted average contribution rates to private sector occupational pension schemes by size, benefit structure and contributor (Source: ONS, 2012)

No. of employees	Defined benefit			Defined contribution		
	Member %	Employer %	Total %	Member %	Employer %	Total
10,000+	4.7	13.7	18.5	2.5	6.8	9.3
5,000-9,999	5.8	16.8	22.5	2.7	6.9	9.6
1,000-4,999	5.4	14.4	19.8	3.3	6.5	9.8
100 to 999	5.0	15.3	20.3	3.5	5.9	9.4
12 to 99	3.9	19.0	22.9	2.2	5.2	7.4
Total	4.9	14.2	19.2	2.8	6.6	9.4

7.2 Overview of current pension arrangements at Stansted Airport

BAA currently operates two pension schemes – the BAA (final salary) Pension Scheme and the BAA Defined Contributions (DC) Pension Plan. Further information is presented on each in turn below.

7.2.1 BAA Pension Scheme

The BAA Pension Scheme does not offer a differential in pension benefits between staff groups, with the exception of a different normal retirement age for Fire Service employees (55 rather than normal retirement at age 60). Therefore, information presented in this chapter is provided only on the two staff groups, rather than for management and non-management grades.

Details of the current active membership of the BAA Pension Scheme are shown in Table 43 and Table 44:

Table 43 No. of active members in each scheme and total cumulative pensionable salary

Member group	Total members (n)	Pensionable salaries (£m)	Average age
Non-fire service	864	17.308	43 years, 11 months
Fire service	61	2.084	42 years, 10 months

Table 44 Breakdown of males/females across each staff group

Member group	Males (n)	Females (n)
Non-fire service	504	360
Fire service	61	0

It should be noted that the Scheme's funding is undertaken on a group-wide basis, rather than on an airport-specific basis. However, where appropriate, an estimate of the Stansted costs in isolation have been made based on the allocation of liabilities following further work undertaken since the 2010 valuation.

7.3 Additional information

- For 2012 the average contribution for STAL employees was 5.17 per cent of pensionable salary.
- With effect from 1 January 2012, employer contributions were amended to a fixed £73 million per annum, equivalent to 30.7 per cent of pensionable salary at the valuation date (30 September 2010). For the period 1 January 2009 to 31 December 2010, company 'future service contributions' were at a fixed £80m per annum, which was broadly equivalent to 25 per cent of pensionable salaries as at the September 2007 valuation. Following the sale of Gatwick Airport in 2009, the fixed £80m company contribution was maintained in the expectation that the 2010 valuation would disclose a deficit position and that these additional contributions would be used as advance deficit contributions.
- BAA has contributed a further £24 million per annum, with effect from January 2012 to continue to 31st December 2020, to address the deficit identified from the 2010 actuarial valuation. Stansted's allocation of Deficit Contributions against accrued liabilities is approximately £1.92 million per annum. No Scheme deficit existed prior to the conclusion of the 2010 valuation process and no such additional contributions were, therefore, payable prior to January 2010.
- Employer contributions totalled £192.1 million in the year ending 30 September 2010. This included a one-off pseudo section 75 debt payment of £105m, as required under the 2008 Shared Services Agreement, in relation to the sale of Gatwick and subsequent exit of Gatwick from the DB scheme. Further commutation payments include an expected payment of £13.5 million (to be finalised and paid in November 2012) for the sale of Edinburgh Airport. There have been no additional costs associated with Stansted Airport.
- The maximum Pension Commencement Lump Sum is a multiple of 4.4 x initial pension. The assumption used for funding purposes is that 100 per cent of all members opt to receive the cash sum.
- Over the last three years, and as stated in the audited Annual Trustee Reports and Financial Statements, scheme expenses have been as follows: £2,455m (30 September 2009); £2,892m (2010); £2,757m (2011). Expenses include Pension Protection Fund Levy, but exclude investment manager fees.

- Salary increase assumptions for future years (after 2013), for DB Pension Scheme funding purposes, are based on RPI + 1.5 per cent (for 'scale' employees). No allowance has been made for promotional salary increases. For 'non-scale' employees, the assumption for real salary increases will be 1.5 per cent per annum.
- Based on actual experience of BAA Pension Scheme membership, and guidance from the Pension Regulator, STAL works on the basis of the following rates of turnover for DB pension scheme funding purposes, as shown in Table 45.

Table 45 Level of turnover (as reported in the 2010 actuarial valuation)

Retirement	Age	% leaving per annum
Early retirement	59	30
	57	22
	55	14
Ill-health retirement*	55	0.990
	45	0.203
	35	0.023
Leavers for all other reasons	50	0.5
	45	2.2
	35	4.5
	25	2.7

* Fire service employees are considered to be seven times more likely to retire due to ill health.

7.4 BAA Defined Contributions (DC) Pension Plan

The BAA Defined Contributions Plan is a stakeholder pension plan and was introduced in June 2008¹⁰. Membership of the plan is open to all BAA staff joining the company from 1 December 2007, and staff are automatically enrolled from the day they join BAA. At July 2012, the current active membership of the BAA Pension Plan was 1,086, including 174 members from STAL.

Active members of the scheme are able to contribute 3 per cent, 5 per cent or 8 per cent of pensionable salary. The corresponding rates as paid by BAA for non-fire service staff are shown in Table 46 below:

Table 46 Employee and employer contribution rates – non-fire service staff

Employee pays (%)	BAA pays (%)
3	8
5	10
8	12

Employees are automatically enrolled at the 5 per cent personal contribution rate unless they specify otherwise. BAA employees are also able to contribute more than 8 per cent into the plan, but the maximum employer contribution is 12 per cent.

In addition, fire service staff are able to contribute an additional 1 per cent of pensionable salary to receive an additional 4 per cent contribution from BAA (Table 47).

Table 47 Employee and employer contribution rates – fire service staff

Employee pays (%)	BAA pays (%)
4	12
6	14
9	16

¹⁰ Costs have increased proportionately at a high rate, which is to be expected for such a scheme in its early years and reflects that those employees leaving the business, and who were formerly members of the DB Scheme, are replaced by employees who may only join the DC arrangement.

The senior executive group is subject to a different contribution arrangement, which limits executives to an aggregate contribution of £50,000 in any one tax year with contributions made on a 1:2 basis between employee and employer. A cash allowance is made equal to 17 per cent of basic salary, less the company's contribution as part of the aggregate £50,000 payment. It should be noted there are no senior executives based at Stansted Airport that fall into this category.

Average employee and employer contribution rates at 2012 are 5.46 per cent and 10.40 per cent of pensionable salary.

Table 48 to Table 50 below provide more information on the DC Plan membership, including:

- Number of active members in each scheme and the total cumulative pensionable salary of each staff group.
- Breakdown of males and females across each staff group.
- Average age of each staff group as at 1st April 2012.

Table 48 Active members in each scheme and total cumulative pensionable salaries

Member group	Total members (n)	Total salaries (£m)
Non-fire service	165	5.048
Fire service	9	0.313
Senior executives	0	0

Table 49 Breakdown of males/females across each staff group

Member group	Males (n)	Females (n)
Non-fire service	91	73
Fire service	9	0
Senior executives	0	0

Table 50 Average age at 1st April 2012

Member group	Average age
Non-fire service	37 years, 2 month
Fire service	39 years, 9 months
Senior executives	N/A

7.5 Calculating the costs of future defined benefits for employees at STAL

In order to carry out this exercise, IDS worked with actuarial firm Hymans Robertson to undertake an analysis of the costs to BAA of providing the next year of defined benefits for employees at STAL.

The first stage was to obtain from the employer some key information, in respect of current DB pension scheme arrangements, and the main membership characteristics. Broadly, IDS requested:

Pension scheme information

- The latest valuation report
- The DB member booklet
- Level of scheme expenses per annum
- Details of insured benefits and the level of premiums paid for the benefits.

Membership characteristics

- Number of members and the total cumulative pensionable salary of the group
- Gender breakdowns
- Average age of the group at the start of the year for which the costing was to be carried out
- Future levels of salary increases, plus the date when salaries are increased each year, and levels of promotional pay
- Level of turnover for each group.

Additional information

IDS also had detailed discussions with Hymans Robertson regarding:

- The effective date of the calculations i.e. financial assumptions have taken into account market conditions as at 31 July 2012.
- Staff groups to be covered by the calculations. Following conversations with key project personnel it was confirmed that IDS would not differentiate between different employment grades (i.e. managers, non managers etc).

- However, Hymans Robertson has given consideration to non-fire service and fire-service personnel to help inform the work undertaken, although the final output is a single result for the airport as presented in Table 51.

Table 51 Cost of future defined benefits of BAA Pension Scheme for STAL

Gender composition of the group	Total pensionable salary (£m)	Cost to STAL of providing the next year of defined benefits as a % of total pensionable salary
565 males 360 females	19.4	41.0

The cost of 41.0 per cent as shown in table 16 is an indicative cost based on a set of assumptions consistent with those adopted by the Trustees of the scheme at the 30 September 2010 valuation, but updated for market conditions at 31 July 2012 (further details of the explicit assumptions and methodology are provided in the next section). It should be noted that the 41 per cent figure excludes employee contributions.

As set-out in section 1.3, employer contributions were amended with effect from 1 January 2012 to an equivalent 30.7 per cent of pensionable salary at the valuation date (30th September 2010). This rate will continue to be paid until the 30 September 2013 valuation is finalised. At this point the future service rate will depend upon the demographics of the membership, the assumptions to be adopted by the Trustees and the underlying economic and market conditions at 30 September 2013.

As part of the 30 September 2013 valuation, an updated assessment of the employer covenant is expected which will impact upon the strength of the basis and also on the future service rate.

An important point to note in relation to the current economic and market conditions is that the UK is currently in an era of low gilt yields and economic uncertainty. This is one of the main reasons why the 30.7 per cent future service rate at the 30 September 2010 valuation has become 41 per cent based on market conditions at 31 July 2012.

The current low gilt yields have been caused by a number of factors: quantitative easing; a low base interest rate; austerity measures; the ongoing Eurozone crisis; the safe haven nature of gilts (AAA rated) relative to other countries; and a general low risk appetite from investors. Whether or not there will be any changes to the underlying factors in the short term (i.e. over the next three to five years) is debatable. Any changes will impact the future service rate at 30 September 2012.

7.6 Assumptions and methodology

Data shown in Table 52 is based on data assumptions and a calculation methodology set out in the rest of this section. The costs shown represent the percentage of pensionable salary and are shown as total costs, with no reduction due to salary sacrifice of employer contributions.

7.6.1 Assumptions

There are two main types of assumptions when undertaking this work: demographic (relating to retirement age and mortality) and financial (relating to discount rates and inflation). The assumptions in relation to the defined benefits are in line with those used in the 30 September 2010 valuation, although market conditions have been taken at 31 July 2012.

7.6.2 Demographic

In practice, each member of a pension scheme will receive benefits in line with the Trust Deed and Rules of the BAA Pension Scheme, but the level and form of their benefits will also be influenced by their experience and choices, for example: each member's level of salary growth, length of service, age at retirement, the amount of pension commuted for a lump sum at retirement and ultimately, when they die.

In modelling future accrual of benefits, assumptions have to be made regarding the experience and choices of members. Since the calculations for this work have been carried out in respect of groups of members rather than individuals, the assumptions have been made in respect of the groups, which are set out in Table 52:

Table 52 Demographic assumptions for calculating future costs of BAA Pension Scheme*

Assumption	BAA Pension Scheme (in line with 30th September 2010 valuation)
Proportion of married members	77.5% at retirement or earlier death
Age difference between spouses/ civil partners	Males are assumed to be, on average three years older than their spouse/civil partner
Post-retirement mortality	Males: SAPS Normal Health Pension Male Amounts table with 2009 Continuous Mortality Investigation (CMI) projections and improvements in mortality at the rate of 1.5% per annum from 2009
	Females: SAPS Normal Health Pensioner Female Amounts table plus a one-year age rating with 2009 CMI projections and improvements in mortality at the rate of 1.5% per annum from 2009
Pre-retirement mortality	Same as for post-retirement
Withdrawals from active to deferred status and early retirement from active status	In line with the assumptions adopted for the 30 th September 2010 valuation

* The following assumptions have also been made:

- (i) There are no ill-health retirements
- (ii) There are no children's pensions to be paid.

7.6.3 Financial assumptions

The cost to BAA in a given period is equal to the total cost of benefits accruing in the given period, less the contributions made by employees (see Table 53).

Table 53 Financial assumptions for calculating future costs of BAA Pension Scheme

Assumption	BAA Pension Scheme
Pre-retirement discount rate	4.3%
	The yield at 31 July 2012 on fixed interest gilts of appropriate duration (interpreted as FTSE UK Gilts Yield Series over 15 years) +1.5%.
Post-retirement discount rate	3.6%
	The yield at 31 July 2012 on fixed interest gilts of appropriate duration (interpreted as FTSE UK Gilts Yield Series over 15 years) +0.8% at 31 July 2012.
Price inflation (RPI)	2.7%
	The difference in yields between the FTSE UK Gilts Yield Series (over 15 years) and FTSE Index-Linked Gilts (3% Inflation) Yield Series (over 15 years) at 31 July 2012, less a margin for an inflation rise premium of 0.1%
Pension increases	2.7%
Deferred revaluation	2.7%
Pensionable salary increases	4.2% (RPI + 1.5% pa)
Commutation	25% of pension commuted at retirement at a rate of £1 of pension gives £13 of lump sum
Member contributions (as a % of pensionable salary)	5.17%
Death-in-service insurance premium	Self-insured

7.6.4 Methodology calculations

The following methodology was used to calculate the total costs of providing defined benefits over the next year:

- The amount of pension in respect of the next year is calculated based on the total salary over the next year and the accrual rate. The BAA Pension Scheme uses a slightly different method (the 'Attained Age' method) in its valuation.
- The pension is increased to retirement in line with salary increases¹¹. An allowance has also been made for death before retirement for the BAA Pension Scheme and the subsequent death benefits.
- At retirement, the pension is converted into a cost of paying this over the rest of the member's life and their spouse's life. This is done by using actuarial calculations which take into account pension increases, commutation, the member's and spouse's mortality (i.e. the expected time the pension will be paid for) and investment returns.
- The penultimate step is to put this value into today's terms i.e. how much money would need to be held in order to provide this pension at retirement?
- Finally, an allowance for the expenses is added and the cost of the employee's contributions deducted to give the respective Airport's total.

¹¹ Also allowing for the possibility of members withdrawing or retiring early over this period, and where withdrawal takes place these benefits will increase in line with deferred revaluation.

7.7 Calculating the costs of future defined contributions for employees at STAL to the BAA Defined Contributions Pension Plan

The calculation of costs of future defined contributions to STAL is more straightforward than the equivalent calculation for defined benefits, as already set out in this chapter. This is due to the nature of DC pension schemes which, by their nature, have fixed contribution rates.

In order to carry out this exercise IDS requested the following information from STAL:

Pension scheme information

- The DC member booklet
- Contribution rates
- Level of scheme expenses per annum
- Details of insured benefits and the level of premiums paid for the benefits.

Membership characteristics

- Number of members and the total cumulative pensionable salary of the group
- Gender breakdowns
- Average age of the group at the start of the year for which the costing was to be carried out

Table 54 Cost of future defined benefits of BAA Pension Scheme

Gender composition of the group	Total pensionable salary (£m)	Average employer contribution as a % of total pensionable salary
101 males*	5.4	10.4%
73 females		

* The breakdown of males and females in the data provided by Stansted does not sum to the quoted total membership of 174. Therefore, we have assumed that there are 101 males.

7.8 Assumptions and methodology

Figures shown in Table 54 are based on data assumptions and a calculation methodology which is set out in the remainder of this chapter. The costs shown represent the percentage of defined contribution pensionable salary and are shown as total costs, with no reduction due to salary sacrifice of employer contributions.

The level of contributions STAL pays depends upon the contribution rate chosen by each individual member. The actual choice of contribution rates which each member is offered has been assumed not to change over the next year (which is expected to be the case as the scheme was only introduced in June 2008 and IDS is not aware of any pending review of these rates).

Due to the stability of the contribution rates over the previous two years it has been assumed that the same contribution rate will be paid by STAL over the next year, i.e. a rate of 10.4 per cent of total pensionable salary. This implicitly assumes that the underlying demographics and choice of contribution rates by members does not materially change over the next year.

It should be noted that some of the benefits are insured through life assurance and income protection policies. Only cumulative information for the whole BAA Defined Contributions Pension Plan has been provided (Table 55). It is not possible to break this down into a specific cost to STAL.

Table 55 2011 premiums in respect of insured benefits in the BAA Defined Contributions Pension Plan

Policy	2011 Premium (£)
Life assurance	298,043.31
Income Protection	133,215.38
Total	431,258.69

It should be noted that On the grounds of materiality no account of the premiums for insured benefits has been made in the above contribution rates.

7.9 Total (DB and DC) pension cost for Stansted

The total future pension cost to STAL, based on the assumptions and methodologies of the previous sections, is a salary weighted average of the DB and DC contribution rates. This produces a contribution rate expressed as a percentage of the total pensionable salary of both schemes, as shown in Table 56.

Table 56 Total defined benefit and defined contribution one-year costs for STAL

Pension scheme	Pensionable salary (£m)	Average STAL contribution rate as a % of pensionable salary
BAA Pension Scheme	19.4	41.0
BAA Defined Contributions Pension Plan	5.4	10.4
Total	24.8	34.3

8 Absence Management and labour turnover

This chapter reviews the current situation in relation to absence management and labour turnover at Stansted Airport Limited (STAL). Drawing on both current and historical absence and labour turnover data provided by the Airport, IDS has attempted to undertake analysis and comparisons with STAL data from 2006, as far as this has been possible. The first part of the chapter reports on the current absence situation at STAL, additionally drawing on information contained in industry-wide data sources and previous absence data provided by BAA for Stansted Airport in 2006. The second part of the chapter provides an analysis of labour turnover, similarly reporting on the situation in the wider economy and looking at how labour turnover has changed at STAL over the last six years. It should be stressed that, in interpreting both the absence and labour turnover analysis featured in this chapter, the way in which data was provided by BAA in 2006 for Stansted Airport, including by job function and grade, was different to 2012. Therefore, findings need to be interpreted with these caveats in mind.

8.1 Absence management – an overview

The estimated absence rate at STAL currently stands at 9.10 days per employee. This compares against an industry-wide average of 6.8 days, according to the 2012 Absence Management survey from the CIPD. The latest CIPD survey draws on a sample of 667 organisations covering 1.7 million employees across four main sectors – private services, public services, manufacturing and production and not-for-profit organisations – and has been used as a key benchmark source by Stansted Airport over a number of years. In 2006, BAA reported that its approach to external benchmarking was via two national surveys to indicate absence levels and best practice management processes, for similar organisations. The two surveys were: (1) the CBI report on Absence and Labour Turnover; and (2) the annual CIPD Survey on Employee Absence. The surveys were selected on the basis that they were generally considered to be the most definitive sources of information and trend data on UK sickness absence, and provided segmented results by region, sector and organisation size.

For the purposes of this latest exercise, we have used the 2012 CIPD Absence Management survey. The CBI last published a survey on absence management at the beginning of 2011, and data contained within the survey were collected almost two years ago. Therefore, IDS took the view that it would be preferable to draw comparisons with the more recent CIPD data only.

8.2 Findings from the 2012 CIPD survey/comparisons with STAL

The 2012 CIPD survey reported that average levels of absence are highest in the not-for-profit sector, at 8.2 days per employee per year¹². This compares with 7.9 days in the public sector, 6.0 days in manufacturing and production and 5.7 days in private sector services, as shown in Table 57 overleaf. The overall average number of days' absence reported by the CIPD is 6.8 days, which is some way below STAL's estimated overall absence rate of 9.10 days per employee.

Table 57 also gives breakdowns across the CIPD's four key sectors for both manual and non-manual employees. Overall, manual employees are likely to record more days of absence than non-manuals (5.7 days per employee compared with 4.7 days), although the latter group reports a notably higher number of days' absence per employee among public sector workers (7.9 days, compared with 4.5 days for public sector manual employees).

Notably, the CIPD also reports how absence levels have fallen year-on-year in the public sector, continuing a downward trend since 2009 (2011: 9.1 days; 2010: 9.6 days; 2009: 9.7 days). Specifically, in 2012, public sector absence fell to its lowest level since the CIPD began recording absence levels by sector in 2002. Moreover, the reduction has brought public sector absence levels below those in the not-for-profit sector, although public sector absence remains considerably higher than in the private sector. Similarly, the reported figure of 5.7 days' absence per employee in private services marks a reversal in a trend which saw absence in the sector rise from 6.4 days per employee in 2009 to 6.6 days in 2010, to 7.1 days in 2011.

¹² Please note that the CIPD survey refers to 'actual' days, not FTE equivalent days.

In short, absenteeism in private services is now at a similar level to that reported in manufacturing and production, which reported only a slight shift from the previous year (2011: 5.7 days).

Table 57 Average level of employee absence by sector for all, manual and non-manual employees
(Source: CIPD, 2012)

	Average working time lost per year			Average number of days lost per employee per year	
	No. of respondents	5% trimmed mean	Standard deviation	5% trimmed mean	Standard deviation
All employees					
Manufacturing and production	86	2.6	1.6	6.0	3.6
Private sector services	195	2.5	2.7	5.7	6.1
Public services	145	3.5	4.5	7.9	10.2
Not-for-profit	72	3.6	3.4	8.2	7.7
Total	498	3.0	3.3	6.8	7.5
Manual employees					
Manufacturing and production	35	2.9	1.7	6.7	3.8
Private sector services	29	2.1	1.8	4.9	4.0
Public services	13	2.0	2.3	4.5	5.3
Not-for-profit	7	2.7	2.1	6.2	4.8
Total	84	2.5	1.9	5.7	4.3
Non-manual employees					
Manufacturing and production	33	1.2	1.0	2.7	2.2
Private sector services	42	2.2	3.2	5.1	7.3
Public services	19	3.5	1.5	7.9	3.5
Not-for-profit	13	1.9	0.8	4.2	1.9
Total	107	2.0	2.3	4.7	5.3

* The latest CIPD survey uses the 5 per cent trimmed mean, which is the arithmetic mean calculated when the largest and smallest 5 per cent of cases have been eliminated. Eliminating extreme cases from the computation of the mean results in a better estimate of central tendency when extreme outliers exist.

It should be noted that, despite reporting an overall fall in absence compared with the previous two years, the CIPD found some significant variation this year among organisations' own experiences of absenteeism compared with a year ago.

For example, two-fifths of organisations reported a decrease in their levels of absence, compared with just over a quarter reporting an increase. Table 58 shows variation across all sectors, although private services was least likely to report changes in levels of absence since 2011.

The CIPD also sounds a note of encouragement in that, while the not-for-profit sector reported the highest average absence levels, more than twice as many organisations in this sector reported a decrease in absence than reported an increase (21 per cent compared with 45 per cent).

Table 58 % changes in levels of absence within organisations compared with 2011 (Source: CIPD, 2012)

	Increased %	Decreased %	Stayed the same %
All	27	41	32
Manufacturing and production	32	48	20
Private sector services	24	32	43
Public services	30	50	20
Non-profit organisations	21	45	34

Looking in more detail at length of absence, there has been very little change in the duration of employee absences over the past few years (Table 59). The latest CIPD survey reports that:

- Almost two-thirds of working time lost to absence is accounted for by short-term absences of up to seven days
- A fifth of absence is attributed to long-term absence of four weeks or more
- 16 per cent of absences are attributed to between eight days and four weeks.

Moreover, the CIPD survey shows significant sectoral differences. For example, just over half of absence in the public sector is short-term, whereas short-term absence in private sector services accounts for almost three-quarters of absence. A higher proportion of absence in the public sector is due to long-term absences of four weeks or longer.

Length of absence is also related to workforce size in the private services and public sectors. For example, smaller organisations attribute a greater proportion of their absence to short-term leave compared with larger organisations (Table 59). However, this relationship was not significant in manufacturing and production or in the not-for-profit sector, where the size range of organisations reporting to the question was more limited.

Table 59 Average proportion of sickness absence attributed to short, medium and long-term absence by workforce size and industry sector (Source: CIPD, 2012)

	Number of respondents	Up to seven days (%)	Eight days up to four weeks (%)	Four weeks or longer (%)
All employees	372	64	16	19
Manual employees	65	63	17	20
Non-manual employees	87	68	15	17
Industry sector				
Manufacturing and production	64	61	18	21
Private sector services	171	72	14	15
Public services	85	54	20	26
Non-profit organisations	52	61	17	21
Number of UK employees				
1-49	17	79	9	12
50-249	122	70	14	16
250-999	124	62	16	21
1,000-4,999	68	60	19	21
5,000+	35	52	24	24

Drawing comparisons with STAL, figures provided by the Airport for the period August 2011 to July 2012 show that the Operational Support staff group recorded the highest levels of absence overall (Table 60), while by individual job, Technicians at the TME grade reported the highest number of days' absence per employee, at 13.17 days. Perhaps not surprisingly, and in line with overall figures from the CIPD for non-manual employees, the Managerial staff group at STAL had the lowest levels of absence.

In addition, Table 61 presents calculations to show the 'total' number of actual days lost over the period 2011 to 2012 i.e. the number of actual days' sickness absence per employee multiplied by the number of FTE equivalent staff for that group. Of particular note are figures for the Security Officer group, which show that, taking into account the total number of FTE Security Officers, these job-holders would represent over 80 per cent of all days lost to sickness over a 12-month period.

Table 60 Average no. of working days lost per employee due to sickness – by staff group August 2011 to July 2012 (Source: STAL, 2012)

			Absence (no. of days)		
Staff group	Staff grade	Post	All	Long-term	Short-term
Engineering	TME	Technician	13.17	10.10	3.07
	TEL	Technician	1.00	0.00	1.00
	TCA	Apprentice	4.00	0.00	4.00
Fire	FS10	Fire Fighter	3.67	1.89	1.78
	FS09	Leading Fire Fighter	6.01	3.69	2.32
Managerial	B3	Duty Manager	0.00	0.00	0.00
	FS07	Station Manager	2.83	2.00	0.83
	FS08	Watch Manager	0.20	0.00	0.20
Operational support	OPE	Security Officer	11.47	7.16	4.31
	SPH	CS Team Manager	8.65	5.36	3.29
	SPG	Security Supervisor	3.81	0.00	3.81
Operative	OPD	Passenger Services Assistant	10.07	7.63	2.44
Stansted			9.10	5.55	3.55

Table 61 Annual total 'actual' days lost due to sickness (Source: STAL, 2012)

			Absence (no. of days)		
Staff group	Staff grade	Post	All	Long-term	Short-term
Engineering	TME	Technician	539.83	413.90	125.93
	TEL	Technician	14.00	0.00	14.00
	TCA	Apprentice	0.00	0.00	0.00
Fire	FS10	Fire Fighter	33.00	17.00	16.00
	FS09	Leading Fire Fighter	282.48	173.61	108.87
Managerial	B3	Duty Manager	0.00	0.00	0.00
	FS07	Station Manager	17.00	12.00	5.00
	FS08	Watch Manager	1.80	0.00	1.80
Operational support	OPE	Security Officer	6,376.60	3,978.42	2,398.18
	SPH	CS Team Manager	350.39	217.06	133.33
	SPG	Security Supervisor	49.50	0.00	49.50
Operative	OPD	Passenger Services Assistant	251.73	190.77	60.96
Stansted					

8.3 Costs of employee absence

In terms of the costs of absence, sickness costs incurred by STAL for the period August 2011 to July 2012 came to £1,243,521. Table 62 presents some of the key staff groups and the sickness costs incurred over the year. Unsurprisingly, Operational Support incurred the highest absence costs of £866,671 followed by Engineering, where absence costs came to £100,268. Together, costs for these two staff groups account for around 78 per cent of the total costs.

Table 62 Annual cost of absence by staff group at STAL (August 2011-July 2012)

Staff group	Staff grade	Post	Annual cost £*
Engineering	TME	Technician	96,798
	TEL	Technician	2,724
	TCA	Apprentice	745
		Total	£100,268
Fire	FS10	Fire Fighter	4,930
	FS09	Leading Fire Fighter	54,963
		Total	£59,892
Managerial	B3	Duty Manager	0.00
	FS07	Station Manager	5,023
	FS08	Watch Manager	546.89
		Total	£5,570
Operational Support	OPE	Security Officer	808,138
	SPH	CS Team Manager	51,894
	SPG	Security Supervisor	6,640
		Total	£866,671
Operative	OPD	Passenger Services Assistant	33,306
		Total	£33,306
		Stansted	£1,243,521

* The figure of £1,243,521.351 shown at the bottom of the table represents the total costs of absence at Stansted. The figures shown above do not add up to this total, however. They are indicative examples provided by the Airport, and do not include all jobs and all costs.

In the 2012 CIPD survey, the median cost of absence per employee was £600, representing a fall from £673 in 2011 (Table 63), although the latest figure masks considerable differences across sectors. For example, the public and not-for-profit sectors report higher costs of absence per employee than the private sector.

However, as the latest CIPD report states, this is likely to reflect their more generous sick pay schemes and the fact that these sectors also record higher proportions of long-term absence which are most costly to the business. Notwithstanding, this year's findings signalled a clear drop in the median cost of absence per employee in the public sector (from £800 in 2011 to £647 in 2012), which, the CIPD suggests, may be attributed to a reduction in overall absence levels in the sector.

Table 63 Average annual cost of absence per employee per year (Source: CIPD, 2012)

		Median cost per employee per year £pa		
Sector	No. of organisations	2012	2011	2010
All	124	600	673	600
Manufacturing and production	25	456	444	400
Private sector services	54	513	446	600
Public services	24	647	800	889
Not-for-profit	21	700	743	600

8.4 Labour turnover

The current estimated labour turnover rate across STAL is 6.15 per cent. This compares to a turnover rate of 8.6 per cent at Stansted in 2006 and industry-wide averages of 12.7 per cent and 13.2 per cent respectively, as reported by the CIPD in its 2012 survey *Resourcing and Talent Planning* and by XpertHR in its latest analysis of labour turnover. Hence, we can conclude that current labour turnover at STAL sits very favourably against both the wider economy and comparative figures for the airport from 2006.

In 2006, IDS was informed that BAA airports had, historically, enjoyed comparatively low labour turnover rates as a result of: a former public sector legacy; the air transport industry being a desirable industry in which to work; airport growth; and BAA terms and conditions at that time. However, there was also awareness among BAA management that labour turnover had started to increase, although this was partly due to the inclusion of temporary workers in the turnover statistics, whereas previous reporting had excluded temporary staff from the reported figures¹³. The increasingly competitive nature of the London labour market and the continuing evolution of BAA's terms and conditions had also started to have an impact¹⁴.

In respect of benchmarking labour turnover, BAA's approach had been to refer to two key surveys: (1) the CBI Report on Absence and Labour Turnover; and (2) the annual CIPD Survey on Recruitment, Retention and Turnover. These surveys were selected on the basis that they were the largest and most widely-recognised surveys of labour turnover within the UK. At the same time, the limitations of the two surveys were noted, insofar as they did not separately identify permanent and temporary employees. Therefore, to allow for accurate benchmarking, BAA had, by 2006, moved to reporting on labour turnover among both permanent and temporary employees.

¹³ In the two years prior to 2006, Stansted had reported turnover rates of 18.91 per cent (2003/04) and 15.79 per cent (2004/05). A turnover rate of 8.6 per cent in 2005/06 represented a reduction of approximately 54 per cent, due to the decreasing use of temporary employees. Stansted had historically employed large numbers of temporary staff, resulting in high turnover rates. Excluding temporary employees the rates for Stansted over the period 2003 to 2006 were as follows: 5.39 per cent (2003/04); 7.36 per cent (2004/05) and 8.17 per cent (2005/06).

¹⁴ Ref. BAA/Q5/184-3 - *CAA Scrutiny of Employment Costs: paper examining labour turnover*.

It should be noted that the surveys previously used by IDS for benchmarking at STAL are no longer produced in the same format. The CBI Report has not been produced for some years, while the CIPD has subsumed its annual review of labour turnover into a new publication – *Resourcing and Talent Planning, 2012*.

Despite a labour turnover rate of more than double that reported by STAL for 2011/12, a median turnover rate of 12.7 per cent as found in the latest CIPD survey marks a downward trend across the economy overall since 2006 (see Table 64). However, the figures hide significant variations in different organisations: for example, some 36 per cent reported that labour turnover had increased in 2011 compared with 2010, 26 per cent of organisations said it had decreased over the 12 months and 38 per cent reported that turnover had remained the same.

Table 64 Median rate of labour turnover for preceding calendar year 2006-2012
(Source: CIPD, 2012)

2012	2011	2010	2009	2008	2007	2006
12.7	12.5	13.5	15.7	17.3	18.1	18.3

Considerable differences between the CIPD’s four key sectors were also reported:

- For example, in both the manufacturing and production and public services sectors, over two-fifths of organisations reported an increase in turnover, compared with a third that reported a decrease.
- Organisations in the not-for-profit sector were least likely to report an increase in turnover (14 per cent, compared with 46 per cent in the public sector, 42 per cent in manufacturing and production and 39 per cent in private services).
- Private services organisations were least likely to report that turnover had fallen (16 per cent, compared with over a third in other sectors reporting a fall in turnover).

As in previous years of CIPD reporting, turnover can be largely attributed to employees leaving voluntarily, followed by fixed or short-term contracts coming to an end (Table 65). Moreover, it is this latter reason for leaving which, the CIPD states, has contributed to a notable increase in median labour turnover in private services (from 13.8 per cent to 16.1 per cent) (Table 66), although the voluntary turnover rate remains similar to the previous year (2012: 8.9 per cent; 2011: 8.7 per cent).

In contrast, voluntary turnover in the public sector appears to have fallen, although this is not altogether unexpected given the ongoing austerity measures, higher levels of redundancy and employee concerns about the prospect of finding alternative employment. The CIPD adds, however, that figures should be treated with caution due to low sample sizes on which some of the 2012 results are based.

Table 65 Percentage of leavers by reason for leaving (Source: CIPD, 2012)

Reason for leaving	% of leavers*
Left voluntarily	45
Left as fixed or short-term contract ended	24
Were made voluntarily redundant	15
Were made compulsorily redundant	5
Were dismissed/left involuntarily (including death-in-service)	5
Retired	5
Other	1

* Base = 143

Table 66 Median labour turnover rates by industry sector (Source: CIPD, 2012)

	All leavers %				Voluntary leavers %			
	2012	2011	2010	2009	2012	2011	2010	2009
Manufacturing and production	9.5 (25)	9.3 (38)	12.4 (44)	15.3 (80)	4.5 (23)	3.7 (35)	2.7 (42)	7.7 (75)
Private services	16.1 (75)	13.8 (96)	14.6 (77)	16.8 (150)	8.9 (71)	8.7 (82)	7.4 (71)	10.4 (129)
Public sector	10.1 (16)	8.5 (28)	8.6 (19)	12.6 (52)	1.9 (16)	3.4 (10)	5.8 (15)	7.6 (45)
Voluntary, community, not-for-profit	13.0 (16)	13.1 (11)	15.9 (15)	16.4 (38)	7.6 (26)	7.0 (24)	10.2 (18)	11.0 (35)

Stansted Airport provided IDS with labour turnover data for the year August 2011 to July 2012, broken down by job role¹⁵. Table 67 below shows the pattern of leavers across five major staff groups: Engineering; Fire; Managerial; Operational Support; and Operative. Fire fighters recorded the highest percentage labour turnover in the year to August 2012, at just over 11 per cent, while among Leading Fire Fighters, average staff turnover was just over 2 per cent. In the Operational Support staff group, average turnover among Security Officers was 7.29 per cent, and 4.49 per cent among Customer Service Team Managers.

Table 67 Labour turnover by staff grade August 2011-July 2012 (Source: STAL, 2012)

Staff group	Staff grade	Post	% turnover	Total no. of FTE staff in grade	Leavers in grade (n)*
Engineering	TME	Technician	2.38	41	1.0
	TEL	Technician	0.00	14	0.0
	TCA	Apprentice	0.00	0	0.0
Fire	FS10	Fire Fighter	11.11	9	1.0
	FS09	Leading Fire Fighter	2.04	47	1.0
Managerial	B3	Duty Manager	0.00	11	0.0
	FS07	Station Manager	0.00	6	0.0
	FS08	Watch Manager	0.00	9	0.0
Operational support	OPE	Security Officer	7.29	556	40.5
	SPH	CS Team Manager	4.49	41	1.8
	SPG	Security Supervisor	0.00	13	0.0
Operative	OPD	Passenger Services Assistant	3.08	25	0.8
		Stansted	6.15		

* Figures calculated by IDS

¹⁵ The figures provided by STAL exclude temporary and seasonal staff.

9 Conclusion

To estimate the potential cost saving that might be achieved as a result of the salary benchmarking exercise we first calculated the total cash paybill – basic, shift, overtime and bonus - for each grade covered in the benchmarking analysis. The figures were calculated by weighting the average ALL basic salary by the number of FTEs in the grade. The average ALL salary is a weighted average of the pre- and post-97 average salaries supplied by STAL in their last submission. We then did a similar calculation for shift, overtime and bonus using the salary data and employee numbers in receipt of each of the payments. This exercise creates a separate total basic, total shift, total overtime and total bonus figure for each grade. We then added these separate totals to arrive at a grade sub-total. The grade sub-totals were then added together to arrive at a grand total.

For the grades covered by the general market analysis this came to £32,059,014 and for the grades covered by the aviation market analysis it came to £32,002,965.

We then took the percent variation from the market for each of the benchmark jobs and used these figures to calculate a percentage of the grade sub-total. We did this separately for the general and for the aviation markets. We then separately added these values to arrive at a grand total of over/under-paid compared to each of the markets, and then calculated this amount as a percentage of the overall grand total for the jobs covered by each market comparison.

This analysis indicates potential cost savings, based on the cash paybill of 16% versus the general market and 18% versus the aviation market. The basic differences between the two comparisons, and hence accounting for the higher aviation market figure, is that fire and engineering are better paid in the aviation sector compared to the general market but operatives and service team leaders are not as well paid. This analysis does not include changes to pensions (where additional savings may be possible, see section 10.2) and staff grading. It is important to emphasise that these are potential savings and assume that the cash paybill can be reduced in line with benchmarks. STAL operates in a negotiated environment in which potential changes to pay may not easily be introduced and the scope of savings possible will depend on a number of wider factors including background economic growth, existing pay agreements and industrial relations.

As a roster analysis was out of scope for this exercise this conclusion does not cover any cost savings that could be achieved by changes to rosters and potential closer matching of labour supply to both seasonal demand and fluctuations during the day and from one day to another.

10.2 Data Request B

Table 69 Specification for additional data from each airport operator

Data required by subject area	Dates
Contacts	
Provide a separate point of contact from the ROTA administration department.	
Staffing	
Please identify the main groups of security staff and the average number of staff in each group:	Last 12 months
This will depend on the extent to which staff work across different security areas or not	
The main shift patterns for each group of security staff/security area	Last 12 months
Number of security staff employed on each pattern	Last 12 months
Workload	
Average number of security staff required by time of day and by day of the week for peak and off-peak	Last 12 months
Pay settlements details	
Details of any agreed increases to pay grades for each year over the last five years by major staff group if different	Last five years
Planned future increases to pay grades	Next five years
Total staff numbers (FTE) for each of the last five years	Last five years
Total staff costs for each of the last five years	Last five years
Recruitment and retention	
Profile of security staff recruited by broad set of indicators to be discussed with each airport operator e.g. previous security experience, place of residence	Last three years
Profile of security staff leaving by broad set of indicators to be discussed with each airport operator e.g. going to another security job	Last three years
Absence	
Average no. of employees employed by the airport operator	Last three years
Average no. of working days lost per employee	Last three years
Average no of working days lost per employee - by short-term absence	Last three years
Average no of working days lost per employee - by long-term absence	Last three years
Average no. of total days lost	Last three years
The cost of absence	Last three years
Staff turnover	
Headline staff turnover	Last three years
Average turnover by job family	Last three years
Methodology used to calculate labour turnover	

Pensions*	
<p>Trustees reports and accounts</p> <ul style="list-style-type: none"> ● For relevant scheme(s): <ul style="list-style-type: none"> ○ Latest valuation report (or if unable to supply this, some information from it i.e.: date of valuation, valuation results, breakdown of future service rate, methodology for setting the technical provisions basis, the actual assumptions used in the technical provisions, levels of withdrawal, levels of early retirement). ○ Member booklets or a summary of the benefits provided including any changes or proposed changes to the benefits since the publication of the member booklet. ○ Lump sum payments ○ Average employee contribution rates over last three years ○ Average employer contribution rates over last three years ○ Level of scheme expenses per annum. ○ The benefits which are insured and the level of premiums paid for the benefits. ● For the purposes of our analysis we would assume (i) senior managers; and (ii) all other staff to be the two main staff groups. For each group we will need: <ul style="list-style-type: none"> ○ Numbers of active members in each scheme and the total cumulative pensionable salary of each staff group ○ Breakdowns of males/females across each staff group ○ Average age of the group at 1st April 2012 ○ Future levels of salary increases (plus the date when salaries are increased each year) and levels of any promotional pay. (Part of this may be covered by the pay settlement request overleaf) ○ Level of turnover for each staff group. 	<p>Latest available</p>

*We assume that pension schemes will be Defined Benefit, though we would also request details of all Defined Contribution schemes.

10.3 Security staff profile

A 'snapshot' audit of a random sample of security staff at STAL in September 2012 showed that of the 30 who were asked, only 2 out of the total had previous security experience.

10.4 ASHE methodology

The Annual Survey of Hours and Earnings is produced annually by the Office for National Statistics (ONS) and provides information about the levels, distribution and make-up of earnings and hours worked by employees in all industries and occupations across the UK.

ASHE is based on the same sampling frame and broad data variables as the NES, although the new survey provides improved employee coverage and weightings of earnings estimates. To calculate the weights, responses from the Labour Force Survey (LFS)¹⁶ are divided into calibration groups, as defined by a cross-classification of occupation, sex, age, and workplace region, whereby:

- Occupation is the Standard Occupational Classification (SOC) 2000 one-digit (or major group) code, of which there are nine
- Age is divided into three age bands (16-21, 22-49 and 50 plus)
- Workplace region is based upon 'Government Office Region (GOR)', but aggregated into two areas comprising (i) London and the South East and (ii) elsewhere in the UK.

These breakdowns are given for each of the following variables: gross weekly pay; gross hourly pay; gross annual pay; weekly pay excluding overtime; hourly pay excluding overtime; overtime pay; shift pay; gross hours worked; and overtime hours worked.

The ASHE sample is around 165,000, drawing from a 1 per cent sample of National Insurance (NI) records, and includes individuals whose NI number ends with two specific digits. Data are obtained from the Inland Revenue and represent a 1 in 100 random sample of all jobs registered in a PAYE scheme.

Since the main sample file includes only those jobs registered in a PAYE scheme, there remains an issue of 'under-coverage' of the labour market, especially among lower earners; this is because many of those not registered in a PAYE scheme can be expected to earn below the tax threshold.

To address the issue, supplementary surveys are conducted to augment data inputs to the ASHE. As with the NES, the ASHE questionnaire collects information about employees and is sent to employers who supply the requested employee information. Improvements brought in with the ASHE questionnaire include variables for the collection of allowances and incentive pay data.

¹⁶ The Labour Force Survey is a quarterly sample survey of households living at private addresses in Great Britain. Its purpose is to provide information on the UK labour market that can then be used to develop, manage, evaluate and report on labour market policies. The questionnaire design, sample selection, and interviewing are carried out by the Social and Vital Statistics Division of the Office for National Statistics on behalf of the Statistical Outputs Group of the ONS.

10.5 IDS job levels

Category	Level	Description	Evaluation scores	Job examples
Administrative, manual and support				
	1	Work requires basic literacy and numeracy skills and the ability to perform a few straightforward and short-term tasks to instructions under immediate supervision. Previous experience is not necessary	Up to 310	Cleaner, refuse loader
	2	Work requires developed literacy and numeracy skills and the ability to perform some routine tasks within procedures that may include keyboard and practical skills and initial contact with customers. Some previous experience is required	311-400	Finance assistant, membership administrator, call centre operator
Secretarial/craft				
	3	Work requires specific administrative, practical, craft or technical skills gained by previous experience and qualifications to carry out a range of less routine work and to provide specialist support, and could include closer contact with the public/customers	401-510	Painter/ decorator, customer care adviser, residential care assistant
	4	Work requires broad and deep administrative, technical or craft skills and experience to carry out a wider range of activities including staff supervision, undertaking specialist routines and procedures and providing some advice	511-620	Customer service technician, cook, finance officer
Vocational/supervisory				
	5	Work requires detailed experience and possibly some level of vocational qualification to be able to oversee the operation of an important procedure or to provide specialist advice and services, involving applied knowledge of internal systems and procedures	621-720	Call centre supervisor, local authority advice officer, technician
	6	Work requires a vocational qualification and sufficient relevant specialist experience to be able to manage a section or operate with self-contained expertise in a specialist discipline or activity	721-800	Nurse, quality control chemist, sales executive

Category	Level	Description	Evaluation scores	Job examples
Professional/managerial				
	7	Work is concerned with the provision of professional services and requires an experienced and qualified professional to provide expertise and advice and operate independently. Also includes operational managers responsible for service delivery	801-1,000	Home care manager, mechanical manager, installation engineer
	8	Work requires deep professional experience and qualifications in a specific discipline to be able to carry out a range of specialist technical or scientific activities, which may include the management of a team or services. May also include specialist management roles responsible for delivery of a major service	1,001-1,250	Global IT service desk manager, education manager, personal injury lawyer
Senior management				
	9	Senior managerial roles involved in managing an important activity or providing authoritative expertise, also contributing to the organisation as a whole through significant experience	1,251-1,500	HR head of service, business manager, head of health and safety
Director				
	10	Member of a company board or an executive/senior management team in public sector organisations, with overall functional responsibility and input to the strategy of the wider organisation, through deep and broad experience	1,501-1,749	Local government service director, head of IT
Chief executive				
	11	The most senior posts in an organisation responsible for setting the overall direction, strategy, financial success, and performance achievement requiring substantial business pre-eminence	1,750+	Chief executive, director of policy

10.1 Job capsules provided to airlines/airports

The job capsules below were provided to airlines/airports to enable data provision.

10.1.1 Airlines

Example job title	Job Capsule
Ground Handling Operative	Able to operate all associated equipment regarding an aircraft turnaround. Undertakes effective and safe unloading and loading of passenger baggage, assists with aircraft pushbacks, including wing duties; chokes and cones aircraft; conducts daily vehicle checks.
Lead Ground Handling Operative	Provides daily work allocation to ground handling operatives. Ensures performance and safety standards are met. Coaches and assists new staff and assesses performance.
Passenger Service Agent	Accurately processing of passengers and their luggage in accordance with security, airline, and airport regulations. Inputting correct passenger and flight data into the departure control systems. Checking and processing documentation as required by security, UK Border Agency, CAA, and DfT.
Lead Passenger Service Agent	Ensures effective utilisation of staff and equipment in the allocation of duties and compliance with IATA Dangerous Goods Regulations and Service Level Agreements
Call Centre Customer Advisor	Handles calls as part of team, deals with customer queries/orders
Senior Call Centre Customer Advisor	As customer advisor, but with experience in role, with extensive knowledge of product/service; or is required to deal with queries across a wide range of products and services; handles escalations/customer complaints; able to authorise payments/refunds or...Responsible for investigating, managing and resolving customer complaints. Escalates issues and looks at ways to improve customer service through performance. Proven experience of overcoming objections, good listening skills and assertiveness. Manages and develops the complaint handling process and suggests changes to ensure excellent customer service
Engineering technician (EN03)	Licensed aircraft engineer B – able to self-certify own work, but not others
Engineering Maintenance Foreman (EN02)	Manages the processes and procedures for engineering maintenance operations covering more than one team, ensuring works comply with regulatory standards across a shift.
Engineering Maintenance Manager (EN01)	Manages maintenance and reliability programmes. Ensures modifications and repairs are carried out to approved standard. Manage the oversight of third-party suppliers ensuring they comply with industry standards. Ensures the correct completion and certification of relevant regulatory documentation. Responds to quality deficiencies arising from independent/internal audits.
Supervisor/service co-ordinator	Supervises a group of Team Leaders to ensure the safe and timely turnaround of customer aircraft. Optimises the deployment of staff on day-to-day basis to ensure operational performance targets are met. Conducts daily staff briefings. Liaises with training coordinators to ensure team members develop and contribute to meeting and improving overall performance.
Supervisor / Team Manager / Duty Manager	Manages staff absence interviews, and identifies long-term sickness issues, handles grievance procedures relating to Team Leaders including chairing of meetings. Undertakes regular appraisals of TLs and operatives/agents. Ensures that all relevant health and safety and security rules and regulations are adhered to.
Duty Manager	Leadership of a multi-disciplinary team. Manages staff and resources efficiently and effectively to ensure compliance with relevant safety and regulatory standards and performance targets are met. Responsible for responding to and resolving incidents on a day-to-day basis. Able to communicate effectively with all relevant stakeholders and manage a budget.
Operations Manager	Provides leadership to all the operational teams e.g. check-in, baggage handling, and customer service at a large terminal or across more than one small/medium sized terminal.
HR Advisor	Provides a specialist professional advisory service to line managers and staff across a range of areas and undertakes complex casework. May supervise team, including staff and junior colleagues. CIPD member.
HR Manager/Business Partner	Has day-to-day responsibility for HR systems – including resourcing – for a large site, division or small company, including termination of contract. Manages a team providing HR advice to line managers, co-ordinating, developing and reviewing HR systems/processes. Will negotiate with employee representatives on a broad range of issues. Has substantial knowledge/experience.
Management Accountant	Prepares sections of the Statement of Accounts in compliance with statutory and best practice requirements. Monitors expenditure to provide senior management reports. Plans and directs closure of accounts; provides statistical returns, and is the main point of contact with external auditors.
Finance Manager	Leads the delivery and development of financial accounting functions for a designated service area, ensuring financial probity and the discharge of statutory responsibilities.

10.1.2 Airports

Example job title	Job Capsule
Trolley Driver	Ensure the delivery/ collection of trolleys to key areas of a Terminal. Able to deal with baggage belt failures. Movement of passenger seating. Assist with evacuations. Provide passengers with directions in a courteous manner.
Security officer	Able to screen passengers, packages/baggage and vehicles through the use of an X-ray machines, other screening technology and hand searches, identifying 'suspect' material. Undertakes personal body checks in a caring and sensitive manner. Checks ID and/or travel documents for all passengers or staff entering a restricted area. Patrols terminal buildings and surroundings to ensure they are secure and potential risks are identified.
Call Centre Customer Advisor	Handles calls as part of team, deals with customer queries/orders
Senior Call Centre Customer Advisor	As customer advisor, but with experience in role, with extensive knowledge of product/service; or is required to deal with queries across a wide range of products and services; handles escalations/customer complaints; able to authorise payments/refunds or...Responsible for investigating, managing and resolving customer complaints. Escalates issues and looks at ways to improve customer service through performance. Proven experience of overcoming objections, good listening skills and assertiveness. Manages and develops the complaint handling process and suggests changes to ensure excellent customer service
Engineering technician (ENO3)	Licensed aircraft engineer B – able to self-certify own work, but not others
Engineering Maintenance Foreman (ENO2)	Manages the processes and procedures for engineering maintenance operations covering more than one team, ensuring works comply with regulatory standards across a shift.
Engineering Maintenance Manager (ENO1)	Manages maintenance and reliability programmes. Ensures modifications and repairs are carried out to approved standard. Manage the oversight of third-party suppliers ensuring they comply with industry standards. Ensures the correct completion and certification of relevant regulatory documentation. Responds to quality deficiencies arising from independent/internal audits.
Supervisor/service co-ordinator	Supervises a group of Team Leaders to ensure the safe and timely turnaround of customer aircraft. Optimises the deployment of staff on day-to-day basis to ensure operational performance targets are met. Conducts daily staff briefings. Liaises with training coordinators to ensure team members develop and contribute to meeting and improving overall performance.
Supervisor / Team Manager / Duty Manager	Manages staff absence interviews, and identifies long-term sickness issues, handles grievance procedures relating to Team Leaders including chairing of meetings. Undertakes regular appraisals of TMs and operatives/agents. Ensures that all relevant health and safety and security rules and regulations are adhered to.
Duty Manager	Leadership of a multi-disciplinary team. Manages staff and resources efficiently and effectively to ensure compliance with relevant safety and regulatory standards and performance targets are met. Responsible for responding to and resolving incidents on a day-to-day basis. Able to communicate effectively with all relevant stakeholders and manage a budget.
Operations Manager	Provides leadership to all the operational teams e.g. check-in, baggage handling, and customer service at a large terminal or across more than one small/medium sized terminal.
HR Advisor	Provides a specialist professional advisory service to line managers and staff across a range of areas and undertakes complex casework. May supervise team, including staff and junior colleagues. CIPD member.
HR Manager/Business Partner	Has day-to-day responsibility for HR systems – including resourcing – for a large site, division or small company, including termination of contract. Manages a team providing HR advice to line managers, co-ordinating, developing and reviewing HR systems/processes. Will negotiate with employee representatives on a broad range of issues. Has substantial knowledge/experience.
Management Accountant	Prepares sections of the Statement of Accounts in compliance with statutory and best practice requirements. Monitors expenditure to provide senior management reports. Plans and directs closure of accounts; provides statistical returns, and is the main point of contact with external auditors.
Finance Manager	Leads the delivery and development of financial accounting functions for a designated service area, ensuring financial probity and the discharge of statutory responsibilities.

10.2 Hymans Robertson additional pension scenario analysis - Cost of future defined benefits for employees of Stansted – scenario testing

Please note that the following report has been produced by Hymans Robertson

10.2.1 Introduction

Scope

This report is addressed to Thomson Reuters (Professional) UK Limited (“TRPUKL”) and sets out the sponsoring employer costs of providing the next year of defined benefits for current employees in the BAA Pension Scheme (for members who are employed by Stansted Airport Limited) for 4 different scenarios:

- Increasing the normal retirement age (NRA) for all members to 65;
- A move to being a career average rather than a final salary pension scheme;
- Changing the accrual rate to 80ths from 54ths for all members; and
- All of the above.

The costs for each of the above scenarios are provided separately based on a date of calculation of 31 July 2012.

Reliances and Limitations

This report is addressed to TRPUKL and is provided solely for the purpose of costing the next year of defined benefits for specific members of the BAA Pension Scheme under different, theoretical scenarios. It is intended to be used in TRPUKL’s work with the Civil Aviation Authority (“the CAA”) and Stansted Airport Limited, in relation to the Q6 constructive engagement opex working group.

It has not been prepared for any other purpose and should not be so used. The report should not be disclosed to any third party, apart from the CAA and the Airports, without our prior written consent. We accept no liability where the report is used or disclosed to a third party unless we have expressly accepted such liability in writing. Where this is permitted, the report may only be released or otherwise disclosed in a complete form which fully discloses our advice and the basis on which it is given.

Specifically, please note that we would not expect the contents of this report to be used as the basis for changing benefits. If benefit changes were to be considered, we recommend a full report is commissioned by BAA Pension Scheme’s sponsoring employer that also focuses on the risks involved and considers a broader range of options. A consultation process with BAA Pension Scheme members would need to be undertaken, legal advisers engaged, contracts of employment checked and the Pension Scheme’s Trustees would also be involved – their actuaries would carry out similar calculations, possibly based on more up-to-date information.

10.2.2 Executive Summary

The results of the calculations are set out in the table below. These results should be read in conjunction with our paper entitled “Cost of future defined benefits for employees of Heathrow, Stansted and Gatwick as part of a remuneration review” dated 16 November 2012. The data, assumptions and calculation methodology are the same as and are set out in that paper. The costs to the employer shown represent the percentage of pensionable salary (totalling £19.4m) and are shown as total costs (with no reduction due to salary sacrifice of employer contributions).

Scenario	Cost to the employer of providing the next year of defined benefits as a % of total pensionable salary
BAA Pension Scheme (Stansted employees)	41%
Increasing NRA to 65 for all members	35%
Change to career average	32%
Increasing accrual rate from 54ths to 80ths	27%
Combined effect	16%

Employee contributions have not been changed under any of the scenarios.

10.2.3 Calculations

As stated above, the data, assumptions and methodology used are set out in my paper entitled “Cost of future defined benefits for employees of Heathrow, Stansted and Gatwick as part of a remuneration review” dated 16 November 2012. However, they have been varied for the following scenarios:

Scenarios

Each of the three scenarios tested looks at the effect of changing one assumption compared to those used in my paper of 16 November. The cost to the Airport in a given period is equal to the total cost of benefits in the given period less the contributions made by the employees. We have not altered the contribution rates paid by employees.

The methodology for calculating the total costs over the next year to the Airport for each scenario is given in more detail below:

- Increasing the NRA to 65

- Retirement is generally at a later age. Early retirements are allowed but in these cases, the pensions are reduced to allow for early retirement.
- The pension will be paid for a shorter period and therefore the cost to the employer will decrease.
- A switch to being a career average scheme rather than a final salary scheme
 - Currently pensions earned increase in line with salary increases (modelled as RPI inflation + 1.5%) up to when a member leaves or retires. Under the modelled career average scheme, the pensions earned are assumed to increase in line with the CPI measure of inflation. We have modelled CPI to be 0.5% lower than the RPI inflation measure (rather than the 0.75% used in Heathrow's valuation report).
 - As normal, no other changes have been modelled. In particular, pension increases and revaluation of the pension in deferment are still assumed to be in line with RPI.
- Changing the accrual rate
 - Members currently accrue pension at a rate of 1/54th of final pensionable salary for every year of service.
 - We have assumed that this is reduced to 1/80th.
- The final scenario shows the combined effect of all three of the above changes.

All scenarios include an allowance for the expenses and the employees' contributions are deducted to give each total.

10.2.4 Examples of benefit changes in other schemes

A number of Schemes have raised their NRA for future accrual to age 65 including Coca Cola and Tui. Given the changes in State Pension Age there is capacity to increase this further, above age 65, but there is currently little precedent of this being carried out in major pension schemes.

A switch to CARE has been a popular choice with many government pension schemes, the BBC, Royal Mail, BT and Tesco all having gone down this route. This is often in conjunction with a change in accrual rates and an increase to the NRA.

It is difficult to determine the cost savings of each of these options, as companies tend to adopt a combination of changes at the same time. Other changes, different from those detailed above, can also cause a reduction in the deficit figure shown in their accounts – this is as a result of gains from reductions to past service liabilities, for example through introducing a salary cap which has been done by M&S, Legal & General and Lloyds Banking Group among others. In addition, each “saving” disclosed will depend on the assumptions adopted for the calculations, along with the size and maturity of the scheme.

10.2.5 Professional Requirements

This report complies with the Reporting, Data and Modelling Technical Actuarial Standards issued by the Board for Actuarial Standards.

Prepared by:-
Ben Clare FIA
James Franklin-Adams
Victoria Rolfe

January 2013

For and on behalf of Hymans Robertson LLP