

Average Weekly Earnings - Bonus Payments in Great Britain, 2014-15

Abstract

This article examines total bonus payments received across the whole economy of Great Britain in the financial year ending 2015 (April 2014 to March 2015) with analyses presented by month of pay, sector and industry. The industry level contribution to the change in whole economy bonus payments between the financial years ending 2014 (April 2013 to March 2014) and 2015 is also analysed, as is the average bonus payment per employee. A number of businesses that responded to the Monthly Wages and Salaries Survey (MWSS) reported that they paid their bonuses in March 2012 but in April 2013, and to a lesser extent, April 2014. This shift in bonus season was partly due to companies deferring bonus payments until after the change in tax rates at the beginning of the financial year ending 2014. Thus, it is useful to examine bonuses paid in the period May to April to present a complete picture of how bonus payments changed on a like-for-like basis between this time period in 2013 to 2014 and 2014 to 2015. This article focuses on bonus payments paid during the financial year ending 2015; however payments made during the period May 2014 to April 2015 are also analysed. All figures are derived from the Average Weekly Earnings (AWE) dataset, part of the Labour Market Statistics release.

£42.4 billion paid out in bonuses in the financial year ending 2015 – up 2.7% on the previous year

Analysis of financial year

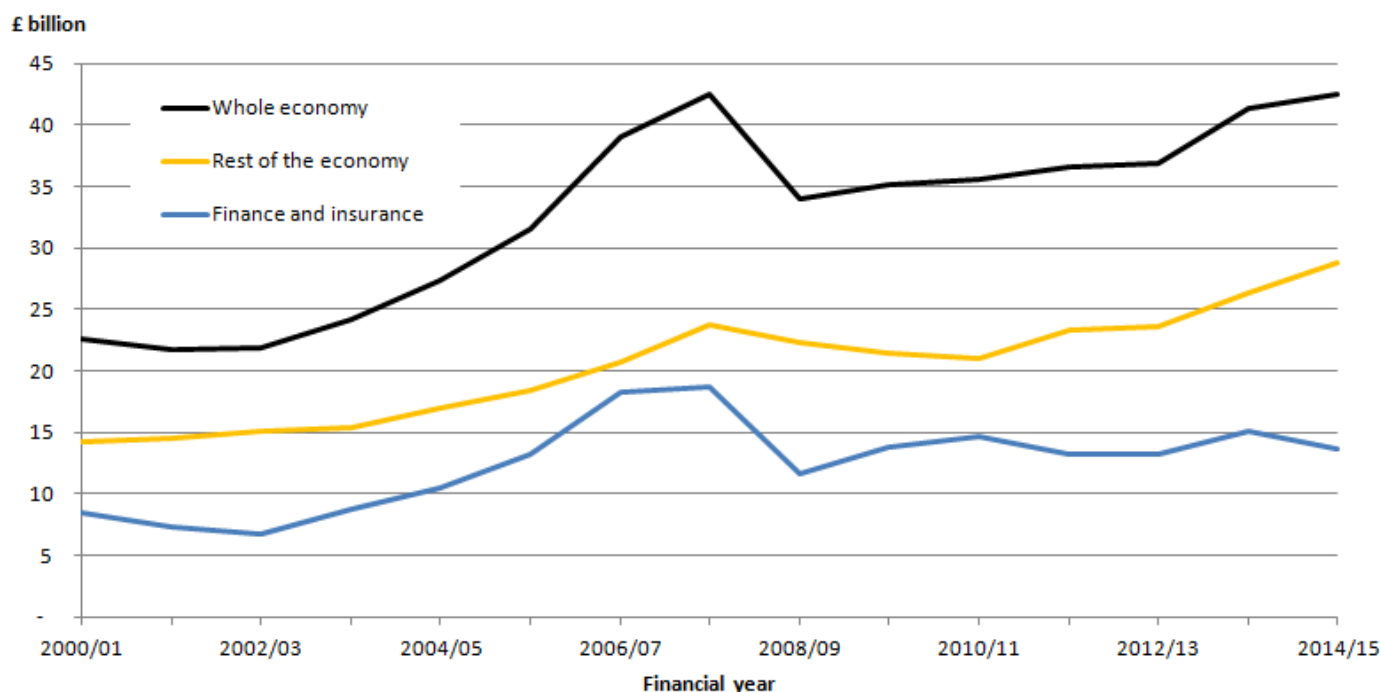
Total bonus payments received across the whole economy during the financial year ending 2015 (April 2014 to March 2015) were £42.4 billion, an increase of 2.7% compared with a year earlier. This is 0.1% lower than the record level in the financial year ending 2008. Of the £42.4 billion, £13.6 billion was paid in the finance and insurance industry, which decreased by 9.6% over the year, and payments in the rest of the economy increased by 9.7% to £28.8 billion; the latter figure is the highest since the series began in the financial year ending 2001, as shown in Figure 1. The average bonus per employee at whole economy level in the year to March 2015 remains around £1,500.

Bonus payments in the private sector increased by 4.3% to £41.7 billion, while bonus payments in the public sector remained very small compared with those in the private sector. However, the true comparisons between the private and public sector are difficult to make due to classification changes from public to private in recent years. Examples of this include the reclassifications to the private sector of Royal Mail plc in October 2013 and Lloyds Banking Group in April 2014.

Analysis of May to April

Total bonus payments received across the whole economy during the period May 2014 to April 2015 were £42.6 billion, the highest since the series began in the financial year ending 2001. This is an increase of 5.3% compared with the same period in 2013 to 2014 and equates to an average of just over £1,500 per employee.

Figure 1: Total bonus payments from April to March, financial year ending 2001 to financial year ending 2015, Great Britain



Source: Monthly Wages and Salaries Survey - Office for National Statistics

Notes:

1. Please click on the image to view a larger version
2. Throughout this release 2000/01 refers to the financial year ending 2001 (April 2000 to March 2001), 2001/02 refers to the financial year ending 2002 (April 2001 to March 2002)

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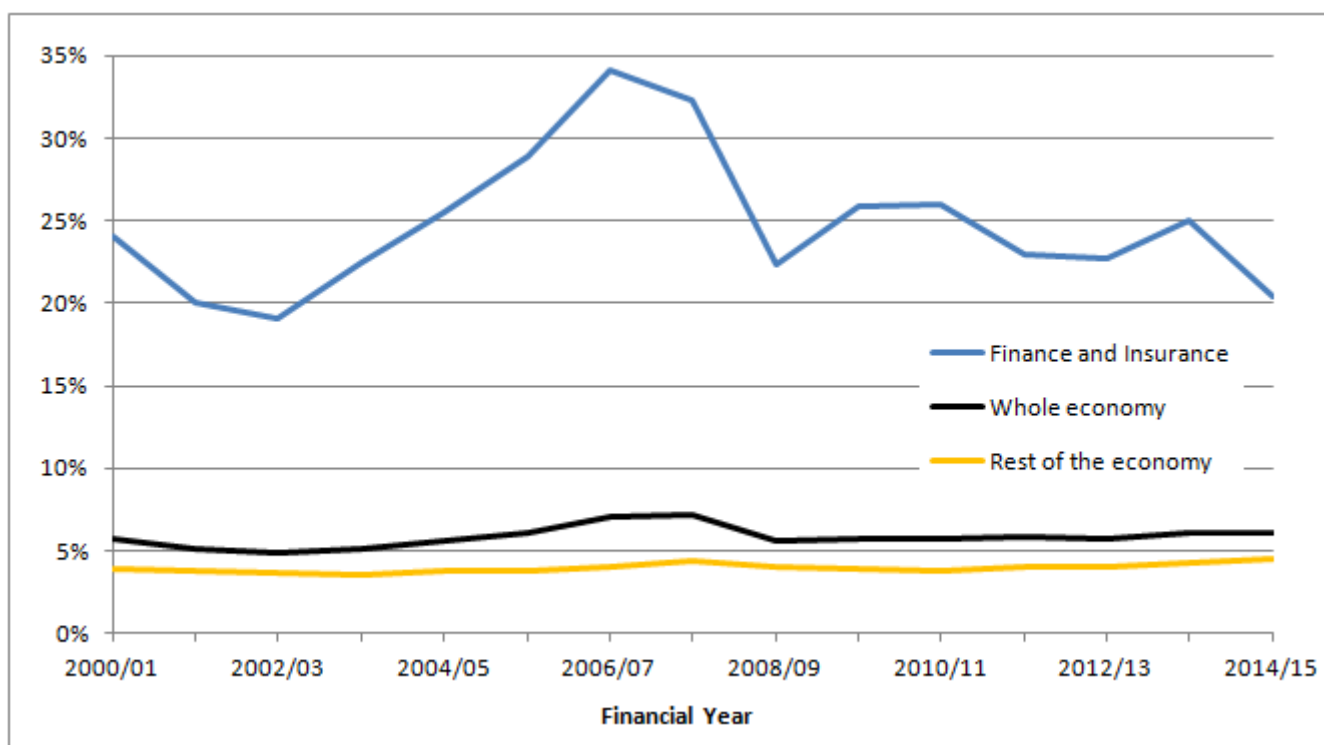
Decrease in bonuses as a percentage of total pay

Bonuses contributed just over one fifth of total pay in the finance and insurance industry in the financial year ending 2015 (April 2014 to March 2015) at 20.4%. This is down from 25.1% of total pay in the previous financial year. Bonuses as a percentage of total pay peaked in this industry in the financial year ending 2007 with 34.1% of total pay, which is 13.7 percentage points higher than the financial year ending 2015 figure.

In contrast, bonuses as a percentage of total pay for the rest of the economy have remained relatively stable since the series began in 2000, with an average of 4.0%, as highlighted in Figure 2. Bonuses contributed 4.5% of total pay in the financial year to March 2015, 0.2 percentage points increase on the previous financial year and the highest since the series began.

Bonuses as a percentage of total pay were 6.0% for the whole economy in the financial year ending 2015. This is a decrease of 0.1 percentage points on the previous financial year. This decrease is largely a result of the decrease in bonuses in the finance and insurance industry. Bonuses for the whole economy peaked in the financial year ending 2008, when they contributed 7.2% of total pay.

Figure 2: Bonuses as a percentage of total pay, financial year ending 2001 to financial year ending 2015, Great Britain



Source: Monthly Wages and Salaries Survey - Office for National Statistics

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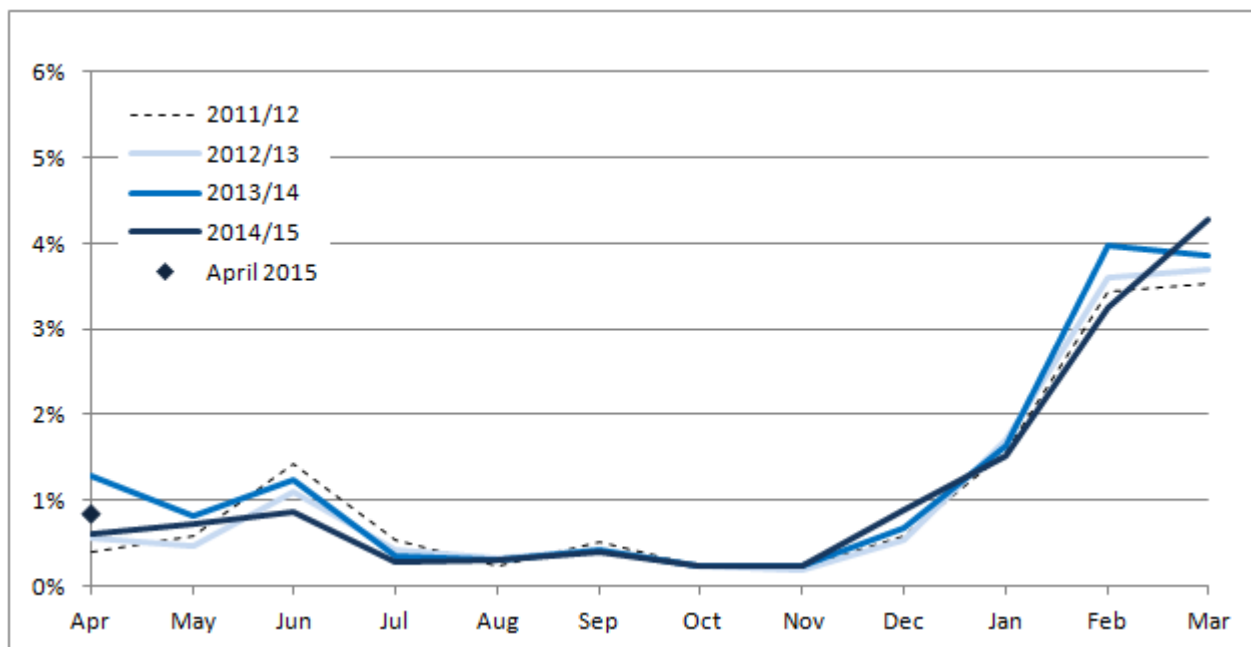
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Increase in percentage of bonus payments made during 'bonus season'

Typically, the majority of large bonuses are paid in the period December to March each year, mainly, but not exclusively, in the finance and insurance industry. This period is sometimes referred to as the 'bonus season'; 73.0% of total bonuses paid in the finance and insurance industry in the financial year ending 2015 (April 2014 to March 2015) were paid during this period, up from 67.5% in the financial year ending 2014 (April 2013 to March 2014). This is largely a result of bonus payments in April 2013 distorting the financial year ending 2014 bonus season figures.

Bonus payments paid in the rest of the economy between December 2014 and March 2015 represented 46.3% of total bonuses, compared with 43.4% in the same time period in 2013 to 2014. This means that the 'bonus season' is less significant in the rest of the economy than in the finance and insurance industries, because the bonuses are paid more evenly throughout the year.

Figure 3a: Bonus payments by month, as a percentage of the total for the year, for finance and insurance, financial year ending 2012 to 2015, Great Britain



Source: Monthly Wages and Salaries Survey - Office for National Statistics

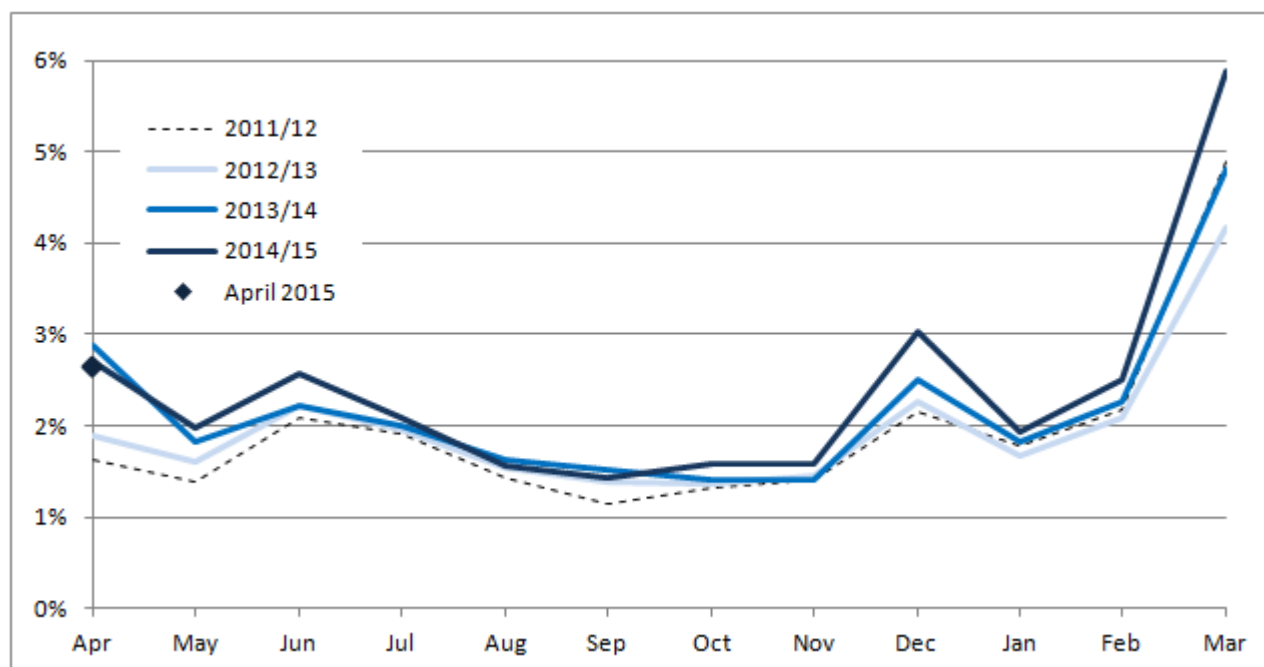
Notes:

1. 2011/12 refers to financial year April 2011 to March 2012

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Figure 3b: Bonus payments by month, as a percentage of the total for the year, for the rest of the economy, financial year ending 2012 to 2015, Great Britain



Source: Monthly Wages and Salaries Survey - Office for National Statistics

Notes:

1. 2011/12 refers to financial year April 2011 to March 2012

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Figure 3 highlights the extent to which the usual definition of ‘bonus season’ did not apply in 2012 to 2013, with April 2013 seeing unusually high levels of bonus payments. The increase in bonuses in April 2013 partly occurred because, as described above, some businesses chose to defer 2013 bonus payments, paying them in April instead of March, due to a change in tax rates.

Total bonus payments paid in the finance and insurance industry were £1.3 billion in April 2013 compared with £0.6 billion paid in both April 2012 and April 2014. This rose slightly to £0.8 billion in April 2015. This indicates that some bonus payments have returned to being paid in March, as is typical, instead of being deferred to April.

Total bonus payments paid in the rest of the economy were £2.9 billion in April 2013 compared with £1.9 billion paid in April 2012, £2.7 billion in April 2014 and £2.6 billion in April 2015. This indicates that the timing of bonuses in the rest of the economy changed little between April 2014 and 2015.

Overall, bonuses paid during April 2015 in the whole economy increased by £0.2 billion (5.4%) since April 2014 and decreased by £0.6 billion (15.9%) from April 2013.

Professional, scientific and technical industry among positive contributions to bonus growth

Analysis of financial year

Figure 4 shows the contribution made by each of the 19 industries to the increase in whole economy bonus payments between the financial years ending 2014 (April 2013 to March 2014) and 2015 (April 2014 to March 2015).

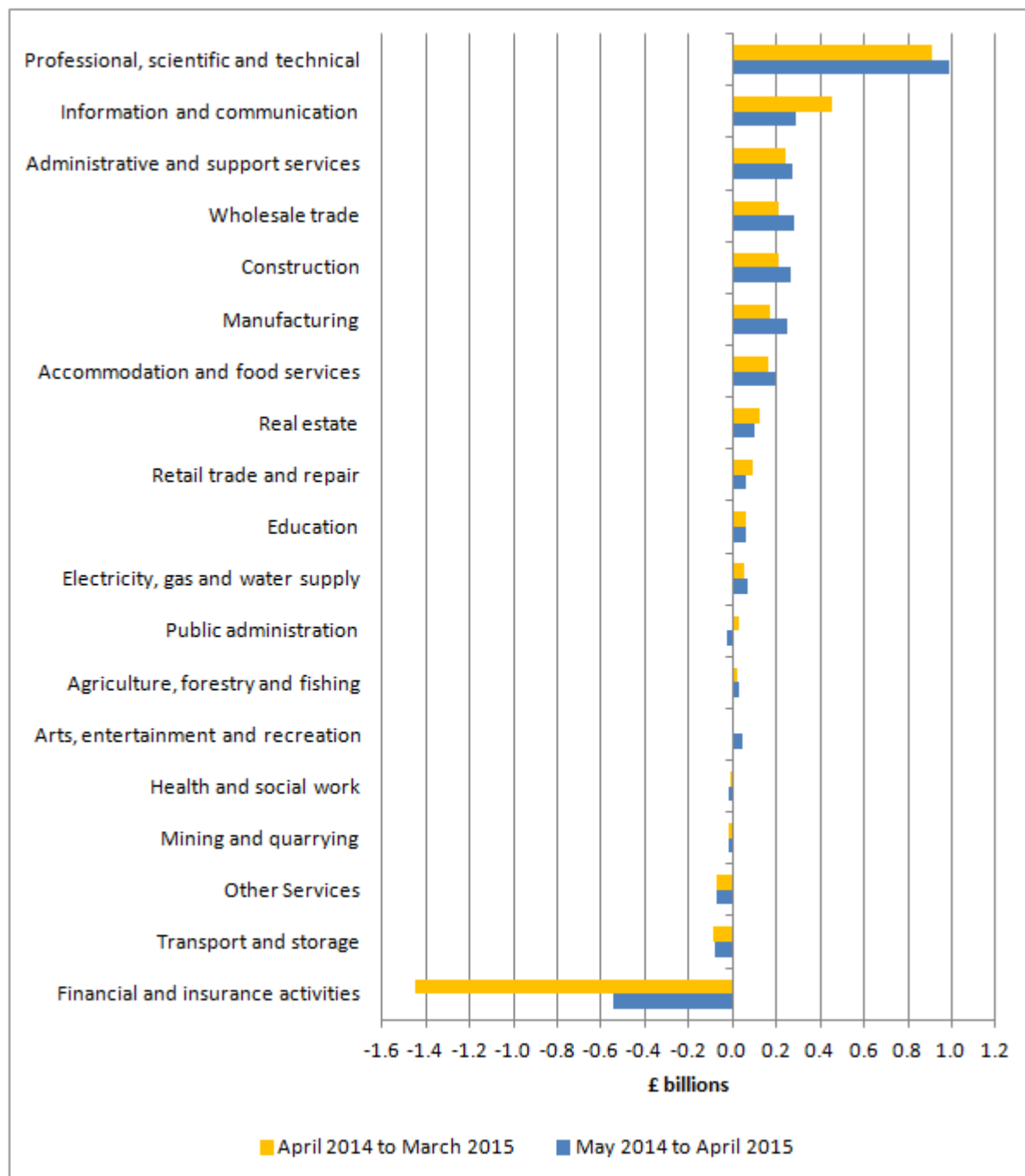
As some bonuses were deferred from March to April 2013, 2 significant bonus seasons occurred in the financial year ending 2014, causing a large increase in bonuses paid. In the financial year ending 2015, the professional, scientific and technical industry experienced a growth of £0.9 billion from the previous year. Information and communication and administrative and support services also contributed £0.5 billion and £0.2 billion respectively. Finance and insurance contributed the largest decrease to bonuses by -£1.5 billion, a 9.6% decrease in bonus payments on the 2013/14 financial year.

Analysis of May to April

Considering the period May 2014 to April 2015, the professional, scientific and technical industry also made the largest positive contribution to bonus payments of £1.0 billion for the year to April 2015. Similarly, information and communication and wholesale trade contributed towards the overall increase of bonus payments, both contributing £0.3 billion each to the total growth in bonus payments.

The finance and insurance industry made the largest negative contribution to bonus payment growth in the year to April 2015, contributing -£0.6 billion to whole economy bonus payments. This is down from a £0.4 billion increase in the year to April 2014, which was the largest positive contribution to the growth in bonuses that financial year.

Figure 4: Contributions to change in total bonus payments: by industry, financial year ending 2014 to financial year ending 2015, Great Britain



Source: Monthly Wages and Salaries Survey - Office for National Statistics

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Average bonus per person decreased by 0.2% in the financial year ending 2015

Analysis of financial year

During the financial year ending 2015 (April 2014 to March 2015), the whole economy average bonus per employee was just over £1,500, 0.2% lower than the previous year.

The average bonus per employee in the finance and insurance industry in the financial year ending 2015 was £13,100. This was a decrease of £800 compared with the average bonus received by financial sector workers in the financial year ending 2014. This decrease is largely because the financial year ending 2014 had 2 bonus periods, April 2013 and December to March 2014, so total bonus payments were higher that year. Mining and quarrying (including oil extraction and exploration) was the industry with the second highest average bonus, with an average bonus per employee of £6,900, although this was a decrease of £200 compared with the average bonus per employee received in the financial year ending 2014.

The lowest bonuses per employee were paid in the health and social work industry, where the bonuses per head figures were close to zero.

The average private sector employee received just over £1,800 in bonuses, whereas the average public sector worker's bonus was just over £100. However, private sector workers are on average in receipt of lower regular pay than people working in the public sector, and bonuses are a more significant part of total pay in the private sector. If financial services are removed from the public sector, the average public sector worker's bonus falls to below £100 in the year to March 2015.

Analysis of May to April

When the period May 2014 to April 2015 is considered, the whole economy average bonus per employee was also approximately £1,500, an increase of 2.4% on the same period in the previous year.

The bonus per employee in the financial sector becomes £13,300, an increase of £100 on the previous year. The mining and quarrying industry had an average bonus per employee of £6,600; a decrease of £300 compared with the average bonus per employee received for the same period in 2013 to 2014. Bonuses per employee remained negligible in the health and social work industry.

In May 2014 to April 2015, the average private sector employee received £1,800 in bonuses, compared with the average bonus per employee in the public sector of around £100. Excluding financial services from the public sector, the average bonus per head in the public sector falls to below £100.

Table 1: Annual average bonuses per employee: by industry, Great Britain

Financial year ending 2014 to financial year ending 2015 and May to April 2014 to May to April 2015

| | £ thousands | | | |
|--|----------------|--------------|---------|---------|
| | Financial year | | Year | |
| | April to March | May to April | 2013/14 | 2014/15 |
| | 2013/14 | 2014/15 | 2013/14 | 2014/15 |
| Financial and insurance activities | 13.8 | 13.1 | 13.3 | 13.3 |
| Mining and quarrying | 7.1 | 6.9 | 7.0 | 6.6 |
| Information and communication | 4.2 | 4.4 | 4.2 | 4.3 |
| Real estate | 2.9 | 3.2 | 2.9 | 3.0 |
| Wholesale trade | 3.0 | 3.1 | 2.9 | 3.1 |
| Manufacturing: Chemicals and man made fibres | 3.0 | 3.1 | 2.9 | 3.1 |
| Professional, scientific and technical | 2.1 | 2.5 | 2.1 | 2.5 |
| Electricity, gas and water supply | 1.8 | 1.9 | 1.8 | 2.0 |
| Manufacturing: Engineering and allied industries | 1.4 | 1.4 | 1.4 | 1.4 |
| Construction | 1.0 | 1.2 | 1.0 | 1.2 |
| Other manufacturing | 0.9 | 1.1 | 1.0 | 1.1 |
| Manufacturing: Basic metals and metal products | 1.0 | 1.0 | 1.0 | 1.0 |
| Retail trade and repair | 1.0 | 1.0 | 1.0 | 1.0 |
| Manufacturing: Food, beverages and tobacco | 0.9 | 0.9 | 0.8 | 0.9 |

| | | | | |
|---|------|------|------|------|
| Administrative and support services | 0.8 | 0.9 | 0.8 | 0.9 |
| Transport and storage | 0.9 | 0.9 | 0.9 | 0.9 |
| Other Services | 0.9 | 0.7 | 0.9 | 0.8 |
| Arts, entertainment and recreation | 0.7 | 0.7 | 0.7 | 0.7 |
| Manufacturing: Textiles, leather and clothing | 0.7 | 0.6 | 0.7 | 0.6 |
| Agriculture, forestry and fishing | 0.4 | 0.4 | 0.4 | 0.5 |
| Accommodation and food services | 0.3 | 0.4 | 0.3 | 0.4 |
| Public administration | 0.1 | 0.1 | 0.1 | 0.1 |
| Education | <0.1 | 0.1 | <0.1 | 0.1 |
| Health and social work | <0.1 | <0.1 | <0.1 | <0.1 |
| Private sector | 1.8 | 1.8 | 1.8 | 1.8 |
| Public sector | 0.3 | 0.1 | 0.3 | 0.1 |
| Public sector excluding financial services | 0.1 | 0.1 | 0.1 | 0.1 |
| Whole economy | 1.5 | 1.5 | 1.5 | 1.5 |

Table source: Office for National Statistics

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Background notes

1. All figures are derived from the Average Weekly Earnings (AWE) dataset, part of the [Labour Market Statistics](#) release.

2. The data do not include the Armed Forces, government-supported trainees or the self employed.
3. These figures are not seasonally adjusted. This means that seasonal patterns are included in the estimates.
4. These figures are not adjusted for inflation.
5. Details of the policy governing the release of new data are available by visiting www.statisticsauthority.gov.uk/assessment/code-of-practice/index.html or from our Media Relations Office email: media.relations@ons.gsi.gov.uk

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