

# Society of Business Economists Salary Survey

January 2012

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## Introduction

We made no changes this year to the scope of the survey, and, *mirabile dictu*, we received a few more replies to our questionnaire: 86 against 82 last year. Not enough to say confidently that the results are wholly representative of business economists' experience, but enough to draw some conclusions about their rewards.

And our first conclusion is that members' earnings continued to fare rather well. Table 1 shows the distribution of salaries, including income from self-employment, and of total cash compensation (TCC), including bonus payments and the value of any shares awarded. It shows that the average salary reported this year was just over 6% more than in 2011, and average TCC was up by as much as 13%. The increase in average salary reflected a continuing move up the distribution of salaries reported: none this year reported a salary of less than £40,000, while 35% reported a salary in excess of £120,000, compared with 27% last year. For TCC this shift was less marked and the increase also reflected a substantial increase in the earnings of the highest earners. This was most dramatically apparent in the increase in the maximum reported earnings from £600,000 last year to £960,000 this, but it was also suggested by the more modest increase in median earnings than in the average, and by the 15% increase in the average TCC of the top quintile of earnings reported.

However measured, business economists, taken together, have done better than employees generally, for whom Average Weekly Earnings, including bonuses, increased by only 2.4% between the end of 2010 and the end of 2011, and even those working in the Financial and Business Services sector as a whole saw only a slightly greater rise of 3.2%.

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**Table 1: Salaries and total compensation**

Salaries			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2012	2011		2012	2011
<=40	0	5	<=40	0	4
41- 60	23	23	41- 60	16	20
61- 80	21	18	61- 80	23	20
81-100	14	18	81-100	12	11
101-120	7	9	101-120	6	5
121-140	9	12	121-140	2	8
141-180	20	10	141-200	14	12
>180	6	5	201-300	18	13
			>300	9	7
Average (£K)	106.0	99.6		154.3	137.0
Median (£K)	91.5	85.0		98.0	97.5
Maximum (£K)	320.0	550.0		960.0	600.0
Minimum (£K)	42.0	21.0		44.0	21.0
Number of responses	86	82		86	82

### Earnings by Sector

Table 2 shows salaries and TCC by broad sector. This year's survey shows a still greater concentration of respondents in Financial Services – nearly half, in fact – with relatively fewer in all the other sectors, although significant numbers of our members continue to be employed in Consulting and the Public Sector. For completeness we have reported in the Other sector those respondents who were unsure how to characterise their employment, including for example members working in charities, the media and property.

**Table 2: Remuneration by sector**

	Public Sector	Consulting	Financial Services	Other Private Sector	Other
<b>Respondents 2012</b>	<b>13</b>	<b>17</b>	<b>42</b>	<b>8</b>	<b>6</b>
2011	19	16	30	13	4
<b>Average salary<sup>1</sup>(£K)</b>					
<b>2012</b>	<b>79.6</b>	<b>111.9</b>	<b>117.4</b>	<b>108.4</b>	<b>63.5</b>
2011	71.5	115.4	108.0	109.7	74.0
Maximum (£K)	135.0	170.0	320.0	210.0	95.0
Minimum (£K)	49.0	52.0	45.0	52.0	42.0
Median (£K)	71.0	120.0	111.0	88.0	55.0
<b>Average total cash Compensation<sup>2</sup> (£K)</b>					
<b>2012</b>	<b>80.3</b>	<b>146.9</b>	<b>195.5</b>	<b>131.4</b>	<b>77.8</b>
2011	73.6	149.4	182.9	126.4	78.5
Maximum (£K)	135.0	460.0	960.0	350.0	173.0
Minimum (£K)	50.8	52.0	45.0	55.0	44.0
Median (£K)	71.0	144.0	157.0	92.3	61.0
<b>Receiving Bonus</b>	<b>6</b>	<b>12</b>	<b>36</b>	<b>5</b>	<b>4</b>
<b>Average bonus<sup>3</sup>(£K)</b>					
<b>2012</b>	<b>1.5</b>	<b>49.5</b>	<b>74.2</b>	<b>26.7</b>	<b>21.8</b>
2011	3.4	43.1	66.9	14.6	6.0
Average bonus <sup>3</sup> (% TCC <sup>3</sup> )	1.9	31.0	33.7	17.8	23.0
<b>Receiving shares</b>	<b>N/A</b>	<b>2</b>	<b>18</b>	<b>1</b>	<b>2</b>
<b>Average value<sup>3</sup> (£K)</b>	<b>N/A</b>	<b>0.0</b>	<b>33.6</b>	<b>50.0</b>	<b>2.5</b>

Notes: 1. Including self-employment income 2. Total cash compensation includes bonuses, Shares and options received. 3. Of those receiving bonuses or shares

We can see that the average salary increased significantly for those in Financial Services, and, despite the pressure to curb government expenditure, also for those in the Public Sector. Elsewhere the average salary was actually – a bit – lower than in the previous year, possibly prefiguring the slip back into recession that we have seen this year. The change in average TCC showed a similar pattern, apart from those in the Other Private Sector.

### **Bonus payments**

In our last survey we noted that almost everyone reported receiving a bonus, and suggested employers might see it as providing an element of flexibility in wage costs. Flexible, indeed, it has proved. The proportions of respondents reporting receiving a bonus are lower than last year in all sectors, and markedly so in the Public Sector where under half of respondents this year were paid a bonus compared to two-thirds last year.

Yet, while fewer may have received a bonus, the average bonus was significantly higher, at £55,000 this year against £40,000 last, and was higher in all sectors except the Public Sector. Given that TCC has generally increased more than salary, the effect of higher bonuses seems to have outweighed that of fewer bonuses.

### **Share schemes**

This year's survey shows a further small increase in the proportion of respondents reporting being in a share scheme, with the greatest increase in Financial Services. But, at about 27%, participation remains far from widespread, and this year a smaller proportion of participants actually received any benefit, down to 65% from around 80%. The average value of the shares and options received was, at £28,700, a little higher than last year.

### **Pensions and other benefits**

Table 3 shows participation by respondents in pensions and other benefits in each sector. Although some kind of pension provision continues to be nearly universal among our members, participation has slipped a little, from 94% last year to 90% this. And the proportion of respondents in a defined benefit scheme has fallen further to 27%, although this does not include respondents who have multiple pension arrangements which may include a defined benefit element. Clearly business economists face the same problems as everyone else of how to provide for their old age.

**Table 3: Pensions and other benefits by sector**

<b>Number of Respondents</b>	<b>Financial Services</b>	<b>Consulting</b>	<b>Other Private Sector</b>	<b>Public Sector</b>	<b>Other</b>
<b>Pensions</b>	39	13	8	12	5
Number in a scheme					
Percent of total	93	76	100	92	83
<b>Defined benefit Schemes</b>					
Contributory	4	1	2	5	0
Non-contributory	5	0	0	5	0
Personal	1	0	0	0	0
<b>Defined contribution schemes</b>					
Contributory	14	5	3	0	2
Non-contributory	7	1	0	0	0
Personal	3	4	1	0	0
<b>Multiple schemes</b>					
	5	2	2	2	3
<b>Other Benefits</b>					
Medical Insurance	36	9	1	1	3
Company Car	13	2	4	1	0
Miscellaneous	11	4	1	0	1

Still more respondents, 64% this year, benefited from medical insurance – scarcely a vote of confidence in public healthcare provision – 23% enjoyed a company car, up a little from last year, and about 20% reported miscellaneous other benefits worth, on average, about £4,000.

### Pay rise by sector

The average pay rise is not the same as the rise in average pay! Table 4 shows reported pay rises by sector. Some 15% of respondents did not answer this question, more than for any other question. The reason is not

**Table 4: Salary<sup>1</sup> increase by sector**

Sector	Total respondents	Median per cent increase in salary		
		2012	2011	Number reporting no increase <sup>2</sup>
Financial Services	36	2	4	13
Consulting	14	2	3	4
Other Private Sector	7	6	3	1
Public Sector	11	1	1	4
Other	5	6	3	1
All	73	2	3	23

Notes: 1. Including self-employment income 2. Including those reporting a lower salary

obvious, unless members find it hard to recall their salaries from a year before, but it means we have to treat the results with even more caution. The reported overall median increase was, at 2%, lower than last year, with lower increases reported in Financial Services and Consulting only partly offset by the higher increases reported by members in Other Private and Other sectors. Moreover for a second year some 30% reported receiving no increase in salary and for a second year the median increase reported for the Public Sector was only 1%. On the other hand, to use an economist's cliché, more respondents this year reported a change of job, nearly 14% compared to only 5% last year, and typically enjoyed higher pay rises than those who did not.



## **Activity and pay**

Table 5 shows the number of respondents in each sector engaged in each primary job function. This year there is very little change in the numbers engaged in each of the activities identified, with nearly a third reporting management as their principal activity, about a quarter engaged in the more technical activities and nearly a tenth engaged in market-related activities, with the others mainly engaged in international or public policy work, and a smaller number than last year engaged in academic, regulatory or charity work.

The median of reported salaries for those in each of these activities was generally higher than in last year's survey – dramatically so for those engaged in business planning, where the median salary was over 50% higher than last year, although the median reported salary for those engaged in international analysis was equally dramatically down, by 35%, on the previous year. However, it is hard to conclude that these wide swings reflect anything other than a shift in the respondent population.

## **Pay and Demography**

Finally, in Table 6 we show how gender, age and service are reflected in business economists' pay, and it seems to be a case of 'back to the future', with many of the statistics returning to the levels reported in 2010. Thus the proportion of replies from women was close to the 15% of respondents recorded then, and the median salary for women was, at £109,000, even a bit below the median recorded in 2010. As a result there was a sharp reversal in the upward shift in the ratio of the median reported salary for women to that for men that has been observed for the past four years.

Similarly, the proportions of respondents between age groups this year were very similar to those recorded for 2010 and the median salary for the nearly 60% between 35 years and 55 years was about the same as in 2010. However, the median salary reported for those younger and older than these was significantly higher than in 2010 or 2011, although those under 35 years old still typically had the lowest median salary. More surprisingly, for the first time for a number of years, the median salary for those over 55 years old was higher than for those between 35 and 55 years. Has experience that reaches back beyond the comfortable nostrums of the 'NICE' decade become more valuable as we struggle through our double-dip recession?



We have already remarked that this year significantly more changed jobs during the year than in our last survey; partly as a result more have reported serving for ten years or less, so that they now constitute just over two-thirds of all respondents to the question. However, their median salary was only 2% up on last year, while the median salary for longer serving groups was nearer 20% higher, and, reflecting the improved position of older respondents, the longest serving now report a median salary about the same as those serving between ten and twenty years.

**Table 6: Salary and demography**

	Per cent of responses <sup>1</sup>			Median salaries (£K) <sup>2</sup>		
	2012	2011		2012	2011	
Men	85	87		91.0	80.1	
Women	15	13		109.0	125.0	
Age:						
Under 35	18	15		62.0	50.0	
35-55	59	66		100.0	92.5	
Over 55	23	19		112.0	91.0	
Service:						
Under 10	70	59		82.0	80.1	
10-20	19	25		110.0	92.5	
Over 20	11	16		109.0	91.0	

Notes: 1.Per cent of those responding to question 2.Including self-employment income