

Society of Business Economists Salary Survey

January 2010

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Introduction

This year we received only 92 replies to our survey of members' salaries, and two of those have had to be omitted from the results tabulated below as the respondents concerned did not show their salaries! This was fewer even than the 98 replies to our 2009 survey and we have therefore again to warn that our results may not be representative of business economists' experience last year.

Nevertheless, the survey seems to show that business economists' earnings held up well in a year when recession took hold of the economy, although they were typically a little lower than in the last survey. Table 1 shows salaries, including income from self-employment, and total cash compensation (TCC) including salaries, bonuses and the value of any shares awarded. It reveals no great changes in the distribution of incomes.

The average salary was about 2% less than in 2009, and average TCC was down about 5%, reflecting an increase in the proportion of respondents reporting annual earnings of less than £60,000, and a decrease in the proportions reporting earnings between £60,000 and £100,000. The proportions reporting earnings above £100,000 were about the same as in our last survey, although the highest reported TCC was a lot lower this year at (a still comfortable!) £550,000. All in all, business economists fared about the same as employees generally, with the Average Earnings Index having increased by just under 1% between the end of 2008 and the end of 2009.

Earnings by sector

Table 2 shows salaries and TCC by sector. In this year's results those from members employed in insurance services are included with those in retail banking to make up Other Financial Services. They were previously included with commercial services. That apart, and, consistent with the

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overall experience, the Table reveals little change in average salary in any sector, apart from a noticeably lower figure for those in Asset Management. The figures for average TCC show a similar pattern, although in this case it is Investment Banking that shows the biggest reduction, reflecting sharply lower bonuses. There is little change in where our members are employed: 33% in financial services, 24% in consulting, and 28% in the public sector – a fact that prompted one reader to ask if we should still call ourselves a society of *business* economists.

Table 1: Salaries and total compensation

Salaries			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2010	2009		2010	2009
<=40	7	4	<=40	7	4
41- 60	33	31	41- 60	27	23
61- 80	12	20	61- 80	11	19
81-100	17	11	81-100	9	12
101-120	16	15	101-120	7	7
121-140	8	11	121-140	9	9
>140	7	8	140-200	18	14
			>200	12	12
Average (£K)	85.7	87.3		120.3	126.5
Median (£K)	80.0	77.8		90.0	92.9
Maximum (£K)	320.0	260.0		550.0	1500.0
Minimum (£K)	18.0	4.0		18.0	4.0
Number of responses	90	98		90	98

Table 2: Remuneration by sector

	Academia	Public sector & Government	Consulting	Investment banking	Asset management	Other financial services ⁴	Industry & commerce	Other services
Respondents 2010	6	19	22	12	12	6	4	8
2009	7	19	21	13	19	3	9	7
Average salary¹ (£K) 2010	52.6	65.7	99.7	100.8	96.6	93.4	87.0	69.5
2009	49.7	66.7	99.6	103.4	107.5	65.7	94.1	59.7
Maximum (£K)	65.0	114.0	320.0	175.0	135.0	140.0	150.0	130.0
Minimum (£K)	47.0	18.0	30.0	50.0	35.0	51.3	58.0	26.5
Median (£K)	50.1	57.0	93.0	105.0	100.0	88.5	70.0	56.5
Average total cash Compensation² (£K) 2010	52.6	69.9	135.9	146.3	173.9	117.1	105.0	73.4
2009	49.8	70.7	134.7	247.1	159.9	83.1	104.2	63.1
Maximum (£K)	65.0	114.0	372.0	504.0	550.9	190.0	195.0	140.5
Minimum (£K)	47.0	18.0	38.0	54.0	43.7	53.3	64.0	26.5
Median (£K)	50.1	67.0	95.5	140.0	154.5	113.5	80.5	58.1
Receiving Bonus	0	10	17	11	11	6	4	4
Average bonus³ (£K)	N/A	8.0	40.2	75.6	79.6	23.7	14.3	7.0
Average bonus ³ (% TCC)	N/A	10.5	30.0	38.5	20.5	20.2	13.6	9.2
Bonus range ³ (% TCC)	N/A	2-19	0-68	0-72	15-72	0-27	9-16	0-18
In share schemes	0	0	5	5	3	1	1	2
Receiving shares	N/A	N/A	2	4	2	0	1	1
Average value³ (£K)	N/A	N/A	57.0	44.3	26.0	N/A	15.0	3.0

Notes: ¹ Including self-employment income ² Total cash compensation includes bonuses, shares and options received ³ Of those receiving bonuses or shares ⁴ Includes retail banking and insurance services

Bonus payments

Despite all the fuss about ‘bankers bonuses’, pretty much the same proportion of respondents overall received a bonus last year as in the year before; in fact, in financial services the proportion was slightly higher. However, the average bonus reported this year was, at £30,500, well down on last year, and the average bonus reported for those in Investment Banking was only two-thirds of the average in our last survey. It remains the case that even the reduced average level of bonuses still reflects a small number of very large bonuses; excluding the seven exceeding £100,000 reduces the average to £15,100.

Share and option schemes

Only 19% of respondents this year participated in a share or option scheme, down from 23% in our last survey, and only 60% of those received any benefit. By contrast the average value of the shares and options they received was significantly higher at £36,100, although, as in the case of bonuses, this reflected a few large awards. The average amounts received were higher than last year in Consulting and Asset Management but lower in Investment Banking. Despite the fall in the numbers of those in such schemes it may be too soon to write them off in view of the enthusiasm of the regulators in Europe and the UK for requiring banks to pay bonuses in part in the form of shares.

Pensions and other benefits

Table 3 shows respondents’ participation in pension schemes and other benefits. Most still report being in some kind of pension scheme, but at 90% this was less than last year’s 95%. However, the sharp decline in the proportion of respondents in defined benefit schemes that has characterised our last three surveys has this year abated, indeed it has reversed: nearly half of respondents reported being in such a scheme compared to 34% last year. This is not because of any increase in the number of respondents in the public sector, where such schemes have been, and are, more common; in fact there has been little increase in the numbers reporting being in a defined benefit scheme. The change has come from a fall in the number in defined contribution schemes, and, in particular, in personal schemes. These falls have been most marked among those working in Asset Management.

Table 3: Pensions and other benefits by sector

Number of Respondents	Academia	Public sector & Government	Consulting	Investment banking	Asset management	Other financial services	Industry & commerce	Other services
Pensions								
Number in a scheme	6	18	17	11	10	6	4	8
Percent of total	100	95	77	92	83	100	100	100
Defined benefit Schemes								
Contributory	4	8	4	2	3	3	4	1
Non-contributory	0	5	0	3	3	2	0	0
Personal	0	0	1	0	0	0	0	1
Defined contribution schemes								
Contributory	1	3	4	5	2	1	0	6
Non-contributory	0	2	1	1	1	0	0	0
Personal	1	0	7	0	1	0	0	0
Multiple schemes	0	0	0	0	0	0	0	0
Other Benefits (Per cent of respondents)								
Medical Insurance	0	16	41	83	50	100	50	63
Company car	0	5	18	42	25	50	75	38
Miscellaneous	0	21	18	17	42	0	25	25

Other benefits, too, seem to have stabilised as a part of rewards received. Medical insurance was provided to 47% of respondents, up a little on last year, as a sharp fall in the proportion of those in Asset Management receiving it was offset by small increases in other sectors. A company car was enjoyed by 26% of respondents, and 20% reported various smaller benefits.

Pay rise by sector

Table 4 shows reported pay rises. As in previous surveys a significant number, some 12%, of respondents did not answer this question. Excluding these the median reported pay increase this year was only 1%, compared to 5% in our last survey. Moreover, this more stringent experience was this year almost universal: in every sector reported pay increases were typically significantly lower than in our last survey, while 43% of respondents reported no change in their pay and 3% reported their pay was reduced. Only 11% of those reporting their pay increase had changed jobs in the past year, significantly fewer than last year, but they did not gain from their move – the median of their reported pay rises was zero.

Table 4: Salary¹ increase by sector

Sector	Total respondents	Median per cent increase in salary		
		2010	2009	Number reporting no increase ²
Academia	6	2	5	1
Public sector & Government	18	2	4	3
Consulting	19	0	3	12
Investment banking	11	0	0	6
Asset management	10	0	10	8
Other financial services	6	1	4	3
Industry and commerce	3	3	10	0
Other services	6	3	8	2
All	79	1	5	35

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

Table 5: Activity by sector

Sector	Econometrics forecasting & modelling	Project analysis evaluation & strategic planning	Markets trading or fund management	International or country analysis	Public policy analysis	Senior or general management	Other
Academia	-	-	-	-	1	-	5
Public sector & Government	1	2	-	-	12	2	2
Consulting	6	6	-	1	2	7	-
Investment banking	3	-	-	4	-	4	1
Asset management	2	-	4	3	-	3	-
Other financial services	-	2	1	1	-	2	-
Industry & Commerce	1	-	-	-	-	3	-
Other services	3	1	-	1	-	3	-
All sectors	16	11	5	10	15	24	8
Median total cash compensation (£K) 2010	62.2	53.3	155.2	116.0	74.4	169.9	49.3
2009	80.0	54.0	136.0	150.0	91.0	110.0	N/A

Activity and pay

Table 5 shows the numbers of respondents in each sector engaged in each primary job function, and the median total cash compensation received by those in each function. This year's survey allowed respondents to specify a principal activity other than those listed and 14 respondents did so. Some we re-assigned to one of the listed categories: for example 'transfer pricing' and 'procurement' we classed under business planning, and 'general economic analysis' we classed under econometrics, forecasting and modelling. Of the remainder most were academics who specified teaching and research as their main activity. The resulting numbers engaged in each of the listed main activities are much the same as in our last survey, and, as then, with rather more than might be expected for those who see themselves as business economists reporting that their main activity was in management.

There were some more dramatic changes to the median of reported total cash compensation for those in each activity. For those primarily engaged in management the median this year was 55% up on last; by contrast the median for those in econometrics, forecasting and modelling was 22% lower, and was similarly lower for those in other analytical functions. These changes are likely to be the result of changes in the sample of respondents, but it is hard not to speculate that it may reflect the apparent tendency in the economy at large for management, and particularly senior management, pay to rise significantly faster than pay in general, and that in turn that reflects some imperfection in the market for those skills.

Pay and demography

Table 6 shows how gender, age and service are reflected in the pay of business economists. The proportion of replies from men and women, at 85% and 15%, were about the same as last year, and the median salaries reported for men, of £78,500, and for women, of £114,000, were only a little higher. As a result the ratio of women's salaries to men's, has remained close to 1.5, which was very much higher than in most surveys before last year. We can only repeat the caution that these results reflect those responding to this survey and may not be characteristic of business economists more generally.

This survey shows continuing signs of an ageing membership: 24% were over 55 years old, up from 19% last year, while only 18% were under 35 years compared to 21% last year. However, the middle-aged members

who made up about 60% of respondents and enjoyed the highest median salary, also saw a modest increase in pay, while for both the older and the younger respondents median salaries were lower.

Table 6: Salary and demography

	Per cent of responses ¹		Median salaries (£K) ²	
	2010	2009	2010	2009
Men	85	81	78.5	73.0
Women	15	19	114.0	110.0
Age (years)				
Under 35	18	21	49.5	59.0
35-55	58	59	100.0	90.0
Over 55	24	19	62.5	63.5
Service (years)				
Under 10	66	69	62.5	79.0
10-20	21	17	100.0	78.8
Over 20	13	14	86.0	81.5

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

Finally, it continues to be the case that about two-thirds of respondents had served their present employer for less than ten years, while only a fifth had served for between ten and twenty years, and fewer still had served over twenty years. Not that length of service was consistently advantageous. The median salary paid to those who had served between ten and twenty years was higher than for those whose service was shorter, but so it was also than for those whose service was longer. It is anyway hard to distinguish the effects of age and service – indeed the two are linked: it is hard to have served one employer for more than twenty years if under 35 years of age.

Qualifications and pay

Table 7 shows respondents' qualifications and their total cash compensation. About 75% of respondents majored in economics, a little less than last year, but most of those listing other majors had studied related subjects, such as industrial economics, commerce, accounting and finance. Only one respondent qualified with an MBA degree, and the proportions of respondents with first degrees, masters and doctorates was about the same as last year. It is again generally the case that the higher was the qualification the higher were total earnings, although those with qualifications in other subjects typically earned less than those with a comparable level of qualification in economics.

Table 7: Total cash compensation by qualification

Qualification	Number of respondents		Average total cash compensation (£K)	
	2010	2009	2010	2009
Bachelors degree				
Major in economics	10	12	93.9	111.3
Major in other subjects ¹	8	7	88.8	85.2
All	18	19	91.6	101.7
Masters degree				
Major in economics	42	48	116.1	100.4
Major in other subjects ¹	9	10	80.6	131.4
Major in business (MBA)	1	2	128.0	137.4
All	52	77	110.2	106.8
Doctorate				
In economics	16	18	188.3	218.2
In other subjects ¹	4	1	95.8	139.1
All	20	19	167.8	214.0

¹ Including those not specifying their major study. Most of those specified were in related disciplines such as environmental economics, industrial economics or commerce. Those specifying 'PPE' as their major study have also been included in 'other subjects'.

Some 19% of respondents also reported that they had professional qualifications. As last year, about one-third of these were qualified in accountancy, but this year more, another third, were qualified in other financial professions, such as banking and treasury, while the last third were in such disciplines as marketing, purchasing and surveying. Curiously, in an age when regulation of every kind of business activity is burgeoning, no-one reported a professional qualification in law. In any case, as in our last survey, having a professional qualification does not translate into higher earnings – at least not if your principal employment is as a business economist. Average total compensation for those with professional qualifications was £70,900 against an average for all respondents of £120,300.