

Society of Business Economists Salary Survey

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Introduction

It is disappointing that this year we received only 98 replies from our 600 members. Such a low response, of course, means we have to be careful not to read too much into what might be unrepresentative results even for our membership, let alone for business economists in general.

For all that, and despite the calamities in financial markets and the rapid slide into recession towards the end of 2008, the Survey seems to show business economists enjoying on average both higher salaries than in the last survey and even, in most sectors, higher bonuses. Of course, the survey for the most part reflects members' experience through 2008 before the full effects of the downturn had been felt in the jobs market. Perhaps, indeed, the lack of replies, sent in at the beginning of 2009, speaks of a thinning of the ranks of business economists as we moved into the new year and is the harbinger of straitened circumstances to come, although it is from industry and other service sectors that replies were most reduced, rather than from the City where it might have been expected.

Table 1 shows the principal results by sector, and reveals few dramatic changes, although one lucky member reported a total remuneration of £1,500,000, and, at the other extreme, a retired member told us of his part-time earnings of £4,000. It remains the case that the largest part – 36 per cent this year – of those replying work in financial services, and another 21 per cent work in consulting.

Salary and total cash compensation

Table 2 shows salaries and total cash compensation (TCC) by range of value, and reveals a significant increase in the proportion of those reporting salaries over £100,000, though little change in the proportion reporting a TCC over £100,000.

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Table 1: General remuneration profile by sector

	Academia	Public sector & Government	Consulting	Investment banking	Retail banking	Asset management	Industry & commerce	Other services
Number	7	19	21	13	3	19	9	7
% Total	7	20	21	13	3	20	9	7
Average age (yrs)	49.6	44.1	48.1	47.1	46.7	44.6	41.3	35.3
Average service (yrs)	16.7	6.1	8.8	5.9	6.5	9.1	7.3	4.6
Average salary¹ (£K)	49.7	66.7	99.6	103.4	65.7	107.5	94.1	59.7
Minimum (£K)	47.0	4.0	44.0	50.0	52.0	41.0	49.2	34.0
Maximum (£K)	53.0	125.0	180.0	200.0	80.0	156.0	260.0	113.0
Median (£K)	49.0	62.6	101.5	110.0	65.0	110.0	71.0	47.0
Average salary rise (%)	5.1	5.4	2.7	7.6	13.5	4.6	10.1	9.6
Average total cash compensation (£K)	49.8	70.7	134.7	247.1	83.1	159.9	104.2	63.1
Minimum (£K)	47.0	4.0	54.0	50.0	68.2	44.9	57.2	35.2
Maximum (£K)	53.0	128.0	450.0	1500.0	110.0	365.0	260.0	136.0
Median (£K)	49.0	65.0	103.0	150.0	71.0	140.0	74.5	47.0
Average rise in TCC³ (%)	5.6	6.3	6.1	-1.9	8.0	-1.5	6.4	8.8
Receiving Bonus (%)	0	74	81	92	100	84	78	43
Average bonus² (£K)	N/A	5.4	42.1	119.4	16.1	52.3	11.7	8.1
Average bonus² (% TCC³)	N/A	8.4	32.5	47.0	19.4	33.2	13.6	14.1
Bonus range² (% TCC³)	N/A	0-34	0-67	0-60	5-27	0-52	2-20	0-17
In share schemes (%)	0	0	24	39	67	37	44	0
Receiving shares (%)	N/A	N/A	9.5	23.1	33.3	36.8	33.3	N/A
Average value² (£K)	N/A	N/A	6.9	145.0	4.0	22.7	2.8	N/A

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

Table 2: Salaries and total compensation

Salaries ¹			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2009	2008		2009	2008
<=40	4	9	<=40	4	5
41- 60	31	33	41- 60	23	14
61- 80	20	25	61- 80	19	26
81-100	11	11	81-100	12	11
101-120	15)	101-120	7)
121-140	11) 22	121-140	9) 27
>140	8)	140-200	14)
			>200	12) 17
Average (£K)	87.3			126.5	
Median (£K)	77.8	70.0		92.9	97.0
Maximum (£K)	260.0	202.0		1500.0	320.0
Minimum (£K)	4.0	22.0		4.0	20.0
Number of responses	98	111		98	113

Note: 1. Including self-employment income

The median salary overall, at £77,800, was 11% above last year's result, although median TCC was 4% down, reflecting increases in the proportions reporting higher and lower earnings at the expense of those in between. However, all-in-all business economists have fared about as well as employees generally, with the Average Earnings Index having increased by 3% between the end of 2007 and the end of 2008.

Average salaries were higher in all sectors except for academics, where last year's result had been influenced by one unusually high return. The biggest increases were in Asset Management, Investment Banking and Industry and Commerce. We see broadly the same pattern for average TCC, although the differences from last year were substantial only for those working in investment banking.

Bonus payments

Nearly three-quarters of respondents were in receipt of a bonus, and the average bonus reported in this year's survey was £44,700, very much more than last year's average of £22,900. Moreover, bonuses continue to provide as large a part of TCC as before. No sign, it would appear, of an end to the bonus culture. However, the high overall average seems to be the result of a small number of very large bonuses; in every individual sector except Consulting and Investment Banking the average this year was lower. And as nearly two-thirds of bonuses are paid in the first half of the year many of the bonuses reported would have been paid early in 2008 before the recession fully took hold.

Share and option schemes

Only about a quarter of respondents participated in a share or option scheme – of course those in the Public Sector and Academia do not enjoy this benefit – and of those only two-thirds received any benefit under their scheme this year. The average value received was £24,900, higher than last year, but again this reflected a few very large receipts; in all sectors except Investment Banking the average value received was lower than last year.

Pensions and other benefits

Participation in pension schemes and other benefits is shown in Table 3. Nearly all – 95% – of respondents report being in a pension scheme, considerably more than last year's 85%. This is probably more due to changes in the respondent sample than to changes in the pension experience of our membership generally.

However, the decline of the final salary scheme has continued apace. Only 34% were in such a scheme, compared to about half last year and nearly two-thirds the year before that, and nearly half of those were in the Public Sector. Moreover, within both final salary schemes and defined benefit schemes there was a significant move away from non-contributory, down from 62% last year to 26% this, towards contributory schemes.

Other non-financial benefits continue to decline as a part of rewards. Those receiving medical insurance slipped back to 43% of respondents, from 56% last year, although nearly all respondents working in Asset

Table 3: Pensions and other benefits by sector

Number of Respondents	Academia	Public sector & Government	Consulting	Investment banking	Retail banking	Asset management	Industry & commerce	Other services
Pensions								
Number in a scheme	7	18	19	12	3	18	9	7
Percent of total	100	95	91	92	100	95	100	100
Final salary schemes								
Contributory	5	5	3	2	1	2	3	1
Non-contributory	0	4	0	1	1	3	1	0
Personal	0	0	1	0	0	0	0	0
Defined Contribution schemes								
Contributory	0	4	3	2	0	5	3	5
Non-contributory	0	3	2	5	1	3	0	0
Personal	1	1	8	1	0	4	2	1
Multiple schemes	1	1	2	1	0	1	0	0
Other Benefits								
Medical Insurance	0	5	5	4	2	16	6	4
Company car	0	1	5	4	2	5	3	1
Miscellaneous	0	3	4	3	1	0	1	1

Management reported having such insurance. The company car was enjoyed by 21% of respondents, similar to last year, and 13% reported various smaller benefits.

Salary by age and sex

The proportion of replies from men and women were the same as last year, at 81% and 19% respectively, but the median salary for the women respondents was substantially higher at £110,000 than last year's £71,000, and substantially higher than for men at £73,000. We remarked in our last survey that the ratio of women's salaries to men's "*has recently shown wild swings*", and the dramatic rise this year to 1.5 may be equally erratic. Yet whilst we must be alert to changes in those responding, it is hard not to see progress to achieving a measure of equality of reward between men and women compared to the position 10 years ago, when women constituted only 9% of respondents, and the ratio of women's salaries to men's was 0.6.

Table 4: Salary by age and sex

Age (years)	Per cent of responses		Median salaries (£K) ¹	
	2009	2008	2009	2008
Under 30	8		51.0	
31-35	13		75.0	
36-40	14		80.0	
41-45	14		60.0	
46-50	10		95.0	
51-55	20		110.0	
Over 55	19		64.5	
Men	81	81	73.0	70.0
Women	19	19	110.0	71.0

Note: 1. Including self-employment income

We have not recently reported on our respondents by age, but Table 4 shows the median salary by age group. If compared with 2004 when we last showed these data it would reveal an ageing membership: 39% were over 50 years old in this survey compared to 24% in 2004, and 8% were under 30 years compared to 21% in 2004. However, those aged between 45 and 55 years of age reported the highest salaries relative to the overall average in both years, and those under 30 reported the lowest relative salaries. Otherwise relative salaries did not vary much with age in either year.

Salary increases by sector

Table 5 shows pay rise by sector. Unfortunately 17% of respondents did not answer the question about their pay rise, compounding the narrowness of the sample. However, excluding them the median reported pay rise overall was 5.0%, up from 3.5% reported last year, although significantly higher rises were reported in the Retail Banking and Industry and Commerce sectors (10%). Even so, some 16% of respondents reported no change in their salary and 3% reported a reduced salary. Clearly the developing recession was having some effect on our members.

Some 22% of respondents who had reported their pay rise had changed their jobs within the previous 12 months, significantly more than the 6% last year. Moreover, last year those changing jobs reported a higher median pay rise than those who had not, but this year it was the reverse, with those staying put enjoying a (slightly) bigger pay rise than those who moved. It would appear that push was having more effect than pull, as prospects deteriorated.

Overall the proportion of those in this year's survey who had been in their present job for one year or less was also 22%, but this was much the same as in last year's survey, and about 20% had been with their present employer for 15 years or more, again the same as last year. However, the highest levels of total cash compensation, typically around £130,000, were reported by those who had been with their present employer for between 5 and 10 years, the same length of service that was best rewarded last year.

Table 5: Salary¹ rise by sector

Sector	Total respondents	Respondents under one year service	Median percent increase in salary				Number With no increase ²
			All respondents		Under one year service		
			2009	2008	2009	2008	
Academia	7	1	5	4	4	N/A	0
Public sector	17	3	4	4	11	N/A	1
Consulting	17	5	3	4	5	14	4
Investment banking	11	3	0	5	0	0	7
Retail banking	2	0	10	5	N/A	N/A	0
Asset management	15	3	4	0	3	0	6
Industry and commerce	7	2	10	4	10	51	0
Other services	5	1	8	2	-2	N/A	1
All	81	18	5	4	4	13	19

Notes: 1. Including self-employment income 2. Including those with a reduced salary

Table 6: Activity by employment sector – median total cash compensation

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	Number of respondents	
Investment banking	1	-	1	8	-	2		
Retail banking	-	-	1	-	-	1		
Asset management	4	1	3	2	1	5		
Consultancy	7	4	-	1	2	6		
Industry and commerce	2	1	-	2	1	2		
Other services	-	2	-	1	3	1		
Academia	1	2	-	-	1	-		
Public sector	2	1	-	1	9	4		
All sectors	17	11	5	15	17	21		
Median total cash compensation (£K) 2009	80.0	54.0	136.0	150.0	91.0	110.0		
2008	78.0	75.0	155.0	73.3	71.0	103.4		

Activity and pay

Table 6 shows the numbers in each sector engaged in each primary job function, and the median total cash compensation received by those in each function. Again, some 12 respondents did not answer this question, with Academic members having particular difficulty, and, in a Society of business economists with nearly a quarter of respondents seeing their primary function as General Management, it gives concern that the types of function listed as options may not fit members' activities very well and we shall review them before our next survey. However, what might be thought of as the core activity for business economists, Forecasting, Modelling and Econometric Analysis, occupies about 20% of respondents, and it is not too surprising that the same number list public Policy Analysis as their primary function and almost as many list International and Country Analysis.

What is more surprising is that those engaged in International and Country Analysis reported the highest median TCC which, at £150,000, was ahead of General Management, with median total earnings of £110,000, and Market Trading and Fund Management, with median total earnings of £136,000. This was a complete reversal from last year's results in which International and Country Analysis attracted relatively low rewards, and the change obviously reflects the different sample of respondents rather than any trends in the market.

Academic qualifications

We have grouped the answers to the question about qualifications a little differently this year, focussing more on the reported field of study. The results are set out in Table 7.

As might be expected nearly 80% of respondents majored in economics, and of those who had studied other subjects most were in business related disciplines such as accounting, marketing or industrial relations. Surprisingly only 2 had qualified with an MBA degree, but the proportion qualifying with doctorates was significantly higher than in last year's survey, up from 9% to 19%. Only 19% relied solely on a first degree.

As might be expected the higher the qualification the higher were total earnings, ranging from a median of £101,700 for those with bachelor's degrees to £214,000 for those with doctorates. There were however oddities, such as the lower earnings reported for those with a master's

degree in economics than for those with a bachelor’s degree. Yet this only echoes last year’s results in which those with master’s degrees generally earned a little less than those with bachelor’s degrees.

Table 7: Total cash compensation by qualification

Qualification	Number of respondents		Average total cash compensation (£K)	
	2009	2008	2009	2008
Bachelors degree				
Major in economics	12		111.3	
Major in other subjects ¹	7		85.2	
All	19	24	101.7	109.1
Masters degree				
Major in economics	48		100.4	
Major in other subjects ¹	10		131.4	
Major in business (MBA)	2		137.4	
All	60	77	106.8	100.4
Doctorate				
In economics	18		218.2	
In other subjects	1		139.1	
All	19	12	214.0	133.7

Note: 1. Including those not specifying their major study. Most of those specified were in business related disciplines such as accounting, marketing and industrial relations.

We also asked about professional qualifications, and 23% of respondents indicated that they had these, although all of them also had an academic qualification. About one-third of these were qualified in accountancy, one-sixth each in marketing and industrial relations and the rest in a number of other disciplines. Having such a qualification did not seem to have a significant effect on total earnings: those with a professional qualification had median total earnings of £100,000 compared with the overall median of £92,900. Put another way, two out of the top ten earners had a professional qualification, about the same proportion as for all respondents.

Envoi

This survey shows business economists still enjoying a modest prosperity. Yes, there is the shadow of recent financial turmoil and of recession in the smaller number of replies, with its hint of members 'between jobs' with no salary to report. But those who have replied have enjoyed an increase in salaries in excess of the increase in earnings generally and their total incomes have about held steady. A few enjoy substantial incomes and all – except our retired member doing part-time work – have earnings well above national average earnings in 2008 of £25,100. Bonuses continue to be paid although more patchily, and most members are in pension schemes although less generous.

Looking back over the past ten years this has been a consistent story. The median salary has increase by 56%, about 4.5% a year, between the 1999 Survey and this was just ahead of average earnings in general, which increased by 49% over the same period. There have been changes. We have become a little older: 39% of our respondents were over 50 this year against 25% in 1999, and 8% were under 30 today against 17% then. More to be welcomed, we have more women replying to the survey, 19% of respondents rather than 9%, and their incomes at last are near to parity with their male colleagues. However, the secular decline in the employment of economists in industry and commerce, where the Society had its beginnings, has continued, down from 23% in 1999 to 9% this year.

What of the future? That will be for next year's survey to report. And that will be the more interesting and useful the more members can be persuaded to respond to it. Over to you!