

# **Society of Business Economists Salary Survey**

**January 2008**

**Compiled by Simon Mansfield<sup>1</sup>**

## **Introduction**

The 2008 SBE Salary Survey questionnaire was completed by 115 members this year, 4 more than in 2007, although one was retired and returned his questionnaire only as a courtesy. Once again we seem to have had a number of new submissions and to have lost a few from last year, apparently including some of the highest-paid respondents of 2007. And once again one or two respondents found themselves unable to give an answer to a particular question, so the totals reported vary a little from one Table to another.

In respect of the employment-sector sample sizes, there were no respondents from the Insurance sector this year and we have therefore not shown any data for that sector in the tables below. We have also continued to amalgamate the Industry and Commerce sectors to make a more meaningful group size. Nevertheless, the numbers employed in each of the sectors, was numerically very similar to 2007 as can be seen from Table 1.

We received responses to the survey from 92 men and 22 women this year, providing sufficient data to make representative observations.

## **Salary and total cash compensation**

Table 2 shows Salaries and Total Cash Compensation arranged by range of value. We have adhered to the same ranges as last year in order to make specific comparisons.

Median salaries for the whole respondent group increased by 11% from £63,000 in 2007 to £70,000 in 2008, and median total cash compensation increased by 30% from £70,000 to £97,000, even though the maximum for each of salary and total compensation was substantially lower than in 2007.

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<sup>1</sup> Stanton Chase International

Table 1: General remuneration profile by sector

	Academia	Public sector & Government	Consulting	Investment banking	Retail banking	Asset management	Industry & commerce	Trade associations	Other
<b>Number</b>	5	20	25	15	5	17	12	11	4
<b>% Total</b>	4.4	17.5	21.9	13.2	4.4	14.9	10.5	9.7	3.5
<b>Average age (yrs)</b>	57.0	45.0	46.0	43.0	41.0	44.0	39.0	44.0	36.0
<b>Average service (yrs)</b>	19.0	7.5	7.5	5.9	11.6	6.2	6.2	7.1	5.0
<b>Average salary (£)</b>	<b>78,920</b>	<b>60,570</b>	<b>88,910</b>	<b>83,730</b>	<b>59,080</b>	<b>84,180</b>	<b>77,010</b>	<b>56,290</b>	<b>61,230</b>
<b>Range (£K)</b>	41.0-202.0	30.0-103.0	30.0-185.0	44.0-120.0	33.0-100.0	5.0-140.0	22.0-160.0	42.0-78.0	56.0-113.0
<b>Median (£K)</b>	54.0	67.5	80.0	75.0	52.0	82.5	66.8	55.0	75.1
<b>Average total cash compensation (£)</b>	<b>81,120</b>	<b>63,000</b>	<b>119,080</b>	<b>145,880</b>	<b>78,280</b>	<b>144,050</b>	<b>98,930</b>	<b>66,100</b>	<b>64,980</b>
<b>Range (£K)</b>	46.0-202.0	30.0-103.0	40.5-303.0	30.0-330.0	36.0-160.0	57.0-140.0	53.5-163.0	42.0-220.0	56.8-113.0
<b>Median (£K)</b>	54.0	75.3	116.0	135.0	64.0	129.5	99.3	58.5	77.6
<b>Average pay rise (% pa)</b>	<b>5.8</b>	<b>4.2</b>	<b>9.5</b>	<b>12.3</b>	<b>12.0</b>	<b>16.3</b>	<b>5.4</b>	<b>3.9</b>	<b>0.5</b>
<b>Average OTR* (% pa)</b>	7.3	6.9	16.7	17.8	15.0	34.6	6.8	6.1	2.5
<b>Range (% pa)</b>	2-15	2-24	2-65	5-96	8-30	10-80	3-23	2-14	2-5
<b>Average bonus OTR* (£)</b>	<b>0</b>	<b>9,150</b>	<b>27,640</b>	<b>61,820</b>	<b>19,200</b>	<b>55,270</b>	<b>21,920</b>	<b>1,420</b>	<b>0</b>
<b>Average bonus (% salary*)</b>	0	9.2	30.0	70.9	26.4	56.6	33.5	6.4	0
<b>Bonus range (% salary*)</b>	0	0-14	0-121	13-227	9-60	0-250	0-163	0-11	0
<b>Average bonus (% TCCT*)</b>	0	8.4	19.5	36.5	19.3	28.9	19.9	5.8	0
<b>Bonus range (% TCCT*)</b>	0	0-12	0-55	12-69	8-38	0-58	0-62	0-10	0
<b>In share schemes (%)</b>	0	0	32	47	75	29	25	9	0
<b>Receiving shares (%)</b>	0	0	63	57	100	60	67	100	0
<b>Average value OTR* (£)</b>	<b>0</b>	<b>0</b>	<b>7,220</b>	<b>12,440</b>	<b>7,667</b>	<b>65,833</b>	<b>7,800</b>	<b>15,000</b>	<b>0</b>

\* Of those receiving a pay rise or shares † Total cash compensation

**Table 2: Salaries and total compensation**

Basic salaries				Total cash compensation		
Range (£K)	Percent of replies			Range (£K)	Percent of replies	Percent of replies
	2008	2007	2006		2008	2007
<=20	0	3	2	<=30	3	4
21- 30	3	3	4	31- 40	2	11
31- 40	6	12	13	41- 50	5	10
41- 50	13	18	24	51- 60	9	17
51- 60	20	14	16	61- 80	26	18
61- 70	9	10	5	81-100	11	11
71- 80	16	9	4	101-150	27	16
81-100	11	18	18	>150	17	13
>100	22	17	14			
Median (£K)	70.0	63.0	55.2		97.0	70.0
Maximum (£K)	202.0	350.0	154.0		320.0	1,000
Minimum (£K)	22.0	2.0	3.0		20.0	2.0
Men (%)	81	83	81			
Salary (£K)	70.0	71.3	68.4		80.9	
Women (%)	19	17	19			
Salary (£K)	71.0	93.8	58.2		79.0	
Number of responses	111	104	105		113	111

The distribution of salaries did not change significantly from 2007, but there was a substantial positive shift in the middle ranks in respect of total cash compensation supporting an overall increase in average total cash remuneration of 6% across all employment sectors.

Reported mean salaries were higher most notably in the Academic and the Consulting sectors, but were lower in Investment Banking, Asset

Management, Public Sector and Industry and Commerce. The median salary reported for women was this year about the same as for men, and while the ratio of women's salaries to men's has recently shown wild swings, from 0.8 in 2006 to 1.3 last year reflecting changes in the respondent sample, the trend now seems to be much closer to parity than was the case ten years ago.

Average total cash compensation was higher in Academia, Consulting, Retail Banking and the Trade Associations.

### **Bonus experience**

The average bonus paid this year was £22,920, an increase of 29% over last year. As last year the highest bonuses were received in the Wholesale & Investment Banking sector (average bonus £62,000) and in Asset Management (£55,000), although the average bonus received by those in Asset management was actually lower, by 7%, than last year.

Despite this the percentage of both salary and total cash compensation represented by bonuses increased substantially in Asset Management as well as in Investment Banking, and indeed in several other sectors. Thus this year's average bonus in Asset Management represented 57% of total cash compensation and in Investment Banking the equivalent percentage was 37%.

### **Pensions and general benefits**

Data concerning pensions and general benefits are shown in Table 3. The number of respondents in a pension scheme has fallen to 85%, but the proportion enjoying a final salary scheme has fallen far more sharply. Last year two thirds of all respondents were in a final salary scheme; this year this has fallen to just over half.

The reason for this is the virtual disappearance of the final salary personal pension scheme, for which the percentage of respondents is down from 35% to only 2%. The proportion of respondents in non-contributory final salary schemes is in fact higher than last year (up from 15% to 33%), while those in contributory schemes remain at about 16%.

This year 48% of respondents are in a defined contribution scheme, and almost 30% are in a non-contributory scheme (as opposed to none at all in 2007). Again, personal pension plans are down in 2008, to just 7%, half the proportion of last year.

Table 3: General benefits

	Male	Percent of respondents	Female	Percent of respondents	Total	Percent of respondents
<b>General benefits</b>						
Medical	50	54.4	13	61.9	63	55.8
Company car	22	23.9	1	4.8	23	20.4
<b>Pension schemes</b>						
Respondents in a pension scheme	79	85.9	17	81.0	96	85.0
<b>Final salary schemes</b>						
Contributory	14	17.7	2	11.8	16	16.7
Non-contributory	27	34.2	5	29.4	32	33.3
Personal pension	1	1.3	1	5.9	2	2.1
<b>Defined contribution schemes</b>						
Contributory	9	11.4	2	11.8	11	11.5
Non-contributory	22	27.9	6	35.3	28	29.2
Personal pension	6	7.6	1	5.9	7	7.3
<b>Share and option schemes</b>						
Number with a scheme	22	23.9	5	23.8	27	23.9
Number receiving shares in 2007/8	14	63.6	4	80.0	18	66.7
Average value received (£K)	22.0		7.3		18.7	
Average value as % of salary	20.7		9.7		18.3	
Average value as % of total compensation	13.9		7.6		12.5	
Number receiving options 2007/8	8	8.7	0	0	8.0	7.1
Average value received (£K)	8.1		0		8.1	
Average value as % of salary	8.1		0		8.1	
Average value as % of total compensation	5.6		0		5.6	

It appears that personal pension plans are not as popular as they were at last year's peak and that significantly more employers are now offering non-contributory plans as part of the general benefits package.

With respect to other non-financial benefits, nearly 56% are receiving medical benefits (45% in 2007) but only 20% enjoy the use of a company car (27% in 2007).

### **Share and option schemes**

The proportion of respondents in share schemes rose slightly to 24% in 2008 but the percentage in such schemes that received shares in 2008 increased dramatically, from 16% in 2007 to 67%.

The average value of shares received was £18,720, although there was a marked disparity between the value received by male respondents (£21,990) and female respondents (£7,275), and the proportion of total remuneration represented by shares was less than 8% for females, against almost 14% for males.

All those receiving options in 2008 were male. The average value received by the 8 respondents in such schemes was £8,125, representing an average 5.6% of total cash compensation.

The observation that could be drawn from these figures is that shares and options are not such a popular form of incentive for our membership as they once were.

The disparity between the experiences of male and female respondents in share and option schemes may also be partially explained by the fact that the female respondent population had on average served less than 5 years with their current employer and were 37 years old. In comparison, the male respondents were on average 45 years old and had served 8 years with their current employer.

### **Length of service**

Table 4 records the relationship between the length of service and average total cash compensation.

In aggregate, length of service was broadly similar across each employment sector, although it was noticeably higher for those in Academia and Retail Banking.

The proportions of respondents who had served for various periods greater than 5 years are similar to last year, with most staff movement apparently among those with shorter service. Thus only 26% of respondents had served between 1 and 4.5 years with their current employer, down from 33% in the 2007 survey, but 23% had moved during the last year.

Overall, median total cash compensation in each of the service ranges was significantly higher this year, excepting those with over 20 years of service with the same employer.

Most notably, the median total cash compensation for newly hired employees rose 73% from £50,250 to £87,000, but all segments recorded a significant increase on 2007 after a persistent levelling for the previous three years.

**Table 4: Pay by length of service**

Number of years service	Number of respondents	Percentage of total	Median Total Cash Compensation (£K)		
			2008	2007	2006
>= 20	12	11	82.1	80.0	80.0
15.0–19.9	10	9	98.0	80.0	82.0
10.0–14.9	10	9	84.8	75.0	75.0
5.0– 9.9	25	23	111.5	73.0	81.0
1.1– 4.5	29	26	83.0	63.8	54.5
0.0– 1.0	25	23	87.0	50.3	48.0

**Pay increases 2007-2008**

Across all sectors of employment, the mean pay rise of respondents was 6.1% (median 3.5%), up from 5.2% last year. Taking only those who received a salary increase, the average pay rise was 7.3%.

The biggest average increases in pay were in the financial sector, embracing Investment Banking (12%), Retail Banking (12%) and Asset Management (16%).

**Table 5: Pay rise by employment sector**

Employment	Total respondents	Average years service	Percent under 1 year of service*	Median per cent increase in salary 2007/8			Percent increase in salary**
				All respondents	Service of less than 1 year	Service of over 1 year	
Academia	5	19.0	0.0	4.0	N/A	4.0	0-12
Public sector	20	7.5	0.0	4.0	N/A	4.0	0-25
Consulting	25	7.5	4.0	4.0	14.0	4.0	0-37
Investment banking	15	5.9	7.0	5.0	0.0	5.0	0-40
Retail banking	5	11.6	0.0	5.0	N/A	5.0	0-7
Asset management	17	6.2	6.0	0.0	0.0	2.4	0-40
Industry & commerce	12	6.2	17.0	4.0	51.0	4.0	0-100
Trade associations	11	7.1	9.0	2.5	0.0	2.75	0-15
Other	4	5.0	0.0	0.0	N/A	0.0	0-3
All	112	7.7	6.0	3.5	13.0	2.4	0-100

\* Percent of respondents in each employment \*\*Excluding respondents reporting a lower salary



Median salary rises were typically far lower across all sectors, ranging from 0-5%. However, those in service for less than one year in Industry and Commerce experienced a median increase in salary of 51%, and for those in the Consulting the corresponding figure was 14%.

### **Activity and pay**

Table 6 shows salaries and cash compensation by primary job function within each employment sector. This is the second year we have represented the data in this way.

For the Econometrics, Forecasting and Modelling function, median salaries significantly increased from £51,000 in 2007 to £70,000 in 2008. Median total cash compensation also increased, by 13% to £78,000. Strong increases in total cash compensation were experienced across each of the financial services sectors for this job function.

In Project Analysis and Evaluation, the median salary was 77% higher, at £75,000, and median total cash compensation was, coincidentally, also up to £75,000, a 31% rise. It is difficult to make comparisons for this job function in particular sectors because in sectors where some were engaged in it this year, none were last, and vice versa.

In Markets Trading or Fund Management, the median salary actually fell in 2008, from £110,000 to £90,000. However, median total cash compensation increased by 3%, to £155,000. Average total cash compensation in the financial service sector fell generally, and in Asset Management fell by around 50%.

In the International and Country Analysis function, the median salary increased 26% and median total cash compensation was up 42% to £73,300. In Wholesale and Investment Banking this figure was 53%.

In Public Policy Analysis the median figures for salary and total cash compensation were almost unchanged, at £60,900 and £71,000 respectively.

For Senior Management the median salary was down 11% at £80,000 although median total cash compensation was marginally higher at £103,350. This year there were many more respondents in Senior and General Management and although average total cash compensation increased significantly for those in Consultancy, Industry and Commerce showed a decrease of almost 20%.

**Table 6: Activity by employment sector – average total cash compensation (£K)**

Employment	Econometrics, forecasting & modelling	Project analysis evaluation & strategic planning	Markets trading or fund management	International or country analysis	Public policy analysis	Senior or general management
Investment banking	129.6	N/A	180.3	141.0	N/A	127.5
Retail banking	86.8	N/A	65.0	N/A	N/A	66.0
Asset management	123.4	134.0	151.8	88.8	200.0	182.5
Consultancy	102.9	131.4	N/A	72.2	130.0	132.3
Trade associations	78.0	43.0	N/A	46.2	57.0	81.3
Academia	N/A	46.0	N/A	47.5	N/A	56.0
Public sector	40.0	78.1	N/A	30.0	61.5	93.9
Industry and commerce	65.3	N/A	N/A	53.0	93.6	131.1
Median salary Salary range	70.0 33-185	75.0 30-165	90.0 50-120	64.3 30-110	60.9 32-140	80.0 45-160
Median total cash compensation TCC range	78.0 36-260	75.0 31-365	155.0 65-260	73.3 30-175	71.0 32-200	103.4 45-260

**Table 7: Qualification by sector – average salaries and total compensation (£K)**

Qualification	BA	BSc	MA	MSc	MBA	PhD
Number % of total	18	6	16	54	7	12
Average age (Yrs)	46	42	50	41	48	47
Average salary	<b>71.1</b>	<b>56.7</b>	<b>87.9</b>	<b>66.5</b>	<b>89.1</b>	<b>84.6</b>
Average total cash compensation	<b>120.7</b>	<b>74.2</b>	<b>135.8</b>	<b>88.2</b>	<b>114.0</b>	<b>133.7</b>
Median TCC	105.0	53.5	145.0	70.0	89.0	129.5
Investment banking	165.5	52.0	105.0	64.0	160.0	125.0
Retail banking	43.0	55.5	N/A	66.5	N/A	N/A
Asset management	195.2	201.3	128.5	106.9	N/A	N/A
Industry & commerce	64.5	40.5	163.0	77.9	74.0	140.0
Trade associations	N/A	65.0	175.0	83.3	132.0	55.5
Consulting	121.0	31.0	169.0	78.9	125.0	217.7
Public sector	137.0	N/A	118.3	103.0	73.5	106.5
Academia	40.0	N/A	125.0	75.1	N/A	38.0

### **Academic achievement**

Table 7 shows the number, average age and salary of respondents with each academic qualification identified, together with the average total cash compensation achieved by those qualification holders in each employment sector. Once again, the data show that academic achievement is neither a passport nor a barrier to significant monetary reward!

Among the holders of a PhD, the average total cash compensation stands at £133,670, representing an increase of 12% over the previous year. The highest earners were in Industry and Commerce, Consulting and Investment Banking.

MAs were rather less numerous this year, but the average total cash compensation rose 52%, against 5% for MScs. Amongst the MAs, the highest rewards were received in Consulting and Industry & Commerce.

BAs received average total cash compensation of £120,700 this year, although this represented a decrease of 19%. Nevertheless, they still included several of the highest earners in the financial services sectors, particularly in Asset Management.

BScs received the lowest median total cash compensation at £53,500 and the lowest average at £74,210 also representing a fall of 7% since last year. Whilst some of the highest earners (Asset Management) are included in this qualification segment, the average is significantly reduced by the lower rewards in other sectors.

### **Conclusion**

Once again, thank you all for participating in the survey this year. It would be a greater delight still if all of our respondents over the past three years would submit their details next year, as I feel sure that we could increase overall representation of the SBE membership in this survey to at least 30%! And that would make it still more useful to us all.