

Society of Business Economists Salary Survey

January 2007

Compiled by Simon Mansfield¹

Introduction

The 2007 SBE Salary Survey questionnaire was completed by 111 members this year, 2 fewer than in 2006. The data suggest that there has been a significant turnover in those who responded.

We reorganised the employment sectors in the questionnaire to distinguish between Retail Banking and Wholesale & Investment Banking which proved interesting, as the divide between them in terms of remuneration is considerable.

We also segregated the components of Industry & Commerce into groups that included Manufacturing, Construction and Energy, and Distribution, Transport & Communication. However, the samples were generally too small to be significant, and the results have been recombined under Industry & Commerce.

The general profile of economists' remuneration

The rich get richer

This year we report our first £1,000,000 total cash compensation, in the Asset Management sector, and, against all precedent, average salaries and average total cash compensation for women were both much higher than for men.

Table 1 provides details of the profiles and average earnings of respondents in each employment sector, showing relative sectoral representation, average age, and the average number of years of service.

Overall, average salaries grew 12.7% to £75,162, against last year's figure of £66,700, and average total cash compensation is now running at £98,873, versus £89,800 in our last survey. The highest increases were in Asset Management, Industry & Commerce, Trade Associations and the Government & Public sectors, all up by more than 23%.

¹ Garner International.

Table 1: General remuneration profile by sector

	Academia	Public sector & Government	Consulting	Investment banking	Retail banking	Asset management & insurance	Industry & commerce	Trade associations	Other
Number	7	25	22	11	8	13	14	10	1
% of Total	6.3	22.5	19.8	9.9	7.2	11.7	12.6	9.0	0.9
Average age (yrs)	57.0	42.0	45.0	45.0	42.0	47.0	45.0	42.0	38.0
Average service (yrs)	12.6	6.4	5.4	6.9	10.1	8.4	10.9	7.7	1.5
Average salary (£)	27,900	69,100	70,900	90,300	57,600	105,401	104,300	53,300	48,500
Range (£K)	1-46	30-143	32-145	30-160	31-95	38-250	24-350	40-90	48
Median (£K)	31.0	65.5	47.0	100.0	53.3	92.5	69.0	52.5	48.5
Average total cash compensation (£)	29,110	72,400	85,700	145,800	72,700	204,463	116,000	55,800	48,500
Range (£K)	1-46	30-168	35-265	30-330	33-135	44-1,000	24-355	40-110	48
Median (£K)	31.0	67.5	73.0	150.0	66.3	120.0	82.5	53.5	48.5
Average pay rise (%)	6.3	3.9	8.2	5.4	6.1	4.9	5.0	1.9	2.5
Average rise OTR* (%)	7.3	4.6	10.0	7.6	7.0	8.0	5.3	5.4	2.5
Range (%)	0-25	0-13	0-29	0-10	0-15	0-20	0-20	0-14	2.5
In share schemes (%)	0	0	10	64	50	54	28	0	0
Receiving shares (%)	0	0	50	86	75	71	100	0	0
Average value OTR* (£K)	0	0	50.0	7.8	16.5	22.8	52.3	0	0
Average bonus (£)	0	3,360	12,040	54,910	15,160	58,709	8,150	2,300	0
Average % of salary	0	3.9	12.8	50.8	23.2	59.1	12.2	14.7	0
Range (%)	0	0-17	0-83	0-136	0-42	0-117	0-23	0-20	0
Average % of Tc†	0	3.65	9.60	28.60	17.90	24.38	10.30	2.50	0
Range (%)	0	0-15	0-45	0-58	0-30	0-54	0-18	0-16	0

* Of those receiving a pay rise or shares

† Total compensation

Although 3% fewer respondents received a cash bonus this year, still 60% did, and 16% of respondents received shares and 10% received options, significantly higher percentages than last year.

Median salaries were generally similar to average salaries, except in Consulting and in Industry & Commerce, where average salaries were significantly higher than the median, indicating a small number of very high earners in each sector. The highest average salary was in Asset Management, at £105,401, and the lowest in Academia, at £27,900.

Across all respondents, the average total cash compensation (£98,873) is significantly higher than the median (£70,500). Among individual employment sectors, however, this was not true of either Academics or Investment and Retail Bankers.

Who's who

Employment by sectors was rather different when compared with last year. There was a 21% decline in respondents in Consulting, but increases of 100% and 61% in replies from those in Industry & Commerce and in Asset Management respectively. Despite the decline in numbers in Consulting, it still accounts for nearly 20% of respondents, exceeded only by those in Government and Public Sector, at 22%.

Overall, the average age of respondents in 2007 has risen from 43 to 45 years, and, unsurprisingly perhaps, the average length of service with the present employer has also risen from 7 to 7.8 years.

Within the individual employment sectors, Academics, Bankers, Government & Public Sector workers and those working in industry and trade associations have all become older, whilst, true to stereotype, Consultants and Asset Managers have become somewhat younger!

Salary ranges

Table 2 shows the percentage of respondents in each salary range and the number and percentage in each total cash compensation range. Again the gradual migration up the ranges of our respondents is apparent, and the percentage of respondents receiving salaries in excess of £100,000 rose to 17%, against 14% last year. The maximum reported salary has also risen, from £154,000 to £350,000.

Table 2: Salaries and total compensation

Basic salaries				Total cash compensation		
Range (£K)	Percent of replies			Range (£K)	Number	Percent of replies
	2007	2006	2005			
<=20	3	2	2	<=30	5	5
21 - 30	3	4	7	31 - 40	12	11
31 - 40	12	13	8	41 - 50	11	10
41 - 50	18	24	24	51 - 60	19	17
51 - 60	14	16	15	61 - 80	20	18
61 - 70	10	5	11	81 -100	12	11
71 - 80	9	4	8	101 -150	18	16
81 - 100	18	18	13	>150	14	13
>100	17	14	12			
Median (£K)	63.0	55.2	55.0		70.0	
Maximum (£K)	350.0	154.0	280.0		1,000	
Minimum (£K)	2.0	3.0	5.0		2.0	
Men (%)	83	81	82			
Salary (£K)	71.3	68.4	66.4			
Women (%)	17	19	18			
Salary (£K)	93.8	58.2	72.8			
Number of responses	104	105	104		111	100

Benefits

Table 3 shows the main type of benefits received by respondents; this year we kept this portion of the questionnaire exactly the same as last year's, in order to monitor the changing trends.

Table 3: General benefits

	Male	% of respondents	Female	% of respondents	Total	% of respondents
General benefits						
Medical	42	45.6	7	38.8	49	44.5
Company car	29	31.5	3	16.7	30	27.3
Pension schemes						
Respondents in a pension scheme	83	90	16	88.9	101	91.8
Final salary schemes						
Contributory	12	13.0	5	27.8	17	15.5
Non-contributory	12	13.0	4	22.2	16	14.5
Personal pension	35	38.0	3	16.7	38	34.5
Defined contribution schemes						
Contributory	13	14.1	0	0	13	11.8
Non-contributory	0	0	0	0	0	0
Personal pension	11	11.9	4	22.2	15	13.6
Share and option schemes						
Number with a scheme	21	22.8	3	16.7	24	21.8
Number receiving shares in 2006	16	17.4	2	11.1	18	16.4
Average value received (£)	19,027		78,500		25,635	
Average value as % of salary	19.2		119.8		25.2	
Average value as % of total compensation	13.9		98.1		23.3	
Number receiving options 2006	11	11.9	0	0	11	10.0
Average value received (£)	27,852		0		27,851	
Average value as % of salary	20.8		0		20.8	
Average value as % of total compensation	12.1		0		12.1	

Slightly fewer respondents received medical benefits than last year, down 3.5%, although an additional 4.3% enjoy the use of a company car. Housing assistance has been all but abandoned amongst our respondents and we have therefore chosen not to report it here this year.

The same proportion of all respondents (92%) are in a pension scheme as last year, but in just one year the non-contributory pension has almost disappeared. There has been a corresponding increase in the take-up for personal pensions, up from 12% of respondents last year, to 48% in 2007.

The number of respondents participating in share schemes fell from 27% to 22% in 2007, but the number of those in such schemes that received shares actually rose, from 11% to 16%.

Length of service

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

The average length of service across all sectors remains very similar at 7.8 years, with no material changes in representation in any particular range. Average years of service declined a little in Academia and Consulting, but increased a little in all others.

Table 4: Pay by length of service

Number of years service	Number of respondents	Percentage of total	Median Total Cash Compensation (£K)	
			2007	2006
>= 20	9	8	80.0	80.0
15.0–19.9	9	8	80.0	82.0
10.0–14.9	13	12	75.0	75.0
5.0– 9.9	25	23	73.0	81.0
1.1– 4.5	36	33	63.8	54.5
0.0– 1.0	18	16	50.3	48.0

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 2006		
				All respondents	Service of less than 1 year	Service of over 1 year
Academia	7	12.6	0.0	3.0	N/A	3.0
Public sector	25	6.4	9.0	3.0	0.0	3.8
Consulting	22	5.4	9.1	4.5	2.5	4.5
Investment banking	11	6.9	18.2	5.0	0.00	7.0
Retail banking	8	10.1	0.0	4.5	N/A	4.5
Asset management	12	8.6	8.3	5.0	5.0	5.0
Insurance	1	5.0	0.0	0.0	N/A	0.0
Industry & commerce	14	10.9	0.0	4.2	N/A	4.3
Trade associations	10	7.7	10.0	4.0	N/A	4.0
Other	1	1.5	0.0	2.5	N/A	2.5
All	111	7.5	8.1	3.6	0	4.0

* Percent of respondents in each employment

Median total cash compensation in each segment has hardly changed at all from last year, except in the 'entry' ranges of 1.0 - 4.5 years, where it has risen from £54,500 to £63,750, and in the range of 5.0 - 9.9 years of service, where it has actually fallen from £81,000 to £73,000. The levelling of median total cash compensation in each range has now persisted for the past three years.

Pay increases in 2006-2007

Table 5 shows that across all sectors of employment the mean pay rise of our respondents was 3.6%, down from 5% last year. However, several individual sectors recorded substantial percentage pay rises in 2007; the highest, at 7%, was in Investment Banking, for those with service of more than one year. The median increase for other sectors where pay rises were awarded at all, ranged from 3.0% (Academia) to 5% (Asset Management)

Activity and employment

Table 6 shows employment by sector and primary activity (job function) within each employment sector. In past years we have merely recorded the number of individuals represented at each data point. This year I thought it would be more interesting to see a comparison of average salaries in each function within each sector.

The highest salary and total cash compensation were both recorded in the Markets Trading or Fund Management activity, followed by Senior or General Management. The lowest salary was recorded in Project Analysis Evaluation & Strategic Planning, and the lowest total cash compensation was in International or Country Analysis.

Academic Achievement

Table 7 shows profile and salary data relating to academic qualifications for each employment sector.

We recorded the same number of BScs (10) and PhDs (14) as in 2006, but more MScs (46 against 35) and fewer MA's (22 against 35).

Interestingly the MAs, with an average age of about 50 years, were older than the MScs, who averaged about 40 years of age. But the eldest group was the MBAs, who averaged some 53 years. Does this suggest that amongst economists the MBA is becoming a less relevant qualification? And that the, ostensibly, more technical MSc is becoming more useful than an MA?

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

Employment	Econometrics, forecasting & modelling	Project analysis evaluation & strategic planning	Market trading or fund management	International or country analysis	Public policy analysis	Senior or general management
Investment banking	£117,500	N/A	£205,000	£ 92,250	N/A	£192,300
Retail banking	£ 63,000	£ 64,400	£135,000	N/A	N/A	N/A
Asset management	£ 98,625	N/A	£337,906	£124,000	N/A	N/A
Insurance	N/A	£220,000	N/A	N/A	N/A	N/A
Consultancy	£ 68,875	N/A	£105,000	£ 85,608	£ 90,833	£ 92,750
Trade associations	£ 40,000	£ 36,750	N/A	N/A	£ 52,200	£110,000
Academia	N/A	£ 32,160	N/A	£ 46,000	N/A	N/A
Public sector	£ 30,350	£ 63,000	N/A	£ 61,500	£ 72,968	£ 95,880
Industry and commerce	£ 75,833	N/A	N/A	N/A	£101,000	£161,183
Median salary (£k) Range (£k)	£ 51,000 30-120	£ 42,250 19-120	£110,000 71-250	£ 51,175 30-145	£ 58,360 38-143	£ 90,000 24-350
Median total cash compensation (£k) Range (£k)	£ 69,000 30-165	£ 57,150 19-220	£150,000 97-1,000	£ 51,500 30-265	£ 60,660 38-168	£ 99,400 24-380

Table 7: Qualification by sector – average total cash compensation (£K)

Qualification	BA	BSc	MA	MSc	MBA	PhD
Number	15	10	22	46	4	14
% of total	13.5	9.0	19.8	41.4	3.6	12.6
Average age (Yrs)	45.0	43.2	50.3	40.6	52.7	49.8
Average salary	84.7	65.8	65.4	68.2	81.8	107.9
Average total cash compensation	149.5	79.5	88.7	83.6	115.8	119.7
Median	61.0	66.0	68.3	72.0	92.0	75.0
Investment banking	150.0	130.0	130.6	226.7	N/A	60.5
Retail banking	52.0	76.0	98.5	68.3	N/A	N/A
Asset management	372.5	215.6	110.0	104.8	N/A	102.0
Insurance	N/A	N/A	N/A	N/A	220.0	N/A
Industry & commerce	N/A	38.0	69.0	82.1	59.0	284.0
Other service activities	69.3	N/A	57.5	45.8	N/A	52.0
Consulting	37.1	70.5	100.4	67.9	125.0	135.0
Public sector	63.6	56.0	73.7	76.7	N/A	52.8
Academia	N/A	1.6	19.6	46.0	N/A	35.5

If so it is at odds with the fact that average salaries for those with a BA were once again significantly higher than those with a BSc, and average total cash compensation was even more markedly different. Indeed, average total cash compensation for BAs was higher than for any other group. Average salaries and average total cash compensation were not materially different between MAs and MScs, but both were significantly lower than earnings for those holding a BA.

Bonus payment months

This year, we also asked our members exactly when bonuses were paid by their employers. The result was rather mixed. Of the 70 individuals who received a cash bonus during the survey period, 36% were paid in the first Quarter, 33% in Q2, 16% in Q3 and 13% in Q4. And 34% of bonuses were paid in March and April alone, perhaps reflecting the Inland Revenue's idiosyncratic calendar. The 2 members who receive bonuses on a Quarterly basis were excluded from these figures.

Thank you all for you participation.