

Society of Business Economists Salary Survey

January 2006

Compiled by Simon Mansfield¹

Introduction

The 2006 SBE Salary Survey questionnaire was completed by 113 respondents, one economist fewer than last year (probably me). The new questionnaire format has provided good additional material upon which to comment, including greater detail about pensions, share schemes, and the academic background of the membership.

There are many similar characteristics observed between this year's and last year's population of respondents. One main headline to be drawn from this survey is that members are receiving less guaranteed income, and more incentive reward. Across all sectors, average salaries are marginally lower than last year (down 1.2%, at £66,700), but average total cash compensation rose significantly, by 9.9%, to £89,800.

More members received a bonus this year (63% of respondents against 56% in 2005), although the average percentage of salary that they received was more or less static at 35% and the median percentage was also the same at 14%. The main explanation of the difference is that for the respondents benefiting from a share scheme the average value of shares received rose from £16,800 in 2005, to an average of £24,300 in 2006.

A very marked difference was noted in the incomes of male and female respondents this year. In 2005 the average salary for female respondents was an exceptionally high £72,800; this year it is much lower, at £58,200. Last year the total cash compensation for females was, on average, 5% less than for male respondents. However, this year the equivalent difference is 23%.

The number of respondents representing each sector has changed, in part because of the different segmentation of the questionnaire. Nevertheless,

¹ Garner International.

Table 1: General remuneration profile by sector

| | Academia | Public sector | Consulting | Banking | Asset management | Other financial | Manufacturing and distribution | Trade associations | Other |
|-------------------------------------|----------|---------------|------------|---------|------------------|-----------------|--------------------------------|--------------------|--------|
| Number | 5 | 26 | 28 | 17 | 8 | 10 | 7 | 10 | 2 |
| % Total | 4.4 | 23.1 | 24.8 | 15.0 | 7.1 | 8.8 | 6.2 | 8.8 | 1.8 |
| Average age (yrs) | 54.4 | 40.0 | 45.9 | 40.1 | 49.1 | 45.7 | 40.4 | 36.3 | 32.0 |
| Average service (yrs) | 14.8 | 4.9 | 7.3 | 9.6 | 7.6 | 10.7 | 8.1 | 6.1 | 3.5 |
| Average salary (£) | 37,702 | 54,272 | 75,571 | 73,205 | 102,062 | 86,950 | 52,666 | 43,960 | 48,500 |
| Range (£k) | 29-43 | 3-140 | 0-154 | 27-135 | 72-140 | 46-150 | 37-85 | 21-60 | 47-50 |
| Median (£k) | 37.0 | 48.0 | 76.0 | 60.0 | 88.0 | 90.0 | 56.0 | 48.0 | 48.0 |
| Average total cash compensation (£) | 38,762 | 59,067 | 93,438 | 130,914 | 160,062 | 124,350 | 71,943 | 44,660 | 53,350 |
| Range (£k) | 29-43 | 3-164 | 24-379 | 28-430 | 81-260 | 50-220 | 55-110 | 22-60 | 52-55 |
| Median (£k) | 42.0 | 48.0 | 81.0 | 90.0 | 141.0 | 127.0 | 72.0 | 48.0 | 53.0 |
| Average pay rise (%) | 2.60 | 4.25 | 3.84 | 10.30 | 5.85 | 5.70 | 2.71 | 1.32 | 9.50 |
| Average rise OTR* (%) | 2.60 | 6.42 | 7.08 | 12.60 | 9.40 | 6.30 | 8.16 | 4.88 | 9.50 |
| Range (%) | 2-3 | 0-30 | 0-20 | 0-47 | 0-20 | 0-10 | 3-20 | 0-10 | 4-15 |
| In share schemes (%) | 0 | 0 | 25 | 70 | 50 | 40 | 28 | 0 | 50 |
| Receiving shares (%) | 0 | 0 | 7 | 41 | 25 | 10 | 14 | 0 | 0 |
| Average value OTR* (£) | 0 | 0 | 9,500 | 27,143 | 6,000 | 15,000 | 28,000 | 0 | 0 |
| Average bonus (£) | 0 | 4,775 | 17,786 | 57,561 | 55,125 | 37,400 | 8,000 | 3,500 | 4,850 |
| Average % of salary | 0 | 7.0 | 17.0 | 56.0 | 49.0 | 39.0 | 12.0 | 1.4 | 10.0 |
| Range (%) | 0 | 0-117.0 | 0-146.0 | 0-231.0 | 0-80.0 | 5.0-100.0 | 0-29.0 | 0-12.0 | 10.0 |
| Average % of total compensation | 0 | 4.58 | 10.99 | 25.80 | 29.20 | 25.02 | 9.88 | 1.29 | 9.09 |
| Range (%) | 0 | 0-54 | 0-59 | 0-70 | 0-45 | 5-50 | 0-23 | 0-11 | 9 |

* of those receiving a pay rise or shares

a larger proportion of the respondents (nearly 25%) is employed in Consulting this year than last, and in the Public Sector (now over 23%). Given the significant increase in Government spending on consulting services, and the increase in recruitment activity among the consulting firms for economists to work facing the public sector, it would be most surprising if these two statistics were not linked.

There were fewer respondents from the Banking sector (only 15%) but a greater number in Other Financial & Asset Management (16%). This perhaps reflects the smaller overall number of banks operating in the United Kingdom, and the greater number of banks now owned by other financial institutions.

Once again, median salaries are typically very close to average salaries, except this year the greatest discrepancy is in the Banking sector, where the average salary is almost 25% higher than the median, showing that a significant skew exists towards those earning less than the mean figure.

General remuneration profile

Table 1 provides details of the profile and fortunes of respondents in each sector, showing relative representation, average age and years of service, as well as providing data on basic salary, bonus and total cash compensation.

The characteristics of respondents in each sector have changed sufficiently to suggest that there has been a sizeable turnover of survey respondents since last year. Yet overall, the average age remains the same as in 2005, at 43 years, and the average years of service with current employers is only marginally different, at 7 years of service.

In Academia the average age has actually fallen, yet the average years of service have increased by over 3 years. In both Banking and Consulting, average service has increased by 2 years; in Trade Associations it has fallen by 2 years and the average age of respondents has fallen by 4 years.

Salaries and total cash compensation

Basic salaries

Within the individual sectors, average salaries range from £37,700 in Academia, to £102,100 in Asset Management. The second highest average salaries (£87,000) were paid in Other Financial (insurance companies for the most part), and third was Consulting (£75,600).

Across all sectors, median salaries ranged from £37,000 to £90,000, an increase of 11% over 2005.

The most notable changes were in the Public Sector and in Consulting. Whilst pay rises in the Public Sector were in line with estimates of inflation and productivity gain, total cash compensation rose considerably more than salaries, bonuses having risen from £575 last year to an average of almost £5,000 in 2006.

In the Consulting sector average reported salaries increased dramatically, from below £50,000 last year, to over £75,000 in 2006, although average bonuses as a percentage of salary for this sector have fallen from 22% to 17% this year.

Total cash compensation

Last year we introduced the measure of total cash compensation to help illustrate the level of the cash incentive component in total compensation packages in specific sectors of employment. We highlighted the financial sector in particular.

In 2006 the long-standing gap between male and female pay got worse: male respondents received an average total cash compensation of £93,900 (up 13% on 2005) whilst female respondents received £71,900 (down 8%).

This year, the cash incentive component is even more marked than in 2005 in the Banking, Asset Management and Other Financial sectors, as shown by the difference between average total cash compensation and the average salary in each sector.

By far the highest average total cash compensation received was in Asset Management (£160,100) with a median figure of £141,000 followed by Banking (£130,900), Other Financial (£124,400) and Consulting (£93,400).

Table 2 shows the percentage of respondents in each salary range and the number and percentage of respondents in each total cash compensation range.

In 2005 there was a marked increase in the percentage of respondents receiving a salary of between £41,000 and £60,000. This year the greatest

Table 2: Distribution of salaries and total cash compensation

| Basic salaries | | | | Total cash compensation | | |
|---------------------|--------------------|-------|-------|-------------------------|--------|--------------------|
| Range (£k) | Percent of replies | | | Range (£k) | Number | Percent of replies |
| | 2006 | 2005 | 2004 | | | |
| <=20 | 2 | 2 | 1 | < 30 | 6 | 5 |
| 21 - 30 | 4 | 7 | 13 | 31 - 40 | 13 | 11 |
| 31 - 40 | 13 | 8 | 15 | 41 - 50 | 19 | 17 |
| 41 - 50 | 24 | 24 | 12 | 51 - 60 | 19 | 17 |
| 51 - 60 | 16 | 15 | 11 | 61 - 80 | 11 | 10 |
| 61 - 70 | 5 | 11 | 8 | 81 -100 | 13 | 12 |
| 71 - 80 | 4 | 8 | 15 | 101 -150 | 17 | 15 |
| 81 - 100 | 18 | 13 | 11 | >150 | 15 | 13 |
| >100 | 14 | 12 | 14 | | | |
| Median (£k) | 55.2 | 55.0 | 57.3 | | 60.6 | |
| Maximum (£k) | 154.0 | 280.0 | 350.0 | | 430.0 | |
| Minimum (£k) | 3.0 | 5.0 | 12.0 | | 3.0 | |
| Males (%) | 81 | 82 | 84 | | | |
| Salary (£k) | 68.4 | 66.4 | 60.0 | | 93.9 | |
| Females (%) | 19 | 18 | 16 | | | |
| Salary (£k) | 58.2 | 72.8 | 52.5 | | 71.9 | |
| Number of responses | 105* | 104 | 122 | | 113 | |

* Excluding those reporting only non-salary income

increase was observed as those receiving between £81,000 and £100,000 (18% of all respondents vs. 13% in 2005), and a sharp decline in those receiving between £61,000 and £80,000 (9% of all respondents vs. 19% in 2005).

Table 3: General benefits

| | Male | % of respondents | Female | % of respondents | Total | % of respondents |
|--|--------|------------------|--------|------------------|--------|------------------|
| General benefits | | | | | | |
| Medical | 45 | 49 | 9 | 43 | 54 | 48 |
| Housing assistance | 4 | 4 | 1 | 5 | 5 | 4 |
| Company car | 22 | 24 | 4 | 19 | 26 | 23 |
| Pension schemes | | | | | | |
| Respondents in a pension scheme | 84 | 92 | 19 | 90 | 103 | 92 |
| Final salary schemes | | | | | | |
| Contributory | 16 | 17.60 | 3 | 14.30 | 19 | 16.90 |
| Non-contributory | 36 | 39.60 | 7 | 33.33 | 43 | 38.40 |
| Personal pension | 2 | 2.20 | 0 | 0 | 2 | 2 |
| Defined contribution schemes | | | | | | |
| Contributory | 7 | 7.70 | 3 | 14.30 | 10 | 8.90 |
| Non-contributory | 15 | 16.50 | 3 | 14.30 | 18 | 16.10 |
| Personal pension | 6 | 8.80 | 3 | 14.30 | 11 | 9.80 |
| Share and option schemes | | | | | | |
| Number with a scheme | 26 | 28.60 | 4 | 19.00 | 30 | 26.78 |
| Number receiving shares in 2005 | 10 | 10.86 | 2 | 9.52 | 12 | 11 |
| Average value received (£) | 25,700 | | 3,500 | | 24,333 | |
| Average value as % of salary | 22.90 | | 5.90 | | 20.10 | |
| Average value as % of total compensation | 10.60 | | 4.30 | | 9.50 | |
| Number receiving options 2005 | 6 | 6.60 | 0 | 0 | 6 | 5.36 |
| Average value received (£) | 25,000 | | 0 | | 25,000 | |
| Average value as % of salary | | 25.95 | 0 | | 29.95 | |
| Average value as % of total compensation | | 15.36 | 0 | | 15.36 | |

There was also an upward shift in salaries at the lower end of the scale, from the £21,000-£30,000 range into the range of £31,000-£40,000.

This year 14% of respondents received a salary in excess of £100,000, and 32% received total cash compensation above that figure, rather more than in 2005.

Benefits

Table 3 shows the main type of benefits received by respondents, and this year we attempted to delve deeper into the pension data and understand the form in which longer-term incentives are being paid.

General benefits

Medical insurance is the most commonly-received benefit amongst all respondents and the overall percentage of respondents receiving such insurance in 2006 is unchanged at 48%.

There was a marginal decline in those enjoying a company car, in line with the decreasing marginal financial benefit of receiving one at all.

Pension schemes

Those respondents in a pension scheme account for 92% of the total, unchanged overall from last year, with a marginal increase in female respondents and a corresponding decline in male respondents.

The proportion of respondents in contributory schemes has declined from 45% in 2005 to only 26% this year, and the percentage in non-contributory schemes has increased from 26% to 54%. This suggests a significant increase in the use of non-contributory schemes as a major part of the typical benefits package.

A further delineation was made in the survey this year between final-salary and defined-contribution schemes. At present, 57% of all respondents are in final-salary schemes, and 35% are in defined-contribution schemes. We shall monitor this relative proportion as the pensions market develops.

Share schemes

Although the number of respondents in a share scheme rose this year to almost 27%, the proportion actually receiving shares this year fell to 11%, from 16% in 2005.

Table 4: Length of service and pay increases

| Employment | Total respondents | Average years service | Per cent 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 | 5 | 14.8 | 0.0 | 3 | N/A | 3 |
| Public sector | 26 | 4.9 | 7.7 | 3 | 0 | 3 |
| Consulting | 28 | 7.3 | 17.8 | 3 | 0 | 4 |
| Banking | 17 | 9.6 | 17.6 | 5 | 5 | 6 |
| Asset management | 8 | 7.6 | 12.5 | 4 | 0 | 5 |
| Other financial | 10 | 10.7 | 10.0 | 5 | 10 | 5 |
| Manufacturing and distribution | 7 | 8.1 | 0.0 | 4 | N/A | 4 |
| Trade associations | 10 | 6.1 | 30.0 | 3 | 0 | 3 |
| Other | 2 | 3.5 | 0.0 | 10 | N/A | 10 |
| All | 113 | 7.0 | 13.3 | 3 | 0 | 3 |

* Percent of respondents in each employment

However, the average value of shares received increased from £16,800 in 2005, to £24,300 this year, an increase of 44%. The increase among male respondents was 46%, whereas female respondents actually experienced a decline of 30% in average share value received. This is in marked contrast to their experience last year, where the female respondents enjoyed a higher percentage of total cash compensation in the form of share allocation than the male respondents.

Length of service

Table 4 demonstrates the rather limited extent of the relationship between length of service and pay increases.

Although the average length of service across all sectors is very similar to last year (7.0 years vs 6.8 years reported in 2005), the sharp fall in the percentage of respondents with less than one year with their current employer, down from 22% last year to 13% in 2006, again suggests that this year's respondents are different from those reporting last year.

In most sectors the average length of service has increased a little. However, in the Public Sector and Trade Associations the average length of service has declined, from 5.5 to 4.9 years and from 8.0 to 6.1 years respectively, perhaps confirming the rising trend in the number of new entrants to those two employment sectors.

Table 5 shows the link between length of service and total cash compensation, and we are able to make a direct comparison with the previous year.

Whilst the number of respondents in each range (of years of service) is largely similar to that described last year, one segment, the 10-14 year range, has increased (somewhat mysteriously) from 5 respondents to 15 respondents this year.

Median total cash compensation in some segments is markedly different from last year, but not necessarily all in the same direction. At either end of the range, median total cash compensation has hardly changed at all. Those with over 20 years of service received a median total cash compensation of £80,000 last year, and those with less than 4.5 years service changed almost not at all.

Table 5: Years service and cash compensation

| Number of years service | Number of respondents | Percentage of total | Median Total Cash Compensation (£K) | |
|-------------------------|-----------------------|---------------------|-------------------------------------|-------|
| | | | 2006 | 2005 |
| >= 20 | 9 | 7.9 | 80.0 | 82.0 |
| 15 - 19 | 10 | 8.8 | 82.0 | 68.0 |
| 10 - 14 | 15 | 13.3 | 75.0 | 115.0 |
| 5 – 9 | 22 | 19.5 | 81.0 | 63.0 |
| 1 – 4 | 42 | 37.2 | 54.5 | 57.0 |
| =< 1 | 15 | 13.3 | 48.0 | 50.0 |

However, those with 5-9 years of service show an increase in median total cash compensation of 28%, from £63,000 to £81,000, and those with 15-19 years of service enjoyed an increase in total cash compensation of almost 21%, from £68,000 to £81,000.

The largest change in total cash compensation has taken place in the segment with 10-14 years service, where median total cash compensation has fallen 34%, from £115,000 to £75,000.

There has been a significant levelling of median total cash compensation in all segments with greater than 5 years of experience. Last year showed a gradual increase in median total compensation in accordance with years of service (with an apparent peak in the 10-14 years segment), but this year that relationship has to all intents disappeared.

Pay increases in 2005-2006

Across all sectors of employment the mean pay rise of our respondents was 5.0%. Of those who received an increase in salary in 2006 (73% of the respondent population), the average salary raise was 7.8%, against 10.4% in 2005. Those who suffered a salary setback in 2006 represented 4% of respondents, marginally less than the 5% reported last year.

Table 6: Activity, employment and salary

| Employment | Forecasting & modelling | Project analysis & evaluation | Strategic planning | Market research | International or country analysis | Public policy analysis | General management |
|-------------------------------------|-------------------------|-------------------------------|--------------------|-----------------|-----------------------------------|------------------------|--------------------|
| Banking | 7 | 0 | 2 | 4 | 4 | 0 | 0 |
| Asset management | 3 | 0 | 0 | 0 | 3 | 0 | 1 |
| Other financial | 4 | 0 | 0 | 0 | 3 | 1 | 1 |
| Consultancy | 5 | 2 | 2 | 0 | 8 | 6 | 0 |
| Trade associations | 1 | 0 | 0 | 4 | 0 | 3 | 1 |
| Academia | 0 | 0 | 1 | 0 | 1 | 0 | 1 |
| Public sector | 1 | 2 | 0 | 3 | 3 | 14 | 2 |
| Manufacturing and distribution | 3 | 0 | 1 | 0 | 0 | 1 | 1 |
| Median salary (£k) | 60.0 | 44.0 | 48.5 | 48.5 | 60.0 | 54.0 | 76.0 |
| Median total cash compensation (£k) | 84.0 | 55.0 | 56.5 | 54.0 | 78.5 | 55.0 | 90.0 |

Once again, economists employed within the Banking sector received the highest average pay rise, of 10.3% (12.6% amongst those who actually received an increase) but far less than last year when the equivalent figures were 26.8% and 36.9% respectively. Given recently reported bank results, this may seem rather surprising.

Activity and employment

Table 6 shows employment by sector and primary activity within each sector. We changed the designation of several job functions this year, so we are able to make rather fewer direct comparisons until next year.

Amongst those engaged in Forecasting and Modelling, the median salary received is unchanged from last year, at £60,000 and is the same as the median salary for economists across all sectors engaged in International or Country Analysis. After General Management (median £76,000), these two job functions enjoyed the highest overall median salary.

And it is interesting to note that economic forecasters within Banking, although a smaller number of respondents this year, were highly successful and enjoyed the highest average total cash compensation (£163,400), the largest average pay rise of 16.8% and received an average of 72.3% of salary by way of their bonus. Once again, this group's average length of service was 25% lower than the overall average for the Banking sector and 28% of these had less than one year of service with their current employer.

By way of contrast, those respondents involved in International or Country Analysis within Banking received an average total cash compensation of £125,500, an average pay rise of 3%, and an average bonus as a percentage of salary of 55%.

In other sectors of employment, there were strong increases in salary, for those who received a pay rise, in Asset Management (9.4%), Manufacturing & Distribution (8.2%) and Consulting (7.1%). This year economists in the Public Sector received a higher average pay rise than those in the Other Financial Sector.

Academic achievement

This year we introduced a question on respondents' academic achievements and have been able to draw several comparisons in respect

of academic attainment and salary levels. As should be expected, greater academic achievement is rewarded accordingly.

Table 7 shows data relating to academic achievement by employment sector. Of the overall respondent population, 25.6% hold a first degree, 62% a Master's degree and 12% a Doctorate. The small numbers in each sector make comparisons tentative, but it is unsurprising that all respondents from the Academic sector have higher degrees. Otherwise the proportion of those with a higher degree is above average in the Other Financial, Industry, Consulting and Public sectors, and below average in Banking, Asset Management and Trade Associations.

Table 7: Academic qualification by employment

| Qualification | BA | BSc | MA | MSc | PhD |
|-------------------------------------|--------|--------|--------|--------|---------|
| Number | 19 | 10 | 35 | 35 | 14 |
| % total | 16.8 | 8.8 | 31.0 | 31.0 | 12.4 |
| Average age | 40 | 37 | 43 | 41 | 44 |
| Average salary (£) | 63,750 | 50,100 | 66,745 | 66,807 | 77,884 |
| Average total cash compensation (£) | 76,316 | 67,020 | 89,405 | 89,334 | 126,857 |
| Median (£) | 50,000 | 46,500 | 60,000 | 56,000 | 72,000 |
| Banking | 4 | 2 | 3 | 6 | 2 |
| Asset management | 2 | 1 | 2 | 1 | 2 |
| Other financial | 1 | 0 | 3 | 5 | 1 |
| Manufacturing & distribution | 1 | 0 | 3 | 3 | 0 |
| Trade associations | 2 | 7 | 4 | 2 | 1 |
| Consulting | 4 | 3 | 9 | 7 | 5 |
| Public sector | 4 | 2 | 10 | 10 | 1 |
| Academia | 0 | 0 | 2 | 1 | 2 |

Society of Business Economists Salary Survey

Looking at average total cash compensation across all levels of academic achievement, the median figures are considerably lower than the mean in each group, indicating that there is a skew caused by a smaller number of high earners in each category.

Average salaries of those with a BA were considerably higher (£63,800) than those with a BSc (£50,100) suggesting either that employers distinguish between the two styles of first degree or that the standing of those institutions that style their economics degree as an art is higher than of those that style their economics degree as a science. Average total cash compensation was also distinct between these groups, at £76,300 and £67,000 respectively.

No such distinction is made at the Master's level. The data is almost identical between MAs and MScs and there was a gratifying equality of the number of respondents holding each degree, and average salaries and total cash compensation were almost identical for each group. Amongst the PhD's the average salary was £77,900 and average total cash compensation was £126,900.

Table 8: Academic qualifications 2001 and 2006

| Qualification | Per cent with qualification | | Median Salary (£k) | |
|---------------|-----------------------------|------|--------------------|------|
| | 2006 | 2001 | 2006 | 2001 |
| BA | 17 | 22 | 50.0 | 58.0 |
| BSc | 9 | 5 | 46.5 | 47.0 |
| MA | 31 | 15 | 60.0 | 48.0 |
| MBA | - | 6 | - | 67.0 |
| MPhil | - | 5 | - | 48.0 |
| MSc | 31 | 34 | 56.0 | 51.0 |
| PhD | 12 | 13 | 72.0 | 60.0 |

A similar question was included in the 2001 Survey, and in Table 8 the results are compared. The comparison is not exact as that survey distinguished some additional qualifications and only reported median salaries, but it does not suggest there has been any great change in the overall proportion of respondents who have higher degrees. The most notable change is the much-more-apparent reward for the higher qualifications. With an additional year's data we shall be able to make further comparisons and take a closer look at this relationship, and hope to provide further insight into the career paths of the membership.

Thank you all for your participation.