

Society of Business Economists Salary Survey

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Introduction

Each year the Society's Salary Survey has presented a rigorous analysis and provided an enlightening commentary about a complex set of data that is not easily explained. Indeed, economists seem increasingly hard-pressed to quantify precisely their functional activity within their declared sector, and the analyst is reduced to small-sample analysis rather more often than he or she would wish!

In taking up this task I hope to bring the experience of having been involved in executive search activities during the past several years, particularly with regard to banking and consulting economists, here in the United Kingdom and overseas. And I have been fortunate in having an unusual degree of access to a great deal of compensation data for those working throughout the very broad world of economics, both nationally and overseas. That experience has involved a good number of SBE members and has provided a unique perspective of the design and use of compensation surveys.

I must echo the now familiar regret for the small number of responses to the SBE survey; indeed, in five years the number of responses has fallen by nearly 45%. If the survey is to be useful, this is an issue that must be tackled head-on. Is the questionnaire suitably designed? Perhaps, many members simply don't fit the categories stipulated or may be reluctant to divulge their personal financial data in the manner prescribed; perhaps we should issue the questionnaire and offer the results online? Are there concerns about anonymity? How might the results of the survey be made of more use to members? We should be delighted to receive constructive suggestions from any of the readership as to how you individually or collectively feel we might usefully develop this survey.

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Despite the marginally lower response relative to previous years, there are still some highly significant and interesting clusters of information that may be derived from the 114 questionnaires returned, and there are many practical observations to be made. Overall the percentage of the SBE membership responding is still very positive at 19%.

General remuneration profile

Whilst there has again been an overall increase in prosperity this year, as the figures below show, with the average pay rise reported at over 10%, the gender gap in respect to total compensation has not improved at all. Further, the polarisation of salaries in the financial versus most of the non-financial sectors has continued, highlighting the need for young economists to select their career path much sooner than was necessary even ten years ago.

The percentage of respondents working part-time is now 8.8%. 5.3% of men and 25% of women reported working part-time. Coincidentally 8.8% of the respondents are self-employed although this was represented by 10% of men and 5% of women respondents.

The number of respondents representing each sector has changed little since last year. There are 19 fewer respondents this year in the Banking, Other Financial, Industry and Trade Associations combined, and 10 more in Government, Consulting and Academia.

There has been a near 50% increase in representation among our respondents in Government employment since 1999, whilst respondents in Industry have declined almost 40%, and in Academia by 45%. Relative representation in the Banking, the Other Financial and the Consultancy sectors has remained much the same for the past three surveys.

Table 1 provides a broad comparison of the profile and fortunes of respondents employed in each sector, denoting relative representation, average age and years of service, as well as providing information about average basic salaries and total cash compensation, bonus data and last year's pay rises.

By presenting basic salaries and total cash compensation in the same table the data serves to highlight the difference between the two in particular sectors such as Banking, Consulting and Other Financial (typically Insurance and Fund Management companies). It clearly demonstrates the

Table 1: General remuneration profile by sector

	Academia	Banking	Government	Consulting	Industry	Trade associations	Other financial	Other
Number	5	20	20	26	9	11	14	9
% Total	4.4	17.5	17.5	22.8	7.9	9.7	12.3	7.9
Average age	56.6	40.2	41.2	45.6	42.0	40.1	48.3	40.8
Average longevity	11.6	7.4	5.5	5.4	7.3	8.0	8.5	5.9
Average salary	£37,250	£73,105	£48,860	£49,340	£82,900	£51,400	£86,282	£66,940
Range £'000	17-60	40-140	0-80	5-150	30-280	27-163	0-233	31-98
Median £'000	34.0	61.4	47.5	45.0	60.0	46.0	80.0	65.0
Average total cash compensation	£37,250	£110,920	£51,370	£71,850	£92,890	£53,070	£139,787	£75,960
Range £'000	17-60	45-310	31-85	10-190	30-280	27-123	66-555	31-118
Median £'000	40.0	83.7	47.6	63.0	67.0	46.0	99.0	66.5
Average pay rise	-9.4%	26.8%	9.8%	4.7%	7.0%	5.4%	12.3%	11.1%
Average rise OTR*	3.2%	36.9%	11.5%	16.2%	10.5%	6.0%	16.2%	14.3%
Range	0-4%	0-180%	0-50%	0-50%	0-20%	0-11%	0-100%	0-30%
In share schemes	0%	55%	0%	8%	45%	0%	23%	22%
Receiving shares	N/A	45%	N/A	8%	33%	N/A	23%	11%
Average gain	N/A	£10,000	N/A	£62,500	£9,250	N/A	£16,333	£2,000
Average bonus	£250	£37,616	£675	£7,596	£9,944	£1,364	£50,000	£8,856
Average % of salary	0.6%	46.0%	1.2%	22.0%	14.3%	1.5%	38.8%	11.1%
Range	0-3.1%	0-205%	0-10%	0-400%	0-38.6%	0-6.13%	0-138%	0-26%
Average % of total compensation	0.61%	22.6%	1.1%	8.2%	11.2%	1.4%	23.2%	9.4%
Range	0-3%	0-66%	0-9%	0-44%	0-28%	0-6%	0-58%	0-20%

* Of those receiving an increase in salary

strong cash-incentive component of total compensation packages in these sectors. In each of the financial sectors this is in addition to generally higher basic salaries. In Industry however, basic salaries are already high, yet the cash-incentive component is not remarkable.

Average and median salaries in each sector are relatively close, except in the case of Industry. In most sectors the median is lower than the mean, implying that the number of respondents is skewed towards those earning less than the average, and that there are a smaller number of very high earners in each group. In Industry, however, this skew is more marked.

And a similar comparison may be made in looking at total cash compensation; the exception is to be found in the Academic sector. Here the median is actually higher than the average, so that in terms of total cash compensation at least, the skew is in favour of the higher earners.

In this table, an average pay rise is presented for each sector, together with a second average figure calculated only from those receiving a pay rise.

The percentage of respondents involved in share schemes is noted, together with a percentage of the respondents in the sector that actually received shares during the period covered by this survey. The value of shares received is particularly marked in the Consulting sector, where all those consultants in share schemes received shares this year.

The average bonus is presented as an absolute amount and as an average percentage of both salary and total cash compensation. Predictably for each set of figures, the incentive element of total compensation is highlighted in both the Banking and the Other Financial sectors.

Salaries and total cash compensation

Basic salaries

Across all sectors, the average basic salary was £67,540, in a range of £5,000-£280,000, including part-time employees. As shown in Table 2 below, the median basic salary was £55,000, which represents a reduction of £2,000 from the previous year.

In marked contrast with previous years, the average salary of female respondents this year is almost 10% higher than the average male figure, at £72,790, although the female median figure of £50,100 is almost 10%

lower than that for the men. The respective salary ranges reported were £5,000-£233,000 for the men, and £17,000-£280,000 for the women.

Within the individual sectors of employment, average salaries ranged from £37,250 in Academia, to £86,282 in the Other Financial sector. The second highest average salaries (£82,900) were paid to respondents in the Industry sector this year rather than Banking (£73,105), while across all sectors, the median salary ranged from £34,000 to £80,000.

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
	2005	2004	2002			
<=20	2	1	7	< 30	10	9
21 - 30	7	13	8	31 < 40	9	8
31 - 40	8	15	15	41 < 50	22	19
41 - 50	24	12	17	51 < 60	14	12
51 - 60	15	11	8	61 < 80	20	18
61 - 70	11	8	15	81 <100	13	11
71 - 80	8	15	6	101 <150	15	13
81 - 100	13	11	12	>150	11	10
>100	12	14	12			
Median (£k)	55.0	57.3	55.0		66.0	
Maximum (£k)	280.0	350.0	343.0		555.0	
Minimum (£k)	5.0	12.0	2.5		10.0	
Number of responses	104	122	166		114	

Total cash compensation

In many ways total cash compensation provides a better measure of relative income, since several respondents report receiving little or no salary, but a substantial bonus or profit share. This in turn reflects the

considerable flexibility in the construct of compensation arrangements that exists in the workplace today.

Total cash compensation is simply measured as basic salary plus bonus or profit share. Average total cash compensation amongst all 114 respondents was £81,730 (median £66,000).

Male respondents received an average total cash compensation of £82,850 and Female respondents an average of £78,690. However, female respondents were not awarded such significant bonuses this year, even in the sectors traditionally making large awards.

This year shows a familiar pattern led by the sectors that include businesses that typically pay substantial bonuses to their employees. Economists employed in the Other Financial sector reported the highest total cash compensation at £139,787, with a median of £99,000 and a range of total cash compensation between £66,000-£555,000. This group was followed by the Banking economists with an average of £110,920. The range for this group was rather lower at £45,000-£310,000, the median being £83,680.

Table 2 shows the percentage of respondents in each salary range and the number and percent of respondents in each total cash compensation range. The main point arising from this table is the marked increase in the percentage receiving a salary of between £41,000 and £60,000 (39% of all respondents) compared with last year, when the percentage of respondents receiving a salary in this range was only 23%.

This increase represents a significant positive shift in fortune, since the percentage of respondents receiving a salary of between £20,000 and £40,000 fell from 28% in 2004 to 15% in 2005.

Comparing the distribution of total cash compensation with the distribution of basic salaries, it is interesting to note that 26% of respondents receiving total cash compensation in excess of £100,000 compared with 12% receiving a basic salary of the same amount.

The number of those receiving a salary recorded this year (104) is significantly less than in 2004 (122), and less than the total number of respondents (114). The difference of 10 respondents is accounted for by those who were remunerated in some form other than salary.

Table 3: General benefits

General benefits	Male	%	Female	%	Total	%
Medical (% respondents)		48		50		48
Company car (% respondents)		26		20		25
Pension schemes						
% respondents with a scheme		94		85		92
Contributory	43	46	8	40	51	45
Non-contributory	26	28	4	20	30	26
Private pension	12	13	4	20	16	14
Contributory & private	7	7	1	5	8	7
Without a scheme	6	6	3	15	9	8
Share schemes						
Number with a scheme	19	20	3	15	22	19
Received shares in 2004	17	18	1	5	18	16
Average value	£17,530		£5,000		£16,830	
Average % salary	17		13		17	
Range of % salary	1.6-80		N/A		1.6-80	
Average % total compensation	9.5		10		9.52	
Range of % total compensation	0.5-42		N/A		0.5-42	

Benefits

General benefits

As in previous years, the main types of benefit reported included health insurance, pensions, cars or car allowances and housing schemes.

Housing schemes are almost exclusively the province of the financial institutions because of their ability to access the lowest cost of funds in the market, and are therefore not strictly comparable to the other sectors for which a housing allowance will cost considerably more (except perhaps Government). Further, since mortgage tax relief has now been rescinded it is a far less common benefit even amongst the banks, except perhaps among younger staff.

More encouraging, this year 92.1% of all respondents declared that they participate in a pension scheme. Of these, 51.5% were in contributory schemes (increasing from 45% last year), 31.5% non-contributory (down from 35% last year), and 16.8% developing private pensions (down from 21% in 2003). The remaining 8.4% of respondents reported participating in a blend of contributory and private pension schemes.

Only 24.6% of respondents reported the benefit of a company car, against 28% in 2004, representing the general decline in this benefit provision, in favour of monetised benefits, and the lower marginal tax advantage of a company car for most employees.

Medical insurance remains a major benefit, 48% of the respondents reporting belonging to a scheme, although this figure is somewhat lower than the 53% reported in 2004 and in previous years. Among the self-employed and the Consulting population (which as a group has grown in size this year) it is likely that medical benefits are generally self-funded.

Share schemes

The numbers participating in share schemes has continued to fall, and only around one fifth of respondents (19.3%) reported involvement in a share scheme, and only 15.8% actually received shares this year. Amongst the recipients of shares this year, the average value of shares received was £16,830, representing an average 16.5% of salary. The range of the value of shares received as a percentage of salary was 1.6-80.0%.

The women who received shares this year fared marginally better than the men, at 10% of total compensation versus 9.5%.

Length of service

This is the second year that the survey has asked how long members have worked for their current employer so that some direct comparisons can now be made. The average length of service of all respondents is 6.8 years, almost identical for men and women.

Those working in Academia report an average length of service of 11.6 years, by far the highest of all sectors. The sector whose respondents report the next highest length of service is Other Financial (8.5 years), followed by Trade Associations (8 years), Banking (7.4 years), and Industry (7.3 years). Lower than average length of service is reported

Table 4: Length of service and pay increases

Employment	Total respondents	Average years service	Per cent under 1 years service*	Median per cent increase in salary 2005		
				All respondents	Service of Under 1 year	Service of over 1 year
Banking	20	7.4	4	6.5	6.5	6.5
Other financial	14	8.5	2	5.0	6.0	5.0
Consultancy	26	5.4	6	4.5	0.0	5.0
Other services	9	5.9	2	10.0	10.0	10.0
Trade association	11	8.0	0	3.0	N/A	3.0
Industry	9	7.3	2	3.0	7.0	3.0
Government	20	5.5	5	5.0	0.0	5.1
Academic	5	11.6	1	3.0	-60.0	3.3
All	114	6.8	22	5.0	0.0	5.0

* Percent of respondents in each employment

in Government, Consulting and Other sectors. For both Consulting and Government this may be explained by this year's marked increase in the number of respondents in these respective sectors, when there may have been more new entrants.

Of all respondents, only 6% have served 20 or more years with their current employer. Nearly 25% have served 10 or more years, whereas 55% have served less than 5 years. 18% report having served 1 year or less.

Table 5: Years service and cash compensation

Number of years Service	Number of respondents	Percentage of total	Median Total Cash Compensation (£K)
>= 20	7	6.3	82.0
15-19	15	13.4	68.0
10 -14	5	4.5	115.0
5 - 9	22	19.6	63.5
1.1-4.5	43	38.4	57.0
=< 1	20	17.9	50.0

The question was posed last year if an economists' length of service has anything to do with his or her level of remuneration? Table 5 (above) uses the median total cash compensation as the benchmark. It appears that there is a very close relationship indeed between an economist's length of service and total cash compensation, although there is an interesting discontinuity in the relationship starting with the group reporting 15-19 years of service.

Pay increases in 2004-2005

Across all sectors of employment the mean pay rise of our respondents was 10.4%. Naturally this included a few reversals of fortune, with 5% of respondents reporting a reduction in pay since 2004. Thus in Table 1 two figures are presented for each sector, an overall mean pay rise, and a mean percentage increase for those actually receiving a pay rise.

Economists employed within the Banking sector fared best this year, enjoying an average 26.8% pay increase overall (36.9% amongst those who received an increase, with a total range between 0-180%). To some extent this reflects the relative scarcity of banking economists who consistently contribute to the bottom line in City trading-rooms, and the growing number of banks seeking to employ them.

Economic Forecasters represent 50% of the Banking respondents. Whilst average salaries were similar to the whole group, total cash compensation was significantly higher, and the average pay increase was 48%, against 37% for the Banking group as a whole. It may also be noted that the average length of service of economic forecasters in Banking is some 35% less than that for the Banking Group as a whole!

Economists employed in the Other Financial sector (Fund Managers, Insurance Companies etc) received a relatively modest 12.3% average pay increase (16.2% of those who received an increase and a range of 0-100%), perhaps reflecting the somewhat lower turnover of economists in this sector this year after recent years of consolidation amongst businesses in this area.

Somewhat surprisingly, Government economists enjoyed an average 9.8% pay increase (11.5% of those who received an increase and a range of 0-50%), considerably higher than the approximately 4.6% that was reported by Incomes Data Services for public sector employees overall for the year 2004.

Once again Academia fared rather less well, with a negative overall mean change of -9.4%. However, this reflected the small number of academics reporting this year, and included one or two extreme changes in compensation. Of those receiving a pay rise, the average was 3.2%.

Activity and employment

Table 6 shows employment by sector, and primary activity within each sector. It also shows the change in median salaries for those engaged in each activity since 1998.

The most striking change in this area of analysis this year is that not one respondent refers to themselves as giving economic advice! All this year's respondents are involved in more directly productive activities.

Table 6: Activity, employment and salary

Employment	Number of respondents in each employment							
	Economic forecasting	Economic advisory	Planning/finance	Investment*	Market research	General management	Other	
Banking	10	0	2	2	1	0	5	
Other financial	1	0	5	3	1	1	3	
Consultancy	5	0	4	2	0	0	15	
Other services	3	0	3	1	0	1	1	
Trade association	2	0	0	0	0	1	8	
Industry	2	0	3	1	1	0	1	
Government	0	0	6	1	1	1	10	
Academic	0	0	1	0	2	1	1	
Median Salary (£k)	60.0	N/A	68.0	73.0	49.0	61.0	46.0	
2005	45.0	52.5	67.0	100.0	42.0	95.0	43.5	
2004	76.4	50.4	55.5	98.5	45.0	73.5	67.0	
2003	48.0	45.0	43.4	81.0	42.5	64.5	44.5	
1998								

* Includes investment analysis and fund management

This year, those involved in Investment Analysis and Fund Management recorded the highest median salary, at £73,000, although that represents a fall of 27% on last year. This group of respondents is followed by those in the Planning and Finance function, whose constituents receive a median salary of £68,000, marginally up from 2004. The median salary for General Management ranked third, and the Economic Forecasting group ranked fourth, with a median salary of £60,000. For Economic Forecasting, this was 33% higher than the previous year, but a little lower than in 2003.

The apparent volatility in these figures perhaps reflects imprecise reporting of the employment activities themselves; and perhaps we should be clearer in defining individual activities in next year's questionnaire.