

Society of Business Economists Salary Survey

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Introduction

Disappointingly, we received still fewer replies to this year's Salary Survey questionnaire: only 122, compared to 141 last year and 166 the year before. It seems unlikely that members do not know where they work or what they are paid. Are we more reluctant to speak of such things? Or are we all now so occupied that we cannot find time to complete the questionnaire? Certainly, there have been times in the past when replies have been fewer than we might have wished, but have subsequently increased, and, if the Survey is to continue to be of real value to members, we must hope there will again be more replies in future. For this year we can only warn that the results must be read with caution.

But let us not be too gloomy. The replies we did receive represent 22 percent of the Society's active membership, a fair proportion, and this year none had to be excluded for lack of information, and a rather higher proportion had made some kind of answer to the question about benefits in kind, even if only a dash against 'estimated value of other benefits'. Moreover we have introduced a new question about length of service, with interesting results (see Table 7 below). And the survey reveals further gains in prosperity, modest for many but dramatic for some.

Table 1: Distribution of salaries and other benefits

Taking salary and the value of benefits together, the median total income reported in this year's Survey is £74,100, up nearly 6% from the £70,000 reported last year. This compares favourably with the 4.3% increase in average earnings in the whole economy between the end of 2002 and the end of 2003, and not badly with the 7.8% increase reported for average earnings (including bonuses) in financial intermediation services over the same period. With the Retail Price Index up 2.3%, this would make most members better off.

Table 1: Distribution of salaries and other benefits

		Per cent of responses						
		Basic salaries*			Value of other benefits [#]			
Range (£k)		2004	2003	1999	Range (£k)	2004	2003	1999
<=20		1	4	4	<=1.0	22	19	19
21 - 30		13	8	17	1.1 - 3.0	14	16	12
31 - 40		15	10	12	3.1 - 5.0	8	4	9
41 - 50		12	19	19	5.1 - 10.0	11	16	18
51 - 60		11	16	15	10.1 - 15.0	7	9	9
61 - 70		8	6	10	15.1 - 20.0	7	6	10
71 - 80		15	8	9	20.1 - 40.0	14	14	10
81 - 100		11	10	4	40.1 -100.0	10	9	8
>100		14	19	10	>100.0	7	7	5
Median		57.5	56.0	50.0		7.0	8.0	8.0
Maximum		350.0	260.0	200.0		545.6	552.8	603.7
Minimum		12.0	2.3	11.0		0.0	0.0	0.0
Number of responses		122	141	162		122	141	162

* Basic salary, London/regional allowance and self-employment income

Including bonuses, other profit-related pay and value of share/option schemes

However, if we look at salaries and benefits separately the picture is not so encouraging. The reported median salary was, at £57,500, only 2.7% up on last year, although both the maximum and the minimum reported salaries were significantly higher than for the 2003 Survey. Moreover, the reported median value of benefits was, at £7,000, actually lower than last year, with the reported maximum also a shade lower. It would seem that there is enough correlation between high salaries and high benefits to extend the combined distribution upwards.

Table 2: Basic salary by employment

It is hard to read much of significance into the changes in the proportions of respondents working in each sector. Compared with our last Survey rather more of the replies are from those in banking and finance, and rather fewer from consultants. In a longer perspective these changes do not suggest any significant trends in the employment of economists in business, although there has been a more marked decline in the number of replies from members in academia: only four this year against seven last, and thirteen five years ago.

Not for the first time we see that, while taking all respondents together the reported median salary has increased, in most individual sectors the median salary this year was lower than last. For the most part this simply reflects the rise in the proportion of replies from the highest paid sectors. However, the overall ranking between sectors remains unchanged, with financial services and banking in the lead and academics and those in trade associations bringing up the rear, while the range from the highest to the lowest median is a little smaller this year. It is noticeable, too, that although the minimum and maximum salaries reported are obviously individual cases, most are higher this year than last.

Yet there is an interesting perspective when looking back five years. While median salaries in finance and banking, in industry and government service have increased by around a quarter, in the other sectors there has been little improvement and some are lower than they were. For those with few respondents, such as academics or in other service employments, this is probably just the result of a change in who replied. But it may suggest that consultancy, in particular, embraces a diverse range of activities many of which offer no easy pickings.

Table 2: Basic salary by employment

Employment	Number of Responses	Per cent of responses			Salaries (£k)*					
		2004	2003	1999	2004		2003		1999	
					Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Banking	22	18	14	16	150.0	24.0	69.5	87.5	??54.9	
Other financial	22	18	15	15	240.0	42.0	86.7	90.0	72.0	
Consultancy	19	16	23	17	350.0	26.2	58.0	57.5	57.3	
Other services	9	7	7	10	100.0	28.2	36.0	46.3	45.5	
Trade association	16	13	10	9	158.0	23.0	35.5	30.5	35.7	
Industry	13	11	11	13	300.0	30.0	65.0	67.5	52.0	
Government	17	14	15	12	127.0	23.4	52.0	50.8	41.5	
Academic	4	3	5	8	40.0	12.0	30.7	34.0	31.8	

* Including any London/regional allowance and self-employment income

Table 3: Basic salary by age and sex

This year the proportion of replies from our senior members, aged over 50 years, has fallen from about a third to about a quarter – back, indeed, to where it was five years ago. Correspondingly, the proportion of replies from younger members has increased, most noticeably from those aged under 30 years. However, replies were still fairly evenly spread across all age groups.

As in previous Surveys, members in their forties remain the best paid, and median salaries generally increase with age up to the late forties and then tail off a little. Yet, there have been some shifts that may suggest age is becoming more closely reflected in pay. Thus the ratio of median salaries in the highest-paid age group to those in the lowest-paid has increased for the third year, after a long period when it fell. More obviously, the median salaries reported by those over 50 years are higher this year, while the median salaries reported by those below 50 years, except in the youngest age group, are lower than last year. And the median salary for those over 55 years is significantly higher even as the proportion of this age group who replied has fallen. An uncharitable view of this might be that some of those who were semi-retired are now fully retired; that would be consistent with our remark above about the unrewarding nature of much consultancy.

Table 3: Basic salary by age and sex

Age (years)	Per cent of responses			Median salaries (£k)*		
	2004	2003	1999	2004	2003	1999
30 & under	21	12	17	35.0	30.5	30.0
31 – 35	12	17	15	45.7	46.8	45.0
36 – 40	17	14	8	65.0	73.0	45.0
41 – 45	8	9	17	63.0	100.0	65.0
46 – 50	18	15	18	82.3	90.0	60.0
51 – 55	10	16	17	59.0	55.5	55.0
Over 55	14	17	8	75.0	55.0	50.0
Men	84	80	91	60.0	60.0	52.0
Women	16	20	9	52.5	45.5	30.0

* Including any London/regional allowance and self-employment income

There may be some sign in this Survey that sex is becoming – a little – less closely reflected in pay. The proportion of women replying is a little lower, at 16%, but still it is higher than in many recent years. And the median salary reported by women is some 15% higher, at £52,500, while that reported by men is virtually unchanged, at £60,000. As a result the median salary for women stood at 88% of that for men, its highest level since the mid 1990s. Nevertheless, there remains a sizeable gap in rewards between men and women working in business economics, and we have much further to go before we can say it is disappearing.

Table 4: Types of benefit by employment

As in previous Surveys, there have been many small changes from last year in the proportions of respondents receiving each kind of benefit, but there is no obvious pattern to them. Nearly all respondents report some kind of pension arrangement, although there has been some decline in those reporting more than one type of pension scheme. The proportion belonging to non-contributory schemes seems to have stabilised after falling in each of the past five years.

Two other benefits were received by more than half of respondents, namely health insurance and some kind of bonus or profit-related pay, but there has been no clear increase or decrease over the past few years. The company car, too, is enjoyed by much the same proportion of respondents as for the past few years, though that is significantly smaller than at the peak of its popularity in the mid 1990s, when more than 50% reported having one. Share schemes also seem to have become less popular since the stock market shake-out of 2001. Housing assistance remains pretty much confined to the banking and financial service sectors, which continue to provide the most benefits. Government and academia again offer the fewest benefits.

Table 5: Value of benefits by employment

Taking together the median salary and the median value of benefits shown in Table 1, benefits made up about 11% of the total, a little less than last year, and reflecting the fall in the value of benefits. This fall was particularly marked in banking and industry, but was evident, too, in financial services and consultancy, while even in those sectors where the median value increased it was not by much.

Table 5: Value of benefits by employment

Employment	Value of benefits (£k)*				
	2004			2003	1999
	Maximum	Minimum	Median	Median	Median
Banking	227.5	3.5	29.0	41.9	21.5
Other financial	545.6	0.0	23.5	25.7	29.9
Consultancy	36.1	0.0	5.0	6.3	7.3
Other services	56.5	0.0	12.2	11.9	10.1
Trade association	30.0	0.0	1.9	1.5	1.8
Industry	142.0	0.0	4.0	18.7	10.9
Government	162.3	0.0	3.4	2.8	3.2
Academic	0.0	0.0	0.0	0.0	0.0

* Including bonuses, other profit-related pay and value of share/option schemes

Even so, maximum reported benefits remained eye-catching, and nine respondents reported benefits bigger than their salaries. These very large values derive almost entirely from bonus payments – and from one or two share scheme payouts. Sadly, they remain exceptional, as well as highly variable. Many respondents do not receive any benefits at all other than pension provision, and only a few get such relatively large sums.

Table 6: Increase in pay by employment

For many years the typical pay rise reported has been about 5%. It seemed almost a law of economics. Then, last year it dropped to 4%. But all is well: this year it has improved again to 6%. However, pay rises in particular sectors have varied more widely, and that is true of this Survey, where they range from 10% in banking to next-to-nothing in academia.

We have also in the past considered whether pay increases might reflect the rate of job change, although the results have been inconclusive. In this Survey we did not ask whether respondents had changed jobs in the previous year, but how long they had worked for their present employer. We take a look how length of service varies by sector and its effect on salaries in Table 7 below, but if we assume that those who reported they had worked for their present employer for one year or less would have

Table 6: Increase in pay by employment

Employment	Percent of respondents in 2004*			Median per cent increase in salary in 2004*		
	Total respondents	Job change [#]	No job change	Total respondents	Job change [#]	No job change
Banking	20	2	18	10.0	21.7	9.5
Other financial	19	4	15	4.0	9.0	4.0
Consultancy	18	2	16	10.0	4.0	10.5
Other services	8	1	7	7.0	20.0	5.0
Trade association	15	1	14	8.0	200.0	6.8
Industry	12	1	11	5.5	-40.0	6.0
Government	18	4	12	4.5	-18.6	5.1
Academic	4	0	4	0.5	n/a	0.5
All	112	15	97	6.0	8.0	6.0

* Excluding respondents who did not answer this question

In current employment for one year or less

said they had changed their job in the previous year then we can again match pay rises to change of job. As can be seen, 15 respondents, 13% of those who answered the question about their pay increase, fell into this category. Relatively more in the financial services and government sectors had changed jobs, and relatively fewer in academia, industry and trade associations had done so.

Overall, the median pay rise for those who changed jobs was higher than for those who did not, but this was by no means true in individual sectors. Of course this was very much because in each sector often only one or two individuals were involved, and the results reflected their particular circumstances, so that one was able to double their salary, while another took a job at a much reduced salary.

Table 7: Length of service and salary

This Survey is the first to ask how long members have worked for their present employer, so comparisons cannot be made. Nevertheless it is strikingly apparent that business economists do not have a job for life! Only 6% had been with their present employer for more than 20 years,

Table 7: Length of service and salary

Employment	Years with current employer			
	Number of respondents			
	5 or less	5 to 10	10 to 20	Over 20
Banking	12	5	4	1
Other financial	10	6	5	1
Consultancy	10	3	2	0
Other services	6	0	3	0
Trade association	12	1	2	0
Industry	6	1	3	3
Government	11	3	2	1
Academic	0	2	1	1
All	67	21	22	7
Median salary (£k)	48.0	76.2	65.5	82.0

while nearly 60% had been in their present job for 5 years or less (five did not answer the question). There were some surprises, too, in the sectors. The largest proportions employed for 5 years or less were not in financial services, despite their reputation for the ruthless self-interest of employers and their staff, nor in banking or industry. Instead it is in government and the trade associations that turnover seems highest.

Of course, length of service is related to age, or rather, limited by age: it would be surprising to find a twenty-five year old economist who has been twenty years with his employer! If we relate reported length of service to a 'maximum potential', defined as age less 22 years, we do find that forty-year old respondents have spent more of their potential service with their current employer than have thirty-year olds, and they than twenty-year olds. But for respondents over fifty years of age less of potential service has been with their current employer – perhaps reflecting retirement-related career changes.

In any case, long service does not seem particularly advantageous. Median salaries are higher for those who have been with their employer for more than five years, but thereafter decline with length of service, although the differences are not that great.

Table 8: Activity, employment and salary

The giving of economic advice continues to be the principal activity reported by most respondents, and market research by the fewest. Overall there are no dramatic changes in the balance of activities reported. More are engaged in forecasting and investment related activities than last year, and fewer in market research and general advisory work, but the differences are not big.

The same cannot be said within particular sectors. For example, there were significant increases in the proportions of respondents engaged in forecasting in financial services, consultancy and other services. On the other hand, substantially fewer reported being principally engaged in advisory work in banking, trade associations and in industry, but substantially more in financial services and consultancy. However, in view of the more limited changes overall, these shifts within sectors are probably the result of the smaller number of replies, giving greater weight to individual cases.

Table 8: Activity, employment and salary

Employment	Per cent of respondents in each employment							
	Economic forecasting	Economic advisory	Planning/finance	Investment [#]	Market research	General management	Other	
Banking	36	14	9	23	4	5	9	
Other financial	14	14	4	59	0	5	4	
Consultancy	32	68	0	0	0	0	0	
Other services	33	22	11	0	0	34	0	
Trade association	13	56	0	0	13	12	6	
Industry	8	15	46	8	0	8	15	
Government	0	70	12	0	6	0	12	
Academic	0	0	0	0	0	0	100	
All Employments	19	36	10	15	3	7	10	
2004	15	40	11	11	8	6	10	
2003	15	33	10	14	6	9	13	
1999								
Median Salary*	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	50.0	48.0	50.0	72.0	46.8	65.0	47.0	
1999								

* Includes any London/regional allowance and self-employment income

Includes investment analysis and fund management

Typical salaries are higher than last year for most activities, although in forecasting and in other activities – mostly teaching and research, risk management and public policy work – the median was lower. Those working in investment-related activities and in general management continue to enjoy the highest salaries. Indeed, half those who reported a salary of £100,000 or more worked in investment management. For most other activities median pay falls within a range of £40,000 to £50,000.