

Society of Business Economists Salary Survey January 2003

Compiled by David Lowe

Introduction

On this occasion, 143 replies were received in response to our 2003 Survey out of the total 544 sent out to members at the beginning of the year. The response was down on last year, but still a reasonable 25% of the Society's membership. Of the replies received, two were excluded, because they gave no information on salaries and we assumed that this was an oversight. A small number gave rise to difficulties of interpretation. We had not bargained for one respondent having three sectors of employment and four primary activities; wherever possible, we used our judgement. The biggest omission was the estimated value of other benefits enjoyed, where the response rate was less than half. This was not surprising, given that it was a residual item and more difficult to quantify. However, the vast majority of replies did not contain ambiguities and again provided a useful indication of how members' incomes had fared over the previous year.

Table 1: Distribution of salaries and other benefits

The median income from basic salaries and self-employment in the 2003 Survey was £56,000, only 1.8% higher than a year ago, suggesting that business economists had failed to keep up with the 3.4% increase in national average earnings in 2002. However, the value of other employment benefits was higher by 12.7%, producing a median for salaries and benefits combined of £70,000 as against £65,300 a year previously, an improvement of 7.2%. Members' own estimates of the increase in their basic salaries plus bonuses and profit-related pay, but excluding share schemes, options and other benefits, show a lower median increase of 4.0% (see Table 6).

Table 1 also looks at the distribution of basic salary and income from self-employment. It reveals that nearly 20% of respondents had an income in excess of £100,000, which compares with only 8% five years ago. This has been mainly a reflection of the buoyancy of financial

Table 1: Distribution of salaries and other benefits

Range (£k)	Percent of responses							
	Basic salaries*				Value of other benefits#			
	2003	2002	1998	Range (£k)	2003	2002	1998	
<=20	4	7	7	<=1.0	19	23	24	
21 - 30	8	8	14	1.1 - 3.0	16	17	13	
31 - 40	10	15	15	3.1 - 5.0	4	4	8	
41 - 50	19	17	20	5.1 - 10.0	16	12	16	
51 - 60	16	8	14	10.1 - 15.0	9	10	11	
61 - 70	6	15	7	15.1 - 20.0	6	8	7	
71 - 80	8	6	7	20.1 - 40.0	14	12	5	
81 - 100	10	12	8	40.1 -100.0	9	9	10	
>100	19	12	8	>100.0	7	5	6	
Median (£k)	56.0	55.0	47.0		8.0	7.1	6.0	
Maximum (£k)	260.0	343.0	170.0		552.8	602.9	364.3	
Minimum (£k)	2.3	2.5	9.6		0.0	0.0	0.0	
Number of responses	141	166	176		141	166	176	

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

Bonuses, profit-related pay, share/option schemes, pension contributions, car and fuel allowances, medical insurance, housing assistance and any other benefits

services incomes in this period. The proportion of members earning £40,000 or under has fallen from 36% to 22% over the same five years.

The distribution of all other employment benefits, which is defined to include annual bonuses, profit-related pay, shares received and options exercised during the year, pension contributions, company car and fuel allowance, housing assistance and any other benefits received, was also analysed. The median value of such benefits was £8,000, and accounted for 10% of total salary and benefits. We noted above that this was 12.7% higher than in the last survey; it may well be that, as in the case of basic salaries, this outcome has been biased upwards by a different respondent mix, but a significant, although unquantified portion will have related to income accrued in the year before, when it grew by nearly 5%.

Table 2: Basic salary by employment

The number of replies from some sectors, such as the Academic, was low, thus making the results very dependent on the details supplied by each respondent. As for the Survey as a whole, there was an absolute decline in usable replies to this question from 166 to 141.

Trends over a five-year period are quite marked for a number of employment sectors. The proportionate response from those working in Government and Consultancy rose by 7 and 6 percentage points respectively, but the percentage of replies from Banking and Academic sectors fell by 6 and 5 points. The rise in the response from economists in Government employ is in keeping with the growth in public sector employment generally, but the fall from members working in academia is less easily explained. Increased participation by consultants confirms the growth of consultancy in the economics profession in recent years. Likewise, the decline in response from banking economists is in keeping with diminished employment prospects in that area.

The differences between median sector salaries in the 2003 and 2002 Surveys look quite marked in a number of cases, but this is again probably a reflection of different respondents. It is difficult to believe that the median Trade Association salary fell by 35% from that in 2002, or indeed that there has been virtually no increase in basic salary since 1998. The sharp increase in the median Banking salary of 30% also looks strange against a background of poor trading conditions and downsizing. The 18% increase in the Government median salary looks suspiciously

Table 2: Basic salary by employment

Employment	Number of Responses	Per cent of responses			Salaries (£k)*									
		2003			2002		1998		2003		2002		1998	
		2003	2002	1998	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum
Banking	20	14	16	20	140.0	37.5	87.5	67.5	55.3					
Other financial	21	15	14	17	260.0	32.0	90.0	90.0	74.0					
Consultancy	32	23	20	17	200.0	5.2	57.5	50.0	50.0					
Other services	10	7	8	9	150.0	2.3	46.3	50.0	45.8					
Trade association	14	10	11	6	140.0	22.0	30.5	47.0	29.9					
Industry	16	11	13	13	145.0	25.0	67.5	58.0	44.1					
Government	21	15	11	8	89.0	20.0	50.8	43.2	39.4					
Academic	7	5	7	10	59.0	15.0	34.0	37.5	39.0					

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

high, although job opportunities are known to have improved. Table 6 probably gives a more realistic indication of salary trends.

Table 3: Basic salary by age and sex

Men still accounted for 80% of respondents, but there seems to be a trend towards greater participation by women, having risen from 14% in 1998 to 20% now; perhaps it owes something to the example set by the Monetary Policy Committee of the Bank of England. Even so the gender gap in pay widened again in the 2003 Survey, although it is still much improved on 1998. Age provides some explanation. The average age of men in the Survey was 45, as opposed to 39 for women, a small enough gap, but one that left women just outside the two highest-earning age groups and men right in the middle.

The tendency for those in their 40s to do better than their older colleagues was a feature of the 2002 Survey, and was again pronounced in 2003. The fall-off in median earnings for those over fifty, already evident in 2002, was particularly marked. And there was a clear deterioration in the median earnings of economists below thirty, which fell by 20%, perhaps reflecting the more difficult job market for those entering employment.

Table 3: Basic salary by age and sex

Age (years)	Per cent of responses			Median salaries (£k)*		
	2003	2002	1998	2003	2002	1998
30 & under	12	12	15	30.5	38.0	27.0
31 – 35	17	15	13	46.8	42.9	54.0
36 – 40	14	15	18	73.0	55.0	45.5
41 – 45	9	13	17	100.0	67.0	66.0
46 – 50	15	14	16	90.0	69.3	50.0
51 – 55	16	18	15	55.5	65.0	54.5
Over 55	17	13	6	55.0	45.0	50.0
Men	80	85	86	60.0	57.5	50.0
Women	20	15	14	45.5	47.0	33.0

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

The 41-45 and 46-50 year old age groups showed increases in median salary of 49% and 30% respectively, well above the overall increase. The

36-40 year olds also fared well with a median improvement of 33%. Why those over 55 should have improved their position relative to the 51-55 group is unclear and possibly ephemeral, because earlier surveys have usually shown a fall-off as retirement age is approached. Or could it be that the crisis in the pensions industry has concentrated economic minds?

Table 4: Types of benefit by employment

The message from our Survey's respondents is that the traditional company perk is becoming less common as the tax benefits are whittled away and the cost to the employer becomes more onerous. The five-year trend in pension provision bears this out. The proportion of respondents enjoying a non-contributory pension scheme fell by 4 percentage points over the period, whereas contributory scheme membership rose by 6 points. Provision of a company car fell over the period from 38% to 26% and only 6% now receive a fuel allowance. Provision of medical insurance has held up well, perhaps a reflection of the troubles of the publicly-funded alternative, but housing assistance has shrunk to 6% of members. More easily quantifiable benefits, such as annual bonuses and profit-related pay have held their ground at 60% of members, but stock-market related benefits, such as options and share purchase schemes have become less popular, with only 27% of members now receiving them.

The most common type of benefit reported in the 2003 Survey remained some form of pensions provision, be it contributory, non-contributory or personal pension. The funding crisis in the private sector pensions is reflected in a general decline in non-contributory to 33% and rise to 48% in contributory arrangements. This decline was evident, too, in Banking, but there the majority continued to hold on to non-contributory provision. Personal pension provision was highest in Consultancy at 50%, where self-employment is common; the 20% seen in Banking and 19% in Other Financial Services was consistent with the high incomes and marginal tax rates in these sectors. Personal pension provision amongst other groups was noticeably lower.

Annual bonus and profit-related pay was near universal for members in Banking and Industry at 90% and 88% respectively, but also high in Consultancy and Other Services and Other Financial Services. It was low amongst Academic members, as might be expected, but surprisingly common in Government at 43%, although the sums were modest.

Another common type of benefit reported in the 2003 Survey was medical insurance at 56% of members. Cover was extended to 80% of those in Banking and Other Financial Services and was also high at about 70% in Industry, Other Services and Trade Associations. It was notably lower in the two publicly-funded sectors, namely Academic and Government.

Housing assistance was confined almost entirely to members employed in Banking, of whom 30% received this benefit. The provision of subsidised mortgages was once a valuable fringe benefit for banking staff, but has become less so with falling interest rates and the unwelcome attention of the taxman, with the result that it differs little from an addition to basic salary.

The provision of a company car, although declining, is still widespread in some sectors. It was most common amongst members in Industry and Other Services at 63% and 50% respectively. One explanation could be the existence of company-wide employee policies from which our members gained. Provision among other well-remunerated groups, such as Banking and Other Financial Services was lower at 40% and 24%, where the need for road travel was presumably less. Fuel allowances have virtually disappeared, the only exception being Industry, where 25% of members still received this benefit.

Overall, Banking was the most favoured sector, with the highest proportion receiving each of the benefits reported except cars, fuel and other. Those in the Academic sector continue to receive fewest benefits.

Table 5: Value of benefits by employment

Table 5 shows the value of these benefits by sector of employment. Any increase at all might seem surprising in view of the difficulties being encountered in the corporate sector at large and in the financial markets in particular. But, as mentioned previously, profit-related income payments tend to be paid in arrears and those reported in this Survey will have related in part to incomes received during 2001. It certainly seems the most likely reason for an increase of 78% in the median value reported in Banking, and of 41% in Other Financial Services. Almost as surprising was the 57% increase for economists in Industry, admittedly from a less generous base.

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Table 5: Value of benefits by employment

Employment	Value of benefits (£k)*				
	2003			2002	1998
	Maximum	Minimum	Median	Median	Median
Banking	151.5	0.0	41.9	23.6	18.0
Other financial	552.8	0.0	25.7	18.2	24.1
Consultancy	144.0	0.0	6.3	2.5	3.0
Other services	14.0	0.0	11.9	11.7	5.2
Trade association	37.2	0.0	1.5	1.5	3.6
Industry	145.0	1.5	18.7	11.9	7.1
Government	19.4	0.0	2.8	2.4	1.4
Academic	3.0	0.0	0.0	0.0	0.0

*Bonuses, profit-related pay, share/option schemes, pension contributions, car and fuel allowances, medical insurance, housing assistance and any other benefits

Table 5a looks at the range of benefit values for profit-related payments, shares received, options exercised and other benefits. Although bonuses or profit-related pay were received in all employment sectors to a greater or lesser degree – there being even one Academic recipient – a large 40% minority of respondents did not receive any and a further 20% had benefits of £5,000 or less. Major sums of, say £20,000 or more, were limited to 18% of members. Participation in shares and option schemes was limited to 25% of members, and only 15% actually reported gaining financially from such schemes. Again using a £20,000 criterion, only 4% gained in a major way.

Other benefits are by their very nature less easy to quantify, but far more evenly distributed. Over 80% of members had either a non-contributory or contributory pension scheme and an unquantified proportion of those with a personal pension arrangement would have had contributions paid by their employer. The other major benefit is the company car, but this was available to only 25% of members, with the result that the distribution of other benefits in total is largely a reflection of non-contributory pension provision. The Survey does not ask for details of scheme funding rates. Instead, a very conservative funding assumption of

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5.5% of basic salary has been used again and even now is likely to understate the value of this benefit by a substantial margin.

Table 5a: Value of benefits by type

Value of benefit (£k)	Percent of respondents		
	Bonus payments	Share schemes	Other benefits
None	40	85*	28
0.1- 5.0	20	6	32
5.1-10.0	16	3	20
10.1-20.0	7	2	14
20.1-40.0	9	2	5
>40.0	9	2	1

*75% of respondents were not members of a share scheme; 10% were members of a scheme but reported no benefit in 2002

Table 6: Change in employment and pay increases

Table 6 should be interpreted with caution, given the small numbers moving within individual sectors. Last year, a marked advantage was enjoyed by those changing jobs, but the reverse was true in this year's Survey, where job-changers were shown to have achieved no increase overall, whereas the stayers received 4% more. And, perhaps reflecting this, the proportion of members changing jobs fell back to 12%, from 16% last year.

The sector median pay increases reported in Table 6 range between 1.5% and 6%, defined as basic salary plus bonuses and profit related pay. The highest pay increase was seen in Government at 6%, closely followed by Consultancy and Trade Association at 5%. Other Financial Services managed only 1.5%. Pay increases for job-changers ranged from 19% in the case of Trade Association to -30% for Other Services, but the numbers of movers is small in all sectors.

Table 7: Activity, employment and salary

Table 7 shows that 40% of respondents worked in an economic advisory capacity and a further 15% in economic forecasting. Other important fields of activity were planning and finance at 11% and investment

Table 6: Change of employment and pay increases

Employment	Number of respondents in 2003*			Median percent increase in salary in 2003*		
	Total respondents	Job change	No job change	Total respondents	Job change	No job change
Banking	20	3	17	2.3	15.0	2.0
Other financial	18	2	16	1.5	2.5	1.5
Consultancy	28	3	25	5.0	0.0	6.0
Other services	9	1	8	3.0	-30.0	3.5
Trade association	12	1	11	5.0	19.0	5.0
Industry	15	1	14	4.0	10.0	4.0
Government	17	4	13	6.0	1.5	6.0
Academic	3	0	3	3.0	n/a	3.0
All	122	15	107	4.0	0.0	4.0

* Excluding respondents who did not answer this question

Table 7: 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	35	30	5	15	0	0	15	
Other financial	5	19	5	52	5	10	5	
Consultancy	25	53	6	3	9	3	0	
Other services	20	0	20	0	20	30	10	
Trade association	14	64	0	0	7	7	7	
Industry	6	25	44	6	13	0	6	
Government	0	76	10	0	5	0	10	
Academic	0	0	0	0	14	14	71	
All Employments 2003	15	40	11	11	8	6	10	
2002	15	34	7	11	7	8	18	
1998	16	38	11	11	3	7	14	
Median Salary* 2003	76.4	50.4	55.5	98.5	45.0	73.5	67.0	
2002	45.9	50.0	53.0	90.0	50.0	70.0	55.5	
1998	48.0	45.0	43.4	81.0	42.5	64.5	44.5	

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

[#] Includes investment analysis and fund management

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analysis and fund management, also at 11%. This pattern of employment has been stable over the past five years.

The employment sector with the biggest use for economists remains Consultancy, which employs 23% of our respondents. Over half of those employed in Consultancy were engaged in economic advisory work and another 25% in economic forecasting.

The Banking and Other Financial Services sectors were also major employers at 14% and 15% respectively. Within Other Financial Services, investment analysis and fund management accounted for 52% of all activity. In Banking, the major areas of activity were economic forecasting at 35% and economic advisory at 30%. The Government sector employed a high 76% of its economists in economic advisory work, as did Trade Association at 64%.

It is clear from the Survey that having 'two hands' is a major obstacle to a career in general management, with only 6% of our members, being engaged in this capacity. Those wishing for a management-orientated career would apparently be well advised to look for employment in the Other Services sector, where 30% of economists employed were in management.

The highest median salary was again in investment analysis and fund management at £99,000 and reflected the high levels of remuneration in the securities markets. The economic forecasting median of £76,000 was significantly higher than a year ago and those economists that succeeded in getting into general management were also relatively well paid, typically at around £73,000.