

# **Society of Business Economists Salary Survey**

## **January 2002**

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### **Introduction**

Calouste Gulbenkian won the soubriquet ‘Mr Five Percent’ for his astute retention of that share in the company which was to become the Iraq Petroleum Company. It made him one of the world’s richest men. Our survey of economists’ salaries does not show them to be among the world’s richest men, or women. But it might earn them, too, the title ‘Mr (or Mrs) Five-Percent’. In every survey since the mid-1990s the typical increase in pay has been 5%. This year is no exception.

It reflects 168 replies to the survey, rather more than last year, from an active membership at the time of the survey of 562. Of these, two were excluded from our analysis: one from a gentleman in government employment, on whom the Official Secrets Act obviously weighs, and who noted that his financial and other rewards were “confidential”; the other from an unfortunate non-executive, and very part-time, director whose company had “fallen on hard times and cannot pay any salary”.

And not all of the remaining replies could be used for each of the more detailed tables below. Where questions are not answered, it is difficult to include them. Sometimes, for example in the case of benefits in kind, we have presumed a blank means no benefit is received. But in other cases, such as the change in remuneration, it is less certain that a blank means no change, and these replies are excluded.

### **Table 1: Distribution of salaries and other benefits**

Adding together salaries and benefits, the median income reported in this year’s survey is £62,100, up only 2.6% from the £60,500 shown last year. This is less than the typical 5% rise we have just noted, and that is because, although median salary did increase by nearly 5%, to £55,000, the typical value of benefits actually fell. Insofar as this fall reflects the slightly lower numbers reporting high rewards from share schemes, it would indeed not reduce reported pay rises, as share scheme benefits are

excluded from that question by virtue of their irregular nature. However, the difference seems more likely to be the result of the small changes in the composition of replies.

Nevertheless, with prices rising at under 2%, economists' real earnings have continued to improve, and, although economists' total incomes seem to be lagging the 4% rise in earnings in the economy as a whole, as well as the 4.5% rise in the business services sector, their salaries have more than kept pace. However, even these did not match earnings in the financial services sector generally, which saw an increase of 7% in 2001 – although by the beginning of 2002 bonus deflation had taken sector earnings there into negative territory.

The range of salaries and benefits continued to be as wide as ever, but the much higher maximum benefit reported this year was against the run of replies, which saw virtually no change in the number reporting benefits worth more than £20,000. Indeed, there was very little change right across the distribution of reported benefits, and still nearly a quarter of respondents receive no benefit income.

There was more change in the distribution of salaries, with a smaller proportion reporting salaries of less than £30,000, and a corresponding increase in the proportion being paid more than £60,000. Even so, there was little difference from the last survey in the minimum or maximum reported salary. The very low minimum salary is, fortunately, exceptional; it is received for part-time work in the voluntary sector.

In this connection it should perhaps be pointed out that our results are presented on the basis of actual money income reported. While it would be possible to calculate full-time equivalent salaries, not all respondents complete the question on hours worked, and, for the self-employed in particular, it is hard to capture hours worked without making the survey onerous to complete. In fact, only 6% of respondents indicated that they worked part time, a third of them in consultancy, and substituting estimated full-time equivalents for their reported income would not change the median income in any of the analyses we made.

### **Table 2: Basic salary by employment**

There were, as usual, ups and downs in the proportions of respondents working in different sectors. Compared to our last survey there were a few

more in banking, consultancy and trade associations, and there were not so many in industry and service employments. Seen in a longer perspective these changes do not point to any significant shift in the employment of economists in business, except possibly to underline the well-known move to outsourcing economic advice, either to consultants or to Trade Associations.

There were ups and downs, too, in the typical salaries reported. Indeed, we may be ‘Mr Five-Percent’ when taken together, but the reported median salary was actually lower than last year in most sectors, and was significantly higher only in banking and services. The biggest decline was in financial services, although, despite this, the median salary there was still the highest – by a margin. Outside finance and banking, median salaries continue to cluster around £50,000, except in academia.

Minimum and maximum salaries, as individual cases, are inevitably volatile, but, with the maxima mostly a bit higher and the minima mostly a bit lower than last year, it may be that business economists are engaging in a wider range of differently rewarded activities than in the past.

**Table 3: Basic salary by age and sex**

Three respondents seemed coy about their ages, and one did not reveal his/her sex; their replies had to be excluded from this Table. Of those who

**Table 3: Basic salary by age and sex**

Age (years)	Per cent of responses			Median salaries (£k)*		
	2002	2001	1998	2002	2001	1998
Under 30	12	13	15	38.0	38.0	27.0
31 – 35	15	11	13	42.9	40.0	54.0
36 – 40	15	9	18	55.0	60.0	45.5
41 – 45	13	20	17	67.0	76.0	66.0
46 – 50	14	12	16	69.3	53.0	50.0
51 – 55	18	21	15	65.0	58.0	54.5
Over 55	13	13	6	45.0	53.0	50.0
Men	85	88	86	57.5	54.0	50.0
Women	15	12	14	47.0	44.0	33.0

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

did vouchsafe their age and sex, it was welcome to see the proportion of replies from younger members, under 40, has recovered to just over 40%, after last year slipping to 33%. However, it remains the case that replies were fairly evenly spread across all age groups.

It remains true, also, that the highest median salaries are reported by those in their forties, and that salaries broadly increase with age up to about fifty, and then tail off a little. However, those around fifty do seem to have done better this year, with significantly higher median salaries, than those around forty, whose median salaries were lower than last year. And the decline in the ratio of salaries in the highest-paid age group to those in the lowest-paid, noted in the late 1990s, seems to have levelled off since 2000.

There was also a small recovery in the proportion of replies from women, to 15%, and an increase, too, of 7% in the median salary that they received, to £47,000. However, with the median salary for men also higher, at £57,500, this brought only a marginal improvement in the ratio between them. The median salary for women stood at 82% of that for men, compared to 81% last year. Yes, these are greatly better results than were seen in the late 1990s, when this ratio slipped to a low of 58% in 1999, but, for whatever reason, the gap in pay between women economists and their male colleagues remains wide – sadly, a theme of these surveys for many years.

### **Table 4: Types of benefit by employment**

Although almost every entry in this table is different, by more or less, from last year, it is hard to see any changes of substance to the patterns of benefit received. If there is one general lesson to be read it is that fewer respondents receive every type of benefit except three: non-contributory and personal pensions and medical insurance. There may be a judgement in this of this government's policies for pensions and healthcare.

Pensions continue to be the most widely received benefit, with 93% of respondents reporting some kind of provision, while the proportion having more than one type of pension has edged up to 11%. It is hard to find in our survey any echo of the widely reported decline of occupational pension schemes – perhaps that will come to alarm us in next year's survey –

although there have been large shifts between contributory and non-contributory provision in some sectors.

Otherwise, medical insurance and some form of bonus payment are each received by about half of respondents, but the popularity of share schemes seems to have waned from its peak in 2000, possibly another casualty of the end of the bull market in stocks. The company car continues to lose ground; only in commerce and industry does it remain widespread. Fewer receive housing assistance, which is anyway largely confined to the banking sector, and fewer receive other benefits in kind. It is a commonplace of previous surveys that those in banking and financial services receive most benefits, while government and academia provide fewest. This survey is no different.

### **Table 5: Value of benefits by employment**

As Table 1 indicated, benefits made up about 11% of total median income this year, less than in the last two years. This reflects falls in the median value of benefits in most sectors, a fall particularly marked in financial services. Even so, the maximum reported value of benefits was again higher in most sectors, and again the highest overall, reaching £608,000, was in financial services.

**Table 5: Value of benefits by employment**

Employment	Value of benefits (£k)*				
	2002			2001	1998
	Maximum	Minimum	Median	Median	Median
Banking	140.0	0.0	23.6	26.7	18.0
Other financial	602.9	0.0	18.2	44.7	24.1
Consultancy	107.7	0.0	2.5	4.8	3.0
Other services	35.7	0.0	11.7	6.0	5.2
Trade association	36.2	0.0	1.5	1.5	3.6
Industry	198.4	0.2	11.9	13.1	7.1
Government	73.9	0.0	2.4	1.8	1.4
Academic	2.0	0.0	0.0	0.0	0.0

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

As in previous surveys, these exceptionally large rewards mostly derive from bonus payments or the exercise of share options, which by their nature are highly variable. Only a very few respondents get such large amounts – six this year reported bonus and/or share scheme benefits worth more than £100,000 – and they may not be the same individuals every year. On the other hand many more do not receive any bonus payments nor participate in share schemes, as Table 5a shows. Other benefits are more widely received, though far from universal, but only three received such benefits valued in excess of £25,000.

Bonus payments and share scheme participation are most widespread in banking and financial services, and that is why the value of benefits remains generally higher in those sectors, despite the lower median values reported there this year.

**Table 5a: Value of benefits by type**

Value of benefit (£k)	Percent of respondents		
	Bonus payments	Share schemes*	Other benefits
None	47	84	29
0.1- 5.0	21	9	28
5.1-10.0	13	2	20
10.1-20.0	6	1	17
20.1-40.0	4	1	5
>40.0	9	3	1

\*75% of respondents were not members of a share scheme; 9% were members of a scheme but reported no benefit in 2001

**Table 6: Change in employment and pay increases**

We have already commented on the typical pay rise for our ‘Mr Five Percent’. However, comparing the experience of those who changed

employer with those who did not casts some interesting light on this persistent trend.

**Table 6: Change of employment and pay increases**

Employment	Percent of respondents changing employer		Median percent increase in salary in 2002*	
	2002	2001	Job change	No job change
Banking	8	11	15.0	7.0
Other financial	17	14	55.0	5.0
Consultancy	18	19	10.0	5.0
Other services	15	0	20.0	7.3
Trade association	11	15	17.0	5.0
Industry	23	10	30.0	7.5
Government	26	17	19.0	4.3
Academic	9	0	20.0	3.0
All	16	14	19.0	5.0

\* Excluding respondents who did not answer this question

In fact, over the past five years typically about 15% of respondents overall have changed jobs. This year's survey showed a small increase over last, but there has been no evident trend. Equally, while the proportion changing jobs was higher this year in government, industry and other services, and a bit up in financial services, it is hard to see any trend in any particular sector.

Did job changes make a difference? Before answering that question it should be noted that 11% of respondents did not complete the question on increase in pay. Whether they meant their pay had not changed, or simply did not answer, we cannot tell. Therefore these have been excluded from the calculation of median pay rises. The remainder are 'Mr Five Percent' – the overall median pay rise was indeed 5%.

Now, the median increase for the great majority who did not change jobs was also 5%, suggesting that this does indeed capture the general trend of professional pay rises last year. But the median increase for those who did change jobs was 19%. Clearly, these job-changes look more a matter of jumping than being pushed, and, although the relatively small number changing jobs makes this a speculative conclusion, they do not underwrite the idea of any widespread clear-out of economists.

However, that conclusion may not apply to all sectors. Some did better, and some worse, than ‘Mr Five Percent’. Thus, reported pay rises in banking have consistently been higher than most, at 7% or more for the past few years. Industry and other services, which two years ago were lagging the field, are this year also reporting typical pay rises of over 7%. Those in other financial services have, perhaps surprisingly, reported only middling pay rises in recent years. But pay increases for academics were again the lowest; they might well wish they were more nearly ‘Mr Five Percent’.

### **Table 7: Activity, employment and salary**

There is little change overall in the main activities reported in this year’s survey. General economic advice and forecasting remained the principal activities of business economists, engaging 34% and 15% of respondents respectively. The 18% who listed activities not identified in the survey were mainly engaged in regulatory work, publishing and journalism, risk management and, for academics, teaching and research.

There were larger changes in the main activities for economists in particular sectors. For example, this year there were many fewer engaged in forecasting and general advice in the services sector, and correspondingly more reported working in market research and unlisted activities, principally software development, journalism and regulatory work. However, there do not seem to be any trends in these changes, which probably reflect a changing population of respondents as much as any change in the role of economists generally.

Typical salaries were higher for most activities this year, as one would expect; only in forecasting was a lower median salary reported. With fewer engaged in forecasting this year in the higher-paying financial services and banking sectors, but more in government and trade associations, this is not so surprising. There is even less surprise that those



working in investment-related activities and in management continue to enjoy by far the highest salaries; together they accounted for nearly half of the twenty respondents who reported a salary over £100,000.

**Table 1: Distribution of salaries and other benefits**

Percent of responses							
Basic salaries*				Value of benefits <sup>#</sup>			
Range (£k)	2002	2001	1998	Range (£k)	2002	2001	1998
<=20	7	11	7	<=1.0	23	25	24
21 - 30	8	11	14	1.1 - 3.0	17	16	13
31 - 40	15	12	15	3.1 - 5.0	4	5	8
41 - 50	17	17	20	5.1 - 10.0	12	13	16
51 - 60	8	12	14	10.1 - 15.0	10	7	11
61 - 70	15	10	7	15.1 - 20.0	8	7	7
71 - 80	6	10	7	20.1 - 40.0	12	12	5
81 - 100	12	3	8	40.1 -100.0	9	10	10
>100	12	14	8	>100.0	5	5	6
Median	55.0	52.5	47.0		7.1	8.0	6.0
Maximum	343.0	344.0	170.0		602.9	374.0	364.3
Minimum	2.5	1.5	9.6		0.0	0.0	0.0
Number of responses	166	146	176		166	146	176

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

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

**Table 2: Basic salary by employment**

Employment	Per cent of responses			Salaries (£k)*				
	2002	2001	1998	2002			2001	1998
				Maximum	Minimum	Median	Median	Median
Banking	16	12	20	115.0	33.0	67.5	62.0	55.3
Other financial	14	14	17	343.0	29.5	90.0	98.0	74.0
Consultancy	20	18	17	240.0	2.5	50.0	51.0	50.0
Other services	8	13	9	100.0	3.0	50.0	45.0	45.8
Trade association	11	9	6	127.0	18.0	47.0	51.0	29.9
Industry	13	15	13	122.0	20.0	58.0	57.5	44.1
Government	11	12	8	75.0	18.3	43.2	43.5	39.4
Academic	7	7	10	85.0	12.0	37.5	40.5	39.0

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

**Table 4: Type of benefit by employment**

Employment	Per cent of respondents in each employment										
	Non-contrib. pension	Contrib. pension	Personal pension	Company car	Fuel allow.	Medical Insurance	Housing assist.	Share scheme	Profit share/bonus	Other	
Banking	65	23	15	34	8	88	23	50	77	38	
Other financial	52	43	13	30	9	74	4	22	78	22	
Consultancy	3	36	58	24	6	45	3	18	48	15	
Other services	23	69	15	54	0	62	0	31	46	31	
Trade association	21	53	21	16	0	53	5	0	32	16	
Industry	18	77	5	55	32	68	0	59	77	23	
Government	84	16	0	0	0	21	0	0	26	21	
Academic	0	91	9	0	0	18	0	0	0	9	
All respondents	2002	34	46	20	28	8	57	5	25	53	22
	2001	27	52	15	34	14	49	8	26	54	na
	1998	37	42	22	38	12	55	18	31	59	27

**Table 7: Activity, employment and salary**

Employment	Per cent of respondents in each employment						
	Forecasting	Advisory	Planning	Investment <sup>#</sup>	Market research	Management	Other
Banking	27	27	4	11	12	4	15
Other financial	9	17	4	57	0	4	9
Consultancy	24	55	0	3	9	3	6
Other services	0	15	8	0	23	23	31
Trade association	11	63	0	0	5	5	16
Industry	5	27	27	5	5	14	18
Government	21	42	11	5	5	11	5
Academic	0	0	0	0	0	9	91
All Employments							
2002	15	34	7	11	7	8	18
2001	14	34	9	9	3	11	20
1998	16	38	11	11	3	7	14
Median Salary* (£k)							
2002	45.9	50.0	53.0	90.0	50.0	70.0	55.5
2001	55.0	42.5	52.0	87.0	51.0	60.0	51.5
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