

Society of Business Economists Salary Survey

January 2001

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Introduction

Risk and reward, supply and demand, quintiles, median and mode – familiar terms brought to life once again in the latest edition of the ever-popular survey of salaries and benefits earned by business economists in this country. This article comprises the Society’s annual snap-shot of trends in the profession, its changing composition, the external pressures and the financial rewards. As ever, some members are very highly remunerated, the majority are well-paid, and some clearly practise economics more for love than money.

Economists loom large in the general public’s perception, for what is really a small group of individuals. The membership of the Society has stood at about 600-650 for a number of years, while it is estimated that there are some thousand practising economists in the public and private sectors outside the important areas of academia and teaching. We are grateful to the 146 individuals who found the time to reply to the survey in January. This is about one quarter of the SBE’s membership, a little less than in recent years when about 30% replied, and the same proportion as seen in 1996.

Table 1: Distribution of salaries and other benefits

This year’s survey asked the same basic questions as earlier ones: salary plus bonuses, profit-related pay and a range of benefits. This enables easy comparison with other surveys, and reflects the different sources of income for a number of our members. Table 7 this year shows only the numbers who did change jobs in each sector, and not changes in pay shown last year in Table 6; however, a new table has been included on salary levels relating to degree qualification.

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Table 1: Distribution of salaries and other benefits

Percent of responses							
Basic salaries*				Value of benefits [#]			
Range (£k)	2001	2000	1996	Range (£k)	2001	2000	1996
<=20	11	4	9	<=1.0	25	25	19
21 - 30	11	12	12	1.1 - 3.0	16	10	12
31 - 40	12	20	18	3.1 - 5.0	5	9	12
41 - 50	17	15	21	5.1 - 10.0	13	13	14
51 - 60	12	14	11	10.1 - 15.0	7	12	17
61 - 70	10	14	9	15.1 - 20.0	7	8	6
71 - 80	10	5	7	20.1 - 40.0	12	8	12
81 - 100	3	5	4	40.1 -100.0	10	8) 8
>100	14	11	8	>100.0	5	7)
Median	52.5	50.0	45.0		8.0	6.9	7.8
Maximum	344.0	210.0	250.0		374.0	502.7	202.6
Minimum	1.5	2.3	5.0		0.0	0.0	0.0
Number of responses	146	160	146		146	160	146

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

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

Let us turn to the first issue: income in terms of a salary for a majority and from self-employment for a minority of members. The median income reported in this year's survey was £52,500. This was a small increase of 5% over the median figure of £50,000 reported in the previous year. Indeed, there has been a small but steady increase in the median salary since the 1996 survey. The good news is that incomes in real terms are showing small increases at a time when inflation has been running 2-3%pa. The bad news is that economists have only been keeping up with other workers, when average earnings growth has been 4-5%pa. As a comparison, a survey by Monks Partnership suggested that the median pay increases in the City of London financial organisations were running at 5% for 2001, much the same as in 2000.

It must be emphasised at this point, repeating a warning made again and again in previous salary surveys, that apparent changes in the reported pay structure of economists depend greatly on changes in the population of those responding. This in turn reflects such factors as the number of women respondents, who are typically lower-paid, the age structure of those replying, and the proportion of respondents from the higher-paid financial and industrial sectors.

Have benefits shown any marked improvement? Well, the median package of benefits (not only bonuses and profit-related pay, but also car allowances, medical care etc) was worth some £8,000 in 2001, which is up somewhat on the previous year, but only back to the level of the year before that, which was, indeed, not much different from the 1996 survey. It must be said this figure is hard to interpret because of the very wide range in the reported value of benefits. At one end of the spectrum are the small number of respondents who reported six figure bonus payments. But overall the figure was biased downwards as fully one third of respondents were unable to report any value from benefits.

The minimum and, perhaps rather more so, the maximum incomes have always attracted interest. A few, generally self-employed or retired, members reported no income at all, or only small amounts of a few thousand pounds. Self-employment can be rather profitable though, as shown by the individual who earned over £110,000 in this survey. Amongst employed members, the maximum income was as high as £344,000. However, that was not the largest total package which one individual earned. On top of a basic salary of £101,000 that included a bonus of £367,000, to provide a total amount of £468,000. Not surprisingly, both these individuals worked in financial services.

The issue of high net worth individuals will be addressed in more detail later in the article. At the risk of repetition, they appear to make up a relatively small proportion of the society's membership. Only 14% of respondents this year earned a six-figure salary. The median package and pay rise are a better guide to economists' fortunes. While this shows economists are well paid within the population at large, they are not generally well paid compared with many other professions. As one lady respondent stated when answering the question about annual bonuses and profit related pay: "*I wish!*"

Table 2: Basic salary by employment

There are no significant changes in the proportions of respondents working in the different sectors compared with our last survey. Looking over the past five years as a whole, there are rather fewer replies from industry, and perhaps the financial sector, a slightly larger number from government and other services. The changes could reflect the smaller number of members responding to the 2001 survey, or the efforts of the Society to tap new areas of membership. As in recent years, about one quarter of members come from the world of finance, one fifth in consultancy, with industry, services and government making up the three other major groupings.

Most of the sectors, not surprisingly, show a modest improvement in the median salaries reported by members. Interestingly, the consultancy sector has shown little change in the median salary over the past three years. But as so often, there were significantly higher median salaries reported in the financial sector, such as fund management and banking.

By definition, maximum and minimum levels of salary represented a few individual cases. Looking first at the reported maxima, there were noticeable but not spectacular increases across most sectors. The areas that stood out were not banking and finance, where salaries would be expected to be volatile, but academia and government. The maximum reported salary in academia has fallen back still further from the altogether exceptional £200,000 reported in 1999, while the maximum in the government sector has improved again, up from £123,000 to £130,000. Improved pay for government economists was noted in the last survey in connection with the efforts to make the government economic

Table 2: Basic salary by employment

Employment	Per cent of responses			Salaries (£k)*				
	2001	2000	1996	Maximum	Minimum	Median	Median	Median
Banking	12	18	10	175.0	28.0	62.0	57.3	65.0
Other financial	14	15	18	344.0	25.0	98.0	67.5	66.5
Consultancy	18	15	22	142.0	8.0	51.0	50.0	41.0
Other services	13	11	5	114.0	8.0	45.0	40.0	43.0
Trade association	9	6	8	115.0	20.0	51.0	47.5	34.0
Industry	15	15	21	115.0	29.0	57.5	55.0	45.0
Government	12	11	9	130.0	18.0	43.5	49.5	22.0
Academic	7	9	7	56.0	27.0	40.5	33.0	31.2

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

service more attractive. However, it now seems aimed more at the high flyers, as this was the only sector where the median salary fell this year. Turning to the minimum salaries, these were little changed in most cases, although consultancy and services again reported some rather low salary levels.

Table 3: Basic salary by age and sex

The Society has fewer younger members and more older members. While the age distribution of our respondents does not change much from year to year, the 1990s overall have seen a decline in members under 40 and an increase in those over 50. In 1996, about 40% of the respondents were under 40, the figure is now 30%. In 1996, 24% of the membership was over 50, it is now 36%. Indeed, 7% of respondents to the latest survey were over the age of 60.

Table 3: Basic salary by age and sex

Age (years)	Per cent of responses			Median salaries (£k)*		
	2001	2000	1996	2001	2000	1996
Under 30	13	16	15	38.0	33.2	22.7
31 – 35	11	17	12	40.0	45.4	36.2
36 – 40	9	7	14	60.0	51.0	56.6
41 – 45	20	14	14	76.0	58.8	58.4
46 – 50	12	19	21	53.0	61.4	46.8
51 – 55	21	18	15	58.0	55.0	48.0
Over 55	13	9	9	53.0	50.0	50.0
Men	88	86	84	54.0	51.0	46.4
Women	12	14	16	44.0	30.4	34.0

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

The Society is becoming middle-aged, but middle age is the best-paid period (see table 3). Median salaries followed the same pattern as in previous surveys, increasing with age up to 45 years and then tailing off noticeably. Members under the age of 30 can expect to earn about 40-50% of the salary which they will earn in their 40s. Self employment and consultancy work mean though that many members are able to ensure a substantial income well into their 50s and 60s.

Most of the Society's members are men, as a cursory look through the SBE Directory will confirm. Only 12% of respondents this year were women, fewer than in 2000 and fewer still than in 1996. More importantly, there was still a noticeable gap in the rewards for men and women. This time, there was a median salary of only £44,000 for women compared with £54,000 for men. It might be considered good news that analysis of the ratio between male and female salaries initially showed that the gap was closing. The ratio of 1.23 in the 2001 survey compared favourably with ratios as high as 1.4 to 1.7 in male/female salary levels in previous years. Unfortunately, further analysis showed that this reflected the particular sectors where female respondents reported they were employed in this survey: namely banking, other services and trade associations. As noted earlier, these sectors saw better than average increases in median salaries compared with past years.

Table 4: Type of fringe benefit by employment

Turning to benefits, the most important for the majority of members will be the pension, the just reward after long years of faithful service. Only 3% of members under the age of 60 reported no kind of pension arrangements. This year's figures showed a decline in non-contributory pensions (down to 27%), little change in those with personal pension plans (at about 15%) with a consequent increase in the proportion making contributory pension arrangements (now 52%). There may be a trend within the financial service sector generally to move away from non-contributory schemes, although the numbers involved were small. Turning to multiple pension provision, the proportion reporting more than one type of pension was only 3%, the same low levels as seen in the 1996 survey. Since significantly larger numbers change jobs each year (see below), this suggests economists are typically able to transfer their pension arrangements when changing employer.

Looking at other benefits, the most widespread continued to be medical insurance and profit-related pay or a bonus scheme (about half of members) followed by a company car (one third) and share schemes (one quarter). Successive Chancellors continue to make car and fuel allowances less and less attractive in terms of tax charges; the proportion of respondents receiving this benefit has fallen from 52% to 34% in five years. Housing assistance is similarly on a declining path, down from 18% to 8% over this period. Provision by sector holds little surprises: the finance sector provided the largest number of different types of benefit,

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	
Banking	50	38	6	50	13	81	38	44	88	
Other financial	52	33	14	48	14	76	24	24	90	
Consultancy	13	38	40	31	10	57	0	15	54	
Other services	0	78	22	56	22	33	0	33	56	
Trade association	0	69	31	15	0	62	0	0	31	
Industry	32	64	1	64	45	68	5	72	72	
Government	72	28	0	0	7	7	0	7	14	
Academic	0	100	0	0	0	10	0	0	0	
All respondents	2001	27	52	15	34	14	49	8	26	54
	2000	38	46	13	33	10	47	14	35	58
	1996	34	45	22	52	18	53	18	27	57

although industry generally was catching up, and the academic sector received fewest benefits.

Table 5: Value of benefits by type

The value of these benefits is not as easy to analyse as might initially be thought. A small proportion of members received a sizeable financial reward, a large number received no benefits at all, and the middle group received a package which was a noticeable but not a large amount in relation to their salary.

Banking, finance, consultancy and industry all contained individuals reporting benefit packages worth more than £100,000. In most cases this reflected bonus payments, but in some others it reflected the value of share options exercised during the year in question. As has been pointed out in previous surveys, these sums will swing significantly year by year depending on the particular individuals moving in and out of the survey as well as their firm’s financial performance.

Table 5: Value of benefits by type

Value of benefit (£k)	Percent of respondents		
	Bonus payments	Share schemes	Other benefits
None	45	81	71
0.1- 5.0	22	10	21
5.1-10.0	8	2	4
10.1-20.0	10	2	2
20.1-40.0	5	2	1
>40.0	10	2	0

Table 6: Value of benefits by employment

A more accurate picture can be provided by looking at the median value of benefits in each sector. The two sectors where the value of benefits has consistently been high have of course been finance (£45,000 in this year’s survey) and banking (£27,000) followed some way behind by industry (£13,000). The other sectors generally received a package worth £2-5,000. The monetary value of the benefits received by members in the government, academic and trade association sectors have always been low, but perhaps the notional value of

other aspects such as job security and working conditions should also be borne in mind.

Table 6: Value of benefits by employment

Employment	Value of benefits (£k)*				
	2001			2000	1996
	Maximum	Minimum	Median	Median	Median
Banking	218.4	0.0	26.7	18.9	15.9
Other financial	374.1	0.0	44.7	23.6	17.0
Consultancy	336.5	0.0	4.8	4.2	2.1
Other services	20.1	0.0	6.0	3.5	6.6
Trade association	33.5	0.0	1.5	1.5	3.4
Industry	111.1	2.0	13.1	11.9	13.1
Government	23.2	0.0	1.8	2.8	1.2
Academic	2.0	0.0	0.0	0.0	0.0

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

Table 7: Respondents changing employer

Employment	Percent of respondents Changing employer	
	2001	2000
Banking	11	7
Other financial	14	17
Consultancy	19	22
Other services	0	22
Trade association	15	40
Industry	10	9
Government	17	17
Academic	0	13
All	14	16

Table 7: Respondents changing employer

The proportion of respondents who reported that they had changed jobs during the previous year was a little lower at 14% in this survey. While this proportion has remained relatively stable through the surveys conducted in the late 1990s, the figures for particular sectors differ widely and have been far less stable. Consultancy, trade associations and finance reported sizeable movement this year, but none of the academics had changed jobs.

Table 8: Activity, employment and salary

The term ‘economist’ can cover a wide range of actual job descriptions, roles and responsibilities. As in previous surveys, the main function which members reported carrying out was ‘advising’, especially so in consultancy, trade associations and government. The second most common task was ‘forecasting’, closely followed by ‘management’ and then ‘teaching’ (which has been classified under ‘other’ in the table). There have been slight changes in the proportion of respondents in each of the activities reported over the years, a little fewer in ‘planning’ and ‘forecasting’, a little more in the ‘other’ category. Examining this last area in more detail showed a wide range of tasks: risk management, policy, statistics, property analysis, business journalism, regulation of credit risk, tax policy, to give some examples, although the most common were teaching and lecturing.

Investment-related activities were again by far the best-paid, but not by so much as in 2000, with the reported median salary slipping back from £95,000 to £87,000, so that the gap over other activities has narrowed to about £30,000 or more. Management is not surprisingly the second highest-paid category, at £60,000. Most of the other categories were about the median salary level for the profession as a whole, of some £50,000. The main exception was the advisory category, where the median salary was rather lower at £43,000. This activity was predominantly found in the consultancy, trade association and government sectors.

Table 8: Activity, employment and salary

Employment	Per cent of respondents in each employment						
	Forecasting	Advisory	Planning	Investment [#]	Market research	Management	Other
Banking	39	17	6	17	6	6	12
Other financial	24	19	5	38	0	10	4
Consultancy	12	54	4	8	4	8	12
Other services	22	33	11	0	0	22	11
Trade association	0	54	0	0	8	16	23
Industry	5	18	32	5	9	23	9
Government	11	44	11	0	0	11	22
Academic	0	10	0	0	0	0	90
All Employments							
2001	14	34	9	9	3	11	20
2000	17	33	11	13	5	6	15
1996	18	35	17	10	4	8	8
Median Salary*							
(£k)							
2001	55.0	42.5	52.0	87.0	51.0	60.0	51.5
2000	42.0	48.0	52.9	95.0	40.0	64.8	46.5
1996	41.0	49.0	54.0	63.0	40.0	45.0	44.1

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

Includes investment analysis and fund management

Table 9: Rewards and qualifications

One new question was asked in this survey, about members' qualifications. This was prompted by the policy debates about skill levels in the UK. We have seen that the role of economist is changing, away from the traditional forecasting work towards a wider range of tasks, in turn requiring a different skills base. Are members better qualified than in the past? And do these qualifications have an impact in terms of a financial return from the extra years spent studying? These questions may be relevant to judging the importance of reports in recent years of diminishing numbers of students taking up advanced studies in economics, and they are partly addressed in Table 9.

This shows salary levels spilt down by type of graduate and post-graduate qualifications held. This shows that 27% of the respondents reported holding a BA or BSc. A further 60% had a Master's degree of one variety or another, including 34% with a MSc, which on its own was the single most widespread level of qualification. 13% of the respondents had a PhD. This stands in marked contrast to the position among members of NABE in the US, reported in a Comment in Volume 29 No 3 of *The Business Economist*, where 49% reported holding a Doctorate, and only 6% relied on a Bachelor's degree.

Table 9: Rewards and qualifications

Degree	Percent of respondents with degree	Salaries (£k)* 2001		
		Maximum	Minimum	Median
BA	22	245.0	0.0	58.0
BSc	5	95.0	1.5	47.0
MA	15	115.0	17.0	48.0
MBA	6	344.0	51.0	67.0
MPhil	5	175.0	27.0	48.0
MSc	34	140.0	18.0	51.0
PhD	13	150.0	29.0	60.0

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

Do higher levels of qualification show up in salary levels? The question is complicated by the age and sex profile of the members replying. The median salary for BA respondents was above average at £58,000. The PhD median was a little higher at £60,000, while the MBA group received £67,000. As the table shows, the other salary levels were clustered on either side of £50,000, so the differences were not large. The sector in which an economist works, and his or her age, is still rather more important it would appear than the initial level of qualifications.