

# **Society of Business Economists Salary Survey<sup>1</sup>**

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## **Introduction**

It seems we're all techies now! After a disappointingly low number of replies to our last survey, we speculated that we might attract a bigger response if it were conducted electronically. This year we have done just that, and we have received nearly twice as many replies – 122 this year against 65 last. Not everyone was fully tech-savvy: we have had to exclude from our analysis a blank response, a duplicate response and a response which included the respondent's employment information but no financial information – we discounted the idea that he was working for nothing. Perhaps it should come as no surprise that the biggest increase in replies was from members under 35 years of age.

While we may take more confidence in the results from a larger sample, the very magnitude of the change in sample size makes comparisons with last year's results more open to interpretation. Nevertheless, in service of such comparisons, we have made our analysis using the same more limited category framework that we did last year.

## **Salaries and Financial Compensation**

We immediately see the problem of year-on-year comparisons as we look at Table 1 which shows the distribution of salaries, including income from self-employment, and of total cash compensation (TCC), adding in salaries, bonuses and the value of any shares received. It would appear that our members were on average paid less at the beginning of 2014 than at the beginning of 2013. And yet the median of reported salary increases is 2%, about the same as last year. Clearly the lower level of pay this year reflects the change in the population of respondents – we noted that the biggest increase in replies had been from younger members and they are typically paid less, as can be seen below. However, our younger members are also part of the business economics community and their absence from previous surveys may have given a false impression of the affluence of the business economist.

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**Table 1: Salaries and total compensation**

Salaries			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2014	2013		2014	2013
<=40	9	3	<=40	7	2
41- 60	25	25	41- 60	20	20
61- 80	18	20	61- 80	14	14
81-100	18	12	81-100	15	14
101-120	14	9	101-120	13	9
121-140	2	9	121-140	3	6
141-180	12	15	141-200	14	14
>180	3	8	201-300	11	12
			>300	3	9
Average (£K)	88.2	103.2		119.8	140.6
Median (£K)	80.0	86.0		89.0	101.0
Maximum (£K)	235.0	320.0		600.0	545.0
Minimum (£K)	3.6	35.0		21.3	35.0
Number of responses	119	65		119	65
Median Reported increase (%)	2.0	2.0		3.0	3.0

Indeed, the survey does not suggest that business economists have done particularly well over the year. As we saw, reported increases in pay averaged 2% for salaries and 3% for TCC, but the Retail Price Index rose by about 2½% from early 2013 to early 2014. We, too, it seems may be

part of the puzzle of the recovery without reward for wage earners – at least on average.

### **Earnings by Sector**

Table 2 shows salaries and TCC by sector. We can see that, although the number of replies increased significantly in each of the four sectors, the biggest proportionate increases were in replies from the Public Sector and from Other Private Sector, both of which more than doubled. As we might expect from the overall results, the average of reported salaries was lower this year than last in all sectors except in the Public Sector, although it remains the case that the average salary was highest, by a margin, in Financial Services. Across the other sectors the average salary this year was fairly similar.

The comparison of this year's average TCC by sector with last is less clear cut, principally because of a marked recovery in the average bonus reported for Financial Services. Even so the results certainly do not suggest that business economists are much better paid in any sector than we thought last year.

### **Bonus Payments**

Some 64% of respondents reported receiving a bonus this year, a slightly lower proportion than last year, although, as would be expected, the number of respondents receiving a bonus was higher in all sectors except in the Public Sector, where bonuses are anyway less common. And the average bonus received was higher, at £37,500, than last year's £33,800, taking bonuses to nearly one third of average TCC. However, as remarked above, this increase is entirely the result of increased bonus payments in Financial Services; in other sectors the average paid is lower than last year.

### **Share Schemes**

Schemes offering employees shares in the enterprise are much less common than bonuses. Only some 28% of respondents reported being in such a scheme, about the same as last year. The average value of shares and options received by all those in a scheme was £15,200, a little more than last year, when they averaged £12,800.

**Table 2: Remuneration by sector**

	<b>Financial Services</b>	<b>Consulting</b>	<b>Other private Sector</b>	<b>Public Sector</b>
<b>Respondents 2014</b>	<b>47</b>	<b>27</b>	<b>22</b>	<b>23</b>
2013	27	19	10	9
<b>Average salary<sup>1</sup> (£K) 2014</b>	<b>102.9</b>	<b>78.6</b>	<b>82.9</b>	<b>71.4</b>
2013	116.7	110.3	87.0	65.7
Maximum (£K) 2014	200.0	170.0	235.0	157.0
Minimum (£K) 2014	33.9	3.5	32.0	21.3
Median (£K) 2014	100.0	74.0	69.5	69.5
<b>Average total cash Compensation<sup>2</sup> (£K) 2014</b>	<b>164.0</b>	<b>105.1</b>	<b>90.5</b>	<b>74.9</b>
2013	163.4	157.5	107.0	73.6
Maximum (£K) 2014	600.0	465.0	235.0	157.0
Minimum (£K) 2014	44.0	23.5	32.0	21.3
Median (£K) 2014	145.0	84.0	79.3	69.5
<b>No. Receiving Bonus</b>	<b>42</b>	<b>19</b>	<b>12</b>	<b>3</b>
<b>Average bonus<sup>3</sup> (£K) 2014</b>	<b>57.3</b>	<b>36.5</b>	<b>12.5</b>	<b>3.5</b>
2013	48.2	67.9	19.7	23.8
<b>No. Receiving shares</b>	<b>24</b>	<b>3</b>	<b>6</b>	<b>N/A</b>
<b>Average value<sup>3</sup> (£K) 2014</b>	<b>19.4</b>	<b>6.3</b>	<b>2.7</b>	<b>N/A</b>
2013	11.8	5.0	31.0	N/A

Notes: 1. Including self-employment income 2. Total cash compensation includes bonuses, shares and options received 3. Of those receiving bonuses or shares

## **Pensions and Other Benefits**

Table 3 shows, for each of the four sectors identified, the number of respondents who participated in pension schemes and received other benefits. Still the great majority – 86% this year, against 89% last – report having some kind of pension arrangements, but the proportion in a

defined benefit scheme continues to slip, to 24% this year from 26% last, and those in non-contributory schemes to 11% from 12% in 2013. As we noted in our last survey, our pensions increasingly depend on our own efforts.

**Table 3: Pensions and other benefits by sector**

Number of Respondents	Financial Services	Consulting	Other Private Sector	Public Sector
<b>Pensions</b>				
Number in a scheme	43	16	21	22
Percent of total	91	59	95	96
Defined benefit Schemes	9	1	4	15
Defined contribution schemes	31	13	16	4
Multiple schemes	3	2	1	3
<b>Other Benefits</b>				
Medical Insurance	5	2	3	0
Company car	2	0	2	0
Miscellaneous	10	2	3	2

There has been a more substantial fall in those reporting other benefits in kind. Recipients of medical insurance from their employer have fallen from 52% of respondents last year to 8% this, and those having a company car have fallen from 20% of respondents in 2013 to only 3% this. Indeed, in a longer perspective the demise of the company car is even more dramatic: twenty years ago nearly 60% of respondents reported having one. What a tale of changing aspirations that may tell! We should, however, take care in reading it. The question on benefits in kind was the last and these numbers may only show that our members' enthusiasm for electronic communication may not be unlimited. Thus the proportion of respondents who did not answer the question on benefits in kind was nearly two-thirds, compared with just over one-third in the paper returns in 2013.

## **Activity and Salary**

Table 4 shows the numbers primarily engaged in each of the activities we had listed and the median salary received by those engaged in each activity. As in the past where it seemed appropriate we have re-assigned a few of the instances where a primary activity was reported outside those listed; for example, ‘commodities research’ has been classed under ‘forecasting and modelling’. Those classed under ‘others’ include mainly academic teaching and research and economists engaged in journalism and political activities.

**Table 4: Salary and Activity**

<b>Activity</b>	<b>Number of respondents</b>		<b>Median Salaries (£k)<sup>1</sup></b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Forecasting & Modelling	24	9	63.8	92.0
Business Planning	7	5	57.2	110.0
Market Trading & Fund Management	12	6	114.0	74.0
International Analysis	23	14	80.0	110.0
Public Policy Analysis	23	11	70.0	59.3
General Management	22	16	104.7	109.0
Other	7	4	65.0	57.5

Notes: 1. Including self-employment income

This year, for the first time in a decade, general management was no longer the single biggest activity reported, but was exceeded by the proportions of respondents reporting their primary activity in one or another of the more analytical activities. Even so, the median reported salary received in general management remained among the highest, along with the median salary reported by those occupied in market trading. Otherwise there was no obvious pattern to the ups and downs of the median salaries in each activity.

## Demography and Salary

Finally, Table 5 shows how gender, age and length of service are reflected in the pay of business economists. There was a significantly higher proportion of replies from women, at 20% this year against 12% last, although the median reported salary for women respondents was, at £114,000, unchanged from last year, as was the ratio of women's salaries to men's.

**Table 5: Salary and demography**

	Number of Respondents		Median Salaries (£k) <sup>1</sup>	
	2014	2013	2014	2013
Men	95	57	82.0	82.0
Women	24	8	114.0	114.0
<b>Age (yrs):</b>				
Under 35	37	11	52.9	52.9
35-55	53	39	100.0	100.0
Over 55	27	15	100.0	100.0
<b>Service (yrs):</b>				
Under 10	76	38	65.3	70.0
10-20	24	19	102.5	110.0
Over 20	12	8	71.8	92.9

Notes: 1. Including self-employment income

As we have already observed, the increased number of respondents this year has mainly been from our younger members – over three times more replies were received from members aged under 35 years in 2014 than in 2013, although some more replies were received in each age-range. Perhaps surprisingly, there was virtually no change in median reported salary for any age-range.

With more younger members replying, it is unsurprising that, in a reverse of the changes seen in 2013, more members report having served less than 10 years in their present employment, accounting for nearly two-thirds of respondents. It remains the case that neither mobility nor loyalty are especially well-rewarded, but loyalty fared worse, with median salary for those serving over 20 years down by some 20%.