

Society of Business Economists Salary Survey 2015

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Introduction

Not so enchanted by electronic communication, then! Sadly the number of replies to this year's survey were many fewer than in 2014 – only 79 against 122 – and only a few more than the 65 received in our last paper-based survey in 2013. As a result, with apologies to all those who took the trouble to give answers, where the number of respondents were too few to be significant, we have not been able to extend our analysis to some of the additional categories provided for in our questionnaire but have had to retain the same basic framework as last year. We also have again to caution that comparisons with last year's survey will have to be treated with care as they may be the result of changes to the population rather than the passage of time.

There are two other features of note in this Survey. First, some respondents have said they had found it difficult to fit their circumstances to the categories offered in the questionnaire, particularly in regard to their principal activity and the sector in which they worked. In some cases this may have been a matter of interpretation and we have been able to resolve the issue by assigning the respondent to one of the categories provided that seems best to fit the circumstances. However, a more intractable problem arises where a member is engaged in more than one activity or more than one sector, without any one of them being obviously predominant. It may be an increasingly common situation if members construct a career from a portfolio of activities rather than working for a single employer. We have therefore re-introduced a category for 'Other' to encompass these cases, and have included also those where assignment to one of the categories provided is problematic.

The second feature of note is that this year we included in the survey a question about members' educational and other qualifications. We last asked about this in 2010 and we have to bear this elapse of time in mind when comparing the responses now with those then.

Salaries and Financial Compensation

Table 1 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, and compares these with last year's results.

Table 1: Salaries and total compensation

Salaries			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2015	2014		2015	2014
<=40	12	9	<=40	8	7
41- 60	19	25	41- 60	20	20
61- 80	19	18	61- 80	15	14
81-100	13	18	81-100	6	15
101-120	6	14	101-120	9	13
121-140	11	2	121-140	9	3
141-180	15	12	141-200	14	14
>180	5	3	201-300	9	11
			>300	10	3
Average (£K)	97.2	88.2		136.1	119.8
Median (£K)	82.0	80.0		106.0	89.0
Maximum (£K)	350.0	235.0		470.0	600.0
Minimum (£K)	20.0	3.6		20.0	21.3
Number of responses	79	119		79	119
Median Reported increase (%)	1.0	2.0		2.0	3.0

Although there are no dramatic changes in the distribution of earnings, they are on average significantly higher. This was despite the median of reported salary increases being a bit less, at 1%, than last year. This was the mirror image of last year's pattern and again the increase in typical earnings rather reflects the change in the population of respondents than greatly improved rewards.

If that is right then business economists have again not fared particularly well over the year either absolutely or relatively. The survey shows median reported increases in salary of 1%, and of 2% for TCC, but the Consumer Price Index rose by about 1% from early 2014 to early 2015, while Whole Economy Average Weekly Earnings, including bonuses, were also up by about 2%, as were earnings in the Finance and Business Services sector more generally.

Earnings by Sector

Table 2 shows salaries and TCC by sector. As we might expect, the number of replies fell significantly in each of the four sectors, with the biggest proportionate falls in replies from the Financial Services Sector and the Public Sector – although that was in part because of the new 'Other' category, as many of those engaged in more than one sector were engaged in part in the Public Sector. As we might expect from the overall results, the average of reported salaries was higher 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. The increase in average TCC by sector shows a similar pattern, but with an even more marked improvement in the Financial Services Sector.

Bonus Payments

Some 60% of respondents reported receiving a bonus this year, a little lower proportion than last year, with the number of respondents receiving a bonus lower in all sectors except in the Public Sector, where bonuses are anyway less common. But the average bonus received was higher, at £45,400, than last year's £37,500, taking bonuses to over one third of average TCC. This increase particularly reflects the nearly 50% rise in bonuses paid in Financial Services although average bonuses were higher than last year in all sectors.

Table 2: Remuneration by sector

(Money Values in £K)	Financial Services	Consulting	Other Private Sector	Public Sector	Other
Respondents 2015	25	18	17	12	7
2014	47	27	22	23	N/A
Average salary¹ 2015	121.4	103.1	90.1	70.2	59.2
2014	102.9	78.6	82.9	71.4	N/A
Maximum 2015	200.0	185.0	350.0	127.0	120.0
Minimum 2015	30.0	33.0	37.0	50.5	20.0
Median 2015	35.0	90.9	68.0	59.0	55.0
Average total cash Compensation² 2015	211.2	131.3	107.7	71.8	59.2
2014	164.0	105.1	90.5	74.9	N/A
Maximum 2015	470.0	435.0	350.2	131.0	120.0
Minimum 2015	35.0	33.0	39.0	51.0	20.0
Median 2015	200.0	118.7	78.0	62.8	55.0
No. Receiving Bonus	21	12	11	3	0
Average bonus³ 2015	84.9	39.1	24.8	6.5	N/A
2014	57.3	36.5	12.5	3.5	N/A
No Receiving shares	12	2	4	N/A	N/A
Average value³ 2015	38.6	20.0	6.5	N/A	N/A
2014	19.4	6.3	2.7	N/A	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

Share Schemes

Schemes offering employees shares in the enterprise continue to be much less common than bonuses and are of course not found in the Public Sector. This year only some 22% of respondents reported being in such a scheme, fewer than last year. However, the average value of shares and options received by all those in a scheme was £29,400, considerably more than last year, when they averaged £15,200.

Pensions and Other Benefits

Table 3 shows, for each of the five sectors identified, the number of respondents who participated in pension schemes and received other benefits. Still the great majority – 90% this year, against 86% last – report

Table 3: Pensions and other benefits by sector

Number of Respondents	Financial Services	Consulting	Other Private Sector	Public Sector	Other
Pensions					
Number in a scheme	24	13	17	12	5
Percent of total	96	72	100	100	71
Defined benefit Schemes	5	1	2	8	1
Defined contribution schemes	14	9	12	2	3
Multiple schemes	5	3	3	2	1
Other Benefits					
Medical Insurance	17	4	9	2	0
Company car	4	1	6	2	0
Miscellaneous	6	6	7	6	4

having some kind of pension arrangements, but the proportion in a defined benefit scheme continues to slip, to 22% this year from 24% last, although those in non-contributory schemes ticked up to 13% from 11% in 2014. How such arrangements will fare in future under the changing tax regime for pension provision is an open question.

There has, however, been a recovery from the very low number reporting other benefits in kind last year, which now looks to have been something of an aberration, possibly as a result of the placing and wording of these questions in the questionnaire used in 2014. Anyway, with a revised questionnaire we now find 47% of respondents report receiving some form of medical insurance, less than the 52% of respondents in 2013, to be sure, but far above the 8% in 2014. Equally, this year 16% of respondents reported having a company car, as against 3% in 2014 but 20% of respondents in 2013. Overall the proportion of respondents who reported no such benefits was this year about half, falling between the two-thirds last year and the one-third in 2013. Assigning some reasonable values to these benefits, where not specified by the respondent, suggests they were worth on average some £7,700.

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.

Of the principal activities reported general management continues to engage many respondents, alongside some of the more analytical activities, and the median reported salary received in general management remains among the highest, exceeded only by the median salary reported by those engaged in market trading. Otherwise there was no obvious pattern to the ups and downs of the median salaries in each activity.

Table 4: Activity and Salary

Activity	Number of respondents		Median Salaries (£k) ¹	
	2015	2014	2015	2014
Forecasting & Modelling	22	24	84.0	63.8
Business Planning	3	7	70.0	57.2
Market Trading & Fund Management	5	12	140.0	114.0
International Analysis	8	23	97.8	80.0
Public Policy Analysis	17	23	61.0	70.0
General Management	17	22	127.0	104.7
Other	7	7	65.5	65.0

Notes: 1. Including self-employment income

Demography and Salary

Table 5 shows how gender, age and length of service are reflected in the pay of business economists. The proportion of replies from women this year has fallen back to 11% from 20% last year, and with that the median reported salary for women respondents also fell to £83,000 from £114,000 last year, although that is still a little higher than the median reported salary for men. This has been a persistent feature of our recent surveys. The last year in which the median reported salary for men exceeded that for women was in 2006, although the size of the gap has varied widely over those years – even between last year and this the ratio of women’s median salary to men’s has swung from + 39% to +4%. This may seem at odds with much recent discussion about the continuing ‘pay gap’ in favour of men in the world of work more generally. Are women better economists than men? Our survey does not address that question! But it may be that our women

respondents fill more senior roles than the men respondents. It is the case that they are on average older and longer-serving than the men, though, as we see, neither characteristic correlates that highly with higher pay. About the same proportion of men and women report their principal activity as general management – and no women report their principal activity as market trading which is one of the highest paid. It is a puzzle.

Table 5: Salary and demography

	Number of Respondents		Median Salaries (£k) ¹	
	2015	2014	2015	2014
Men	70	95	80.0	82.0
Women	9	24	83.0	114.0
Age (yrs):				
Under 35	18	37	55.5	52.9
35-55	40	53	92.8	100.0
Over 55	19	27	86.2	100.0
Service (yrs):				
Under 10	48	76	72.5	65.3
10-20	19	24	120.0	102.5
Over 20	8	12	90.0	71.8

Notes: 1. Including self-employment income

As last year the biggest change was in the number of respondents from our younger members, but in the opposite direction – only half as many replies were received from members aged under 35 years in 2015 as in 2014 – although fewer replies were received in each age-range. Nevertheless median reported salaries were a little higher than last year for members under 35 years but rather more noticeably lower for older respondents.

Despite these ebbs and flows the proportions of respondents reporting having served in their present employment less than ten years, more than twenty years and between ten and twenty years were about the same as in 2014. While median reported salaries were higher for each group than last

year, they were still lower for those with least and most service than for those in between.

Qualification and Earnings

We have not asked about members' qualifications in our surveys since 2010 because we had found there was little change from year to year either in the proportions reporting particular qualifications or in the relative rewards that were received. Now, five years on, we thought it might be interesting to revisit that question. Table 6 shows the results.

Table 6: Total cash compensation by qualification

Qualification	Number of respondents		Average total cash compensation (£k)	
	2015	2010	2015	2010
Bachelors degree				
Major in economics	11	10	152.1	93.9
Major in other subjects ¹	3	8	124.8	88.8
All	14	18	146.3	91.6
Masters degree				
Major in economics	43	42	123.8	116.1
Major in other subjects ¹	7	9	106.3	80.6
Major in business (MBA)	1	1	92.2	128.0
All	51	52	120.8	110.2
Doctorate				
In economics	9	16	244.4	188.3
In other subjects ¹	4	4	76.4	95.8
All	13	20	192.7	167.8

¹ Including those not specifying their major study. Most of those specified were in related disciplines such as environmental economics, industrial economics or commerce. Those specifying 'PPE' as their major study have also been included in 'other subjects'.

There is in fact still a remarkable coincidence in the numbers of respondents reporting each of the types of qualification identified, with a Masters degree in economics being the most widely held. It is, of course, not surprising that the great majority of respondents had majored in

economics as a degree in economics is a principal qualification for membership.

Earnings, too, are higher for those members who majored in economics, again as might be expected in a survey of business economists. And average earnings for those with a Doctorate were higher than for those with lower degrees. However, it is, perhaps, surprising that those having a Bachelors degree should report higher earnings on average than those with a Masters degree and this is at odds with the results in 2010. Of course direct comparisons with the earnings in 2010 associated with each qualification have to have regard to the general change in earnings over the five years and overall Average Total Cash Compensation reported in our Surveys increased by 13% in that time. While reported average earnings for those with Doctorate or Masters degree increased by a similar amount, the increase for those with a Bachelors degree was substantially greater.

We did also ask about professional qualifications, and 17 respondents reported having such a qualification, with over half of them being an accountancy qualification. Nearly all also had an academic qualification, and as the average TCC reported by these respondents was £125,000 it was not clear that these additional qualifications were well rewarded.

Envoi

We are grateful to all those members who took the trouble to respond to the Survey. We continue to believe that it is of interest to members, but the more members who respond the more interesting the results will be. Let us surprise ourselves in next year's Survey! And any suggestions before then for making the breakdowns by sector, activity etc., more relevant to members' experience would be welcome.