

Society of Business Economists Salary Survey 2016

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Introduction

Despite the Bank of England's best efforts to stoke up inflation we remain in a world of subdued increases in earnings, and business economists are no exception. Our survey suggests that Members' pay overall typically increased by 2½ per cent compared with a year ago, and that bonuses, received by three-quarters of respondents, were on average lower than reported in our last survey.

This survey reflects the experience of some 86 of our 568 Members at January this year who replied – and our thanks are due to those who took the trouble to do so. Although it is a limited sample it is a little bigger than the 79 replies to last year's survey. Nevertheless, the results must obviously be treated as indicative rather than definitive.

Otherwise, this year we have made no changes to the survey questionnaire, apart from not repeating the questions about respondents' qualifications. The replies to those questions last year had, after allowing for the general change in pay levels over the period, shown few significant changes from those given to the same questions in our 2010 survey. We therefore again propose to re-visit these questions in a few years' time but not to include them every year. As an alternative, however, out of curiosity, we have this year included a brief comparison of this survey's main features with those of ten and twenty years ago.

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.

To characterise the comparison as subdued seems almost an overstatement! As can be seen, there has been little change in the distribution of earnings, while on average salaries are less than 2% higher and average TCC has actually declined slightly, reflecting somewhat lower bonuses. The median measure is less sombre, but although the median salary is nearly 8% higher

Table 1: Salaries and total compensation

Salaries			Total cash compensation		
Range (£K)	Percent of replies		Range (£K)	Percent of replies	
	2016	2015		2016	2015
<=40	8	12	<=40	6	8
41- 60	20	19	41- 60	17	20
61- 80	15	19	61- 80	14	15
81-100	16	13	81-100	14	6
101-120	9	6	101-120	5	9
121-140	9	11	121-140	10	9
141-180	18	15	141-200	16	14
>180	5	5	201-300	12	9
			>300	6	10
Average (£K)	98.9	97.2		135.9	136.1
Median (£K)	88.5	82.0		99.7	106.0
Maximum (£K)	202.0	350.0		680.0	470.0
Minimum (£K)	13.5	20.0		13.5	20.0
Number of responses	86	79		86	79
Median Reported increase (%)	2.0	1.0		2.5	2.0

than last year, the median TCC is actually down by nearly 6%. And in the middle, is the average reported increase in pay, of 2 to 2½%.

However, even if this is right, then in a world of low inflation, business economists have not fared too badly. The Consumer Price Index barely increased from early 2015 to early 2016, 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 narrowly.

Earnings by Sector

Table 2: Earnings by sector

(Money Values in £K)	Financial Services	Consulting	Other private Sector	Public Sector	Other
Respondents 2016	30	25	13	13¹	5
2015	25	18	17	12	7
Average salary² 2016	108.1	116.3	79.2	71.3	80.5
2015	121.4	103.1	90.1	70.2	59.2
Maximum 2016	198.0	202.0	199.0	110.0	140.0
Minimum 2016	13.5	38.0	30.0	42.0	25.0
Median 2016	108.0	105.0	55.6	64.0	62.5
Average total cash Compensation³ 2016	184.8	145.2	89.1	72.6	81.7
2015	211.2	131.3	107.7	71.8	59.2
Maximum 2016	680.0	460.0	229.0	110.0	140.0
Minimum 2016	13.5	38.0	30.0	42.0	25.0
Median 2016	137.5	155.0	68.1	64.0	62.5
No. Receiving Bonus	30	19	10	5	2
Average bonus⁴ 2016	61.1	38.1	11.2	3.4	3.0
2015	84.9	39.1	24.8	6.5	N/A
No. Receiving shares	15	2	5	0	0
Average value⁴ 2016	31.2	0.0	3.4	N/A	N/A
2015	38.6	20.0	6.5	N/A	N/A

Notes: 1. Includes 3 respondents in Academic Sector 2. Including self-employment income
 3. Total cash compensation includes bonuses, shares and options received 4. Of payments received.

Table 2 above shows salaries and TCC by sector. It shows there were some increases in the number of replies from respondents in Financial Services and in Consulting, with little change in the number of replies from those in other sectors. Given the small number of replies we have included the three respondents from Academia with other Public Sector respondents. The Other Sector includes members working in more than one sector, along with some working in media and charity organisations.

Perhaps surprisingly in view of the modest changes overall, there were some quite large changes in average reported salaries in individual sectors, some up and some down, in all except the Public Sector, and, as a result, the highest average salary was this year to be found in Consulting and the lowest in the Public Sector. The changes in average TCC by sector show a similar pattern, although average total compensation was still highest in the Financial Sector. However, it is hard to read anything into these changes other than the ups and downs of a changing population of respondents.

Bonus Payments

As we noted above, some three-quarters of respondents reported receiving a bonus this year, significantly more than last year, but the average bonus received was lower, at £40,800, than last year's £45,400. With similar changes pretty much across all sectors, the net effect was that bonuses made up about 30% of average TCC, against 33% last year.

Share Schemes

Schemes offering employees shares in the enterprise are much less common than bonuses, with only some 25% of respondents this year reporting being in such a scheme, with, of course, none in the Public Sector. This was very slightly up on last year, but the average value of shares and options received by all those in a scheme was £22,100, considerably less than last year, when they averaged £29,400

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. Once again the great majority – 94% this year, against 90% last – report having some kind of pension arrangements, and, in a reversal of trends in recent surveys, the proportion in a defined-benefit scheme was

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	30	22	12	12	5
Percent of total	100	88	92	92	100
Defined benefit Schemes					
Defined benefit Schemes	7	2	3	11	1
Defined contribution schemes					
Defined contribution schemes	11	9	7	1	3
Multiple schemes					
Multiple schemes	7	11	2	0	1
Other Benefits					
Medical Insurance	23	7	8	3	2
Company car	2	4	4	1	0
Miscellaneous	11	6	6	2	0

higher, at 30%, this year than last year's 22%. The proportion of respondents in non-contributory schemes was also higher, at 16%, than the 13% recorded last year.

The table also shows the numbers reporting other benefits in kind last year, which are broadly similar as a proportion of all replies to those reporting such benefits last year. Thus 50% of respondents report receiving some form of medical insurance, against 47% last year, some 13% reported having a company car, against 16% last year, and 29% reported receiving various other benefits, against 38% last year. If we assign reasonable values to these other benefits, where the respondent has not done so, they were worth on average around £6,000, a bit less than last year.

Salary and Activity

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.

Table 4: Salary and activity

Activity	Number of respondents		Median Salaries (£k) ¹	
	2016	2015	2016	2015
Forecasting & Modelling	25	22	85.0	84.0
Business Planning	7	3	60.0	70.0
Market Trading & Fund Management	9	5	90.0	140.0
International Analysis	10	8	82.7	97.8
Public Policy Analysis	14	17	68.1	61.0
General Management	20	17	115.1	127.0
Other	1	7	64.0	65.5

Notes: 1. Including self-employment income

For example, ‘commercial advice’ has been classed under ‘Business Planning’. The response classed this year under ‘Other’ was for academic teaching and research; last year’s results also included respondents engaged primarily 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 is this year the highest, exceeding the median salary reported by those engaged in Market Trading, which has for some years past been the highest. Perhaps reflecting this, the range between highest and lowest paid activities is significantly less, at £55,000, than in our last survey, when it was £79,000.

Salary and Demography

Table 5 shows how gender, age and length of service are reflected in the pay of business economists. The proportion of replies from women is, at 13%, a little higher than last year, and with that the median reported salary for women respondents was also higher. However, the median reported salary for men rose significantly more and, for the first time since our 2006 survey, exceeded that for women. In our last survey we puzzled to explain this recent persistent margin in favour of women members, particularly in view of all that has been said about the ‘pay gap’ in favour of men in the world of work. We are equally puzzled by this reversal, even though it is to what was historically a more normal pattern (see below). But with regulations expected on the reporting by large employers of relative pay by gender this is likely to be of continuing interest in future surveys.

This year we have had more replies from younger and mid-career members and fewer from older members, while median reported salaries are higher for all age groups – markedly so for older respondents.

Table 5: Salary and demography

	Number of Respondents		Median Salaries (£k) ¹	
	2016	2015	2016	2015
Men	73	70	90.0	80.0
Women	11	9	87.0	83.0
Age (yrs):				
Under 35	22	18	55.7	55.5
35-55	53	40	98.0	92.8
Over 55	11	19	140.0	86.2
Service (yrs):				
Under 10	60	48	83.8	72.5
10-20	18	19	119.0	120.0
Over 20	8	8	93.5	90.0

Notes: 1. Including self-employment income.

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This year has also seen a marked increase in replies from those who have been in their present employment for less than ten years, while the numbers of respondents who have served longer than ten were about the same as in 2015. Median reported salaries were higher than last year for those with least and most service but only about the same for those in between.

‘It was Twenty Years Ago Today’

Not in this case Sergeant Pepper’s Band being taught to play, but reports of previous SBE salary surveys – although they may also raise a smile, and, anyway, ‘... you might like to know.’ The Table below compares some features of our salary surveys for 1996, 2006 and this year. The Society did conduct surveys further back than 1996, but original data are no longer available.

Table 6: Twenty years of the Salary Survey

	1996	2006	2016
Median Salary (£k)	45.0	55.2	88.5
Average Earnings (2000=100)	83.3	126.4	153.4
Consumer Prices (Jan 87=100)	152.7	198.1	258.5
Number of Respondents	146	110	86
Per Cent of Membership	24	20	15
Sector Employed (Per Cent of Respondents)			
Financial Services	30	31	35
Consultancy	20	25	29
Industry and Services	33	15	15
Public Sector	17	27	15
Other	0	2	5
Gender (Per Cent of Respondents)			
Men	84	81	87
Women	16	19	13
Salary (Ratio Women/Men)	73	85	97

The headline result is that median salaries have nearly doubled over the twenty years, with more of the increase since 2006 than before. Of course, being economists, we know that doesn't mean we're twice as well off, but we've done pretty well. Consumer prices only rose by about 70% over the twenty years and average earnings (whole economy) by around 85%.

The earlier surveys may well be more representative than the more recent. There were 146 respondents to the 1996 survey, some 24% of members, against 86 this year. But the proportion of replies from women was, broadly, not much changed, so it is interesting to see that the ratio of women's salaries to men's has risen from 73% in 1996 to 97% today – though, as we noted above, there was a long period between 2006 and 2016 when women's salaries exceeded those reported for men.

It is interesting, too, to see the increase in the proportion of respondents working in Consultancy and the corresponding decline in the proportion working in Private Industry and Commerce – outsourcing in action, perhaps – and this change is even more dramatic if we look back another ten years to 1986 when only 7% worked in Consultancy while 40% worked in Private Industry and Commerce. However, the proportions in Financial Services and the Public Sector have not changed much.

Two other curiosities are the rise of the bonus as a part of economists' overall reward, received by 57% in 1996 and now by 77% (and now worth on average some £40,000 against some £15,000 in 1996), and the decline of the company car, a benefit reported by over half of respondents in 1996 but now only by 13%.

But, finally, perhaps the less welcome headline is that, as noted above, significantly more members responded to the survey in 1996 than did so this year. And, delving into back numbers of *The Business Economist*, in 1980 we see as many as 37% responded then. We hoped the shift to an electronic survey might make it easier for members to respond and encourage more to do so, but it seems not to have had lasting effect. Clearly we shall have to give more thought to how we might make the survey more engaging in this day and age.