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Despite fall in bonuses in 2010/11, growth in City workers' pay packets continues to outpace the rest of the UK

Falling bonuses offset by rise in regular pay

Bonus payouts in the City for 2010/11 fell by 8% to £6.7 billion, down from £7.3 billion in the previous fiscal year.

These are the key findings of updated research into the London and City economy by the Centre for Economics and Business Research (Cebr) – one of the country's leading economics consultancies and renowned commentators on the London economy.

Despite falling bonus payments, City workers continue to earn bumper pay packets bolstered by rising regular pay. Cebr estimate that average regular pay for City workers in the first quarter of 2011 is some 7% higher than a year ago and much higher than growth of just over 2% for the UK as a whole – **lower bonuses have not put an end to the culture of high remuneration in the City.**

While much uncertainty remains over the future of tax and regulation in the City as we await the final recommendations of the Vickers Commission in September, we do not expect City workers to fare badly over the medium-term.

The increasingly globalised nature of the financial services industry means that London cannot afford to be complacent about its position as a world-leading financial centre – the ascent of Eastern financial centres such as Shanghai and Singapore in global competitiveness measures only goes to illustrate this.

Excessive regulation on bank pay, and heavy-handedness with taxation would only accelerate this shift of financial services to the East – something that the Government recognises and is likely to constrain the extent of legislation aimed at curbing excess in the City

“Our research shows that falling bonus payments this year are being offset by rising regular pay packets. City workers are not earning less – their earnings are merely becoming less bonus-driven as basic pay continues to grow much faster than other parts of the economy”, says Scott Corfe, Cebr economist and co-author of the research.

Douglas McWilliams, Cebr chief executive, said, “There is a risk that excessive micro-management and regulation of pay in the City by Government could accelerate the shift in financial services from the West to the East. Our own research shows that excessive remuneration and profit in the financial sector is much better addressed through increasing competition rather than regulation”.

City bonus payout, current prices £ million, financial year (note that most bonuses are paid out in February and March of each year)

Year	£ million
2001/02	3,921
2002/03	3,329
2003/04	6,400
2004/05	6,950
2005/06	9,653
2006/07	11,383
2007/08	11,565
2008/09	5,332
2009/10	7,336
2010/11	6,749
2011/12	7,154
2012/13	7,369
2013/14	7,737
2014/15	8,201

NOTES TO EDITORS

Cebr’s estimates and forecasts for City bonuses are published in *London and the City Prospects*, released to subscribers only on Thursday 21 April 2011.

London and the City Prospects is the bi-annual Cebr publication on the prospects for the London economy. The forecasts are based on Cebr’s bespoke economic models and draw on Cebr’s renowned research on the UK and London economies. Forecasts look at three to five years ahead and provide detail by quarter for London’s GDP, jobs, disposable income, consumers’ expenditure, wages, inflation and more than 70 critical business variables.

The City bonus calculations are based on Office for National Statistics earnings data.

Cebr is a leading independent commercial economics consultancy with particular strengths in macroeconomic and market forecasting. The report has been co-authored by Cebr staff (for details see below).

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