

# Australia's corporate salaries soar as wages are depressed

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Two recent reports on wage and salary levels in Australia show that while the market demands workers wages be cut or held down, it also determines ongoing increases in the salary packages of top corporate executives.

A report by the Australian Bureau of Statistics (ABS) reveals that full-time adult wages grew by only 2.3 percent in the year to August, the smallest annual increase since May 1993, when annual wages growth was 1.7 percent.

An even worse picture emerges if this year's figures are closely examined. Adult ordinary time earnings for males (often a family's sole or major breadwinner) fell in the September quarter by \$1.50 a week. Overall wage levels are reported to have grown by 0.3 percent in the quarter, but when teenage and casual workers are included total earnings actually fell by 0.4 percent. In the last 12 months overall earnings were up by just 0.9 percent, about half the current rate of inflation.

Employers and their political spokesmen claim that workers must accept low wages, so big business can compete in the increasingly harsh trading environment. However, a recent statement by Keith Ince, co-founder of Portfolio Partners claimed this rule did not apply to the income of corporate chiefs. "At the end of the day, we have to retain and attract top people. In terms of remuneration, we have to recognise we are increasingly operating in a global market place" he said.

A recent report in the *Australian Financial Review*, this time on the salaries of chief executive officers in Australia's 100 top companies, spells out what this means in hard cash. The survey revealed that chief executives' salaries rose by 22 percent this year and that their annual remuneration averaged \$1.45 million.

This figure, however, underestimates the real wealth of the corporate big shots. As part of their annual salary

package, leading CEOs collectively hold shares and stock options with a gross value of more than \$975 million. News Corp chief, Peter Chernin, headed the list with a package worth \$18.78 million, followed by Frank Lowy, with \$7.64 million. Lowy is the executive chairman of Westfield Holding's, the world's fourth largest shopping mall management company.

Others include:

- \* Dennis Eck, from retail giant Coles Myer, receives \$4.14 million

- \* Des Randall, from Aristocrat Leisure, the gaming machine company, \$3.68 million

- \* Wal King, Leighton Construction, \$3.14 million

- \* Peter Ziegler, Village Roadshow, \$3.1 million

- \* Dr David Morgan, Westpac Banking Corp, \$1.7 million

- \* Macquarie Bank chief executive Alan Moss, although paid a base salary of \$500,000, has accumulated share options worth more than \$25 million.

The super profits of today's major corporations are directly generated through the destruction of jobs and working conditions. For example, while wages fell in the September quarter, profits leapt 6.5 percent to \$15 billion, or 17.3 percent higher than the same period last year. These figures do not include the combined \$7.2 billion profit made by Australia's four major banks. Westpac's profit rose by 14.5 percent to \$1.4 billion. Earlier this month Westpac management announced that they would eliminate another 3,000 jobs and close 200 local branches.

CEOs able to command the top price for their services are those with a reputation for ruthless downsizing and cost cutting. For example Dr Ziggy Switkowski, the recently recruited Telstra head, receives \$1.17 million a year. Switkowski said his

priority at Telstra was cost cutting and lowering the company's budget by \$2 billion over the next five years by axing over 9,000 jobs.

Another recent recruit to Australia's corporate elite is BHP's Paul Anderson, who receives \$2.5 million annually, not counting share options provided through the company's executive share plan. These gains included, it is estimated that Anderson will receive more than \$4 million a year. Within months of joining BHP, the new chief announced that he would be off-loading almost half of BHP's steel production and distribution facilities, a move that will affect some 9,000 workers.

Gloating over the growth in corporate profits David Buckingham, the Business Council of Australia's chief executive, told the media this week: "Companies that have embraced reform agendas are now reaping the benefits."

However, despite boardroom celebrations, some business chiefs fear that the growing income polarisation could lead to social explosions. Ian Dunlop, Institute of Company Directors chief warned last week that a further "widening of the gap between executive salaries workers pay could create trouble."

John Howard, Australia's Prime Minister, echoed this sentiment. Howard assured business heads on November 19 that he had no intention of "interfering in remuneration levels of corporate executives" but warned, "if it looks as though one part of the community is overindulging itself or helping itself too readily, that will cause resentment."



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