

# New Zealand: CEO pay skyrockets as workers' living standards fall

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Figures cited in the *New Zealand Herald* in April show that the average pay for the top executives of New Zealand's 44 largest companies has surpassed \$1 million for the first time. The *Herald* noted that 2005 had seen "bumper" increases in salaries for these top executives that had pushed the average past the \$1 million mark. The 44 wealthiest CEOs received a 23 percent boost in 2005, following a similar increase in 2004.

A survey of CEOs released in March by the Sheffield Recruitment and Remuneration Company showed that in 2005 those surveyed received the largest percentage increase in their base salary for 15 years. The 5.8 percent increase brought the median value of CEO compensation packages to \$243,518 per year.

The survey, however, revealed no figures relating to standard non-salary benefits such as cars, private school fees, international travel, health care packages, superannuation plans, shares and stock options that are commonplace for members of the privileged elite.

Many of the companies that these CEOs preside over are privatised former state assets, or State Owned Enterprises (SOEs) and their top executives are being rewarded for extracting huge profits from the delivery of essential services, such as electricity and telecommunications.

State Owned Enterprise, Meridian Energy, has raised its electricity prices by 30 percent during the last two years, while these same two years have seen a pay increase for its chief executive, Keith Turner, of 119 percent—from \$780,000 to \$1,710,000 per year. Teresa Gattung, CEO of the former state-owned telecommunications company, Telecom, comes in second on the *Herald's* rich-list of CEOs, with an annual salary of \$2,905,000. Telecom, which holds a near-monopoly over New Zealand's

telecommunications industry, runs one of the highest-charging systems for mobile phone and broadband internet usage in the OECD.

CEOs in general are being rewarded for their contribution to the massive rise in profits and shareholder wealth in recent years. In 2004, the share market increased in value by a record \$NZ11 billion, including a 25 percent rise in the value of the top 50 companies. Last year leading corporations reaped a profit bonanza across a range of key sectors including media, construction, energy, waste, tourism, banking, transport and dairy produce. Among these, profit increases of 20 to 55 percent were the norm. The *Dominion Post* at the time triumphantly reported the string of "impressive" and "record-breaking" results bringing "rivers of gold" to big business.

The justification given by business commentators for higher CEO earnings is that New Zealand companies have to "close the gap" with the remuneration packages of Australian CEOs, in order to attract top managers. No similar calls are deemed necessary to close the pay "gap" between the countries' respective labour forces. In 1998, Australian workers' average pay was 32 percent higher than that of New Zealand workers; by 2005 the gap had increased to 37 percent. The New Zealand minimum wage of \$10.25 compares to an Australian minimum wage of \$NZ13.85, a difference of 26 percent.

New Zealand workers are being forced to endure declining wages and living standards in order to compete with the lowest common denominator internationally. In contrast to the huge sums being awarded to CEOs, the New Zealand Income Survey (2005) showed that the average weekly income for wage and salary earners last year was \$592, or \$30,784 per annum. Figures cited by the *Dominion Post* show

that workers' wages increased by an average of just 3.1 percent in 2005—compared to a 3.4 percent rate of inflation—while 40 percent of workers did not receive a wage increase at all.

For ordinary workers, the rapidly rising cost of living is swallowing up more and more of the pay cheque. As just one example, fuel prices last month reached record high levels of \$1.71 per litre for unleaded petrol, and are set to continue rising. Ordinary people are now only maintaining their personal living standards by increasing indebtedness. It was reported last year that New Zealand has the lowest savings rate in the OECD, at negative 10 percent.

The driving down of workers' living standards is being achieved through an increase in the number of low-paid jobs, stagnation in the real wages of middle-income earners, and escalating numbers of part-time and casual jobs. According to the Household Labour Force Survey, in 1989 there was one part-time worker for every 4.3 full-time workers; by 2005 this had increased to one part-time worker for every 3.5 full-time workers.

A breakdown of annual income figures further uncovers sharpening class divisions. According to the Inland Revenue Department, in 2003, 54 percent of income earners (including students, beneficiaries, housewives and others not in the workforce) earned less than \$20,000 per year, before tax. Furthermore, 67 percent earned less than \$30,000 per year, while 80 percent of those earning a taxable income earned less than \$40,000 per year. In contrast, only 2 percent earned more than \$100,000 per year. On current exchange rates, this means that 54 percent of New Zealanders earn an annual income of less than \$US12,750.

The increasing social inequality illustrated by these processes has been developing since the market "reforms" instituted by the Labour government in the 1980s, which saw a sustained attack on jobs and wages and the privatisation of public assets. Throughout the 1980s, the real value of wages declined, while the share of national wealth accumulated by the propertied elite rapidly expanded.

This process was extended by the Nationals in the 1990s, and continues today under the Labour-led government of Helen Clark. Since Clark was elected in 1999, by falsely presenting Labour as a "centre-left"

alternative to the right-wing monetarist economic agenda of the previous period, the wealthy have increased their net worth at a greater rate than at any time during the previous decade when the conservative National Party held office.

Recent labour productivity figures demonstrate the rise in the rate of exploitation of workers. The productivity of NZ firms has grown by 2.6 percent per annum since 1988, compared with 2.3 percent per annum in Australia. Finance Minister Michael Cullen and opposition National Party finance spokesman John Key, as well as union and business leaders, all agree that productivity levels have to rise even higher.

Measures to "raise productivity" to offset the worsening economic recession will include further demands for wage "restraint" alongside tax cuts for business to allow for capital investment. The tax cuts and other anti-working class measures will be pushed through under the guise of the need to increase "international competitiveness", with Australia in particular.

The response of the unions to the recent figures underlines the role they play as staunch enforcers of corporate interests. Council of Trade Unions president Ross Wilson said of the increasing CEO pay; "I suppose what it reflects is good financial results", adding that it was important to reward chief executives for good company performance.

The elevated social position of the CEOs and the union bureaucracy is itself a feature of the widening social divide. The extraction of profits, which is the hallmark of "good company performance", has its objective basis in the intensifying exploitation of the working class, through a relentless assault on wages, conditions, living standards and basic rights.



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