UK’s top CEOs see 55 percent earnings rise

Robert Stevens
8 November 2010

“I have got to show this country that the way we’re doing this is fair, that people across the income scale are affected, because we are all in this together”—Prime Minister David Cameron, October 5, 2010

The mantra of the British Conservative/Liberal Democrat government, since its election in May, is to insist that everyone in the UK will have to make financial sacrifices in order to eventually come through the economic crisis. It has been repeated ad nauseam and was again stressed by Cameron prior to the imposition of more than £80 billion in public spending cuts in the October 20 Comprehensive Spending Review.

The latest statistical data reveals that the financial elite are distinctly “off message” and are not too eager to tighten their belts any time soon.

Findings published by the pay monitoring group, Incomes Data Services, revealed that directors of the FTSE 100 companies saw their total earnings climb by an average of 55 percent during the past year. The FTSE is an index of the 100 most highly capitalised UK firms listed on the London Stock Exchange.

In a year in which recession has mounted, with millions facing the loss of their livelihoods or being forced to take deep wage cuts, the financial elite have vastly increased their wealth. FTSE 100 chief executives were paid an average of £4.9 million in total in the year to June. Just three of the firms, Reckitt Benckiser, Berkeley Group and Xstrata, paid their top directors the sum of £158 million between them. Reckitt Benckiser paid out £92,596,160, Berkeley: 38,428,724, Xstrata: £26,953,936. Another FTSE 100 member, the UK’s leading supermarket chain Tesco, paid out £17,934,000 in chief executive pay.

Bart Becht, chief executive of Reckitt Benckiser, received £92.6 million in total remuneration (included share awards at £88 million). Tony Pidgley, executive director of Berkeley, received £36.4 million and Mick Davis at Xstrata took home £25.5 million.

The average take-home pay of a FTSE chief executive is now 88 times the average pay of a full-time worker. This is only just smaller than its 2008 pre-global financial crash peak of 94 times that of the average worker. Over the last decade, the gulf between the pay of this super-wealthy layer has increased exponentially. Ten years ago, the average pay of a FTSE chief executive was 47 times the amount of pay compared to that of the average worker.

But this is a massive underestimation of the real income gap. The payments to CEOs also consist of vast sums paid out in bonuses, share option gains and long-term incentive plans. Over the past year the basic salary of FTSE 100 top directors rose by 3.6 percent. The majority of their pay now comes in the form of bonuses and shares, etc. If this is factored in then an FTSE CEO takes home closer to 180 times the average worker’s pay of around £25,000. And this average is itself distorted by the inclusion of high-end earners. Many, many workers earn far less than £25,000.

In July UKJobs.net reported that the average annual salary had dropped by more than £2,600 in the past six months, with across-the-board wages falling from £28,207 to £25,543. This fall will have continued.

Only two years after the global financial crash that brought economies internationally, including Britain’s, to the point of meltdown, huge bonuses are once against being lavished on this layer of the financial aristocracy.

A skyrocketing of corporate pay was also noted by the IDS beyond the top 100 firms. Across the companies listed on the FTSE 350, chief executive pay increased by 45 percent on average.

The IDS figures were released the day after another of their reports, documenting that most pay deals for workers actually represent pay cuts once inflation is taken into account. The survey analysed the pay deals of 1.5 million workers employed at private firms and found that most received pay deals of between 2 and 3 percent. Currently inflation measured by the Retail Prices Index, which includes mortgage costs, stands at 4.6 percent. Of the 69 pay agreements studied by the IDS, fewer than one in five was worth 3 percent or more to employees.

In addition, pay freezes imposed over the past several years are still being enforced by many employers, reducing wages even further. The survey found that 16 percent of employers were still pushing through pay freezes in the three months to September of this year.

In the public sector, average pay settlements were found by the IDS to be worth 2 percent. However, these were mainly in place prior to the Conservative/Liberal-Democrat government's post-election announcement of a public sector pay freeze. The *Daily Telegraph* commented, "The analysis also found a further 36 percent of public sector organisations froze pay in the three months to September in a drive to cut costs, meaning the two-year pay freeze imposed by the Government in June is starting to take effect."

Across the private and public sectors the average wage rose by just 1.7 percent in the year to August 2010, well below the rate of inflation.

Aware that the IDS findings will fuel increasing anger among millions of working people, attempts were immediately made to discredit the figures. In a letter to the *Financial Times*, also published in the *Guardian*, Peter Boreham, head of Executive Reward at Hay Group UK, stated, "Incomes Data Services' contention that FTSE 100 executive directors have received 55 percent pay rises is a misrepresentation of the facts".

Boreham denounced the IDS results as "exaggerated and misleading" and "skewed by a small number of large increases in high-performing companies". He then informed his readers, "The equivalent median—a far more representative number—is less than half of this, at 23 percent."

It is a measure of how socially insulated the super-rich have become that citing an average pay rise of 23 percent is seen as a supposedly devastating rebuttal of charges that executives are living high on the hog while the rest of us suffer.

The editor of the IDS Directors' Pay Report, Steve Tatton, commented, "It seems the days of earnings restraint by FTSE directors were short-lived".

The IDS findings follow a warning from Richard Lambert, the director general of the main business lobbying organisation, the CBI. Lambert said earlier this year, "If leaders of big companies seem to occupy a different galaxy from the rest of the community, they risk being treated as aliens".

The response of another increasingly privileged layer of society to the report is also worthy of comment. The trade union bureaucracy in Britain reacted with mock outrage to the figures on directors' pay. The general secretary of the Trades Union Congress, Brendan Barber, commented, "This latest survey shows that the overwhelming majority of recent pay deals have been below inflation, making them pay cuts in real terms. During the recession, many workers accepted shorter working hours and wage freezes to keep their jobs."

This is the most nauseating hypocrisy. In the immediate aftermath of the global economic crisis, it was the trade union bureaucracy that led the way in demanding their members accept the need for "sacrifices" so they could they "keep their jobs." Due to the refusal of the unions to wage any struggle against the previous Labour government, as it bailed out the bankers and the rest of the super rich from the public purse, hundreds of thousands of workers also lost their jobs.

Today in the face of an austerity programme designed to return the conditions of the working class to the Victorian era, the unions are playing the same role.

Even prior to the spending review, local authorities throughout the UK had moved rapidly to utilise the worsening economic climate to impose huge pay cuts and inferior contacts on their workforce. A total of seven authorities, employing nearly 60,000 staff and including Birmingham City Council with 26,000 employees and Sheffield with 8,500, have issued their entire workforce with redundancy notices unless they accept re-employment on poorer pay and conditions.