Corporate executive pay hits "stratospheric new heights" in Australia

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1 December 2010

Two reports on executive remuneration packages have revealed that Australia's corporate executives are once again awash with cash, despite the ongoing global economic crisis, even as thousands of workers and their families suffer increasing levels of financial stress and hardship.

The Executive PayWatch 2010 report produced by the Australian Council of Trade Unions (ACTU) found that after a short dip in 2008-9 due to the global crash, "executive pay has hit stratospheric new heights and the average CEO will this year take home $6.4 million in total remuneration". This is almost 100 times the average workers' wage.

The highest paid executive, News Corporation CEO and chairman Rupert Murdoch, garnered $26.8 million in 2010, or about 400 times average weekly earnings.

Over the past year, CEO remuneration packages—made up of base salary, bonuses, incentives and share options—rose by 17 percent, increasing by an average of more than $940,000, the equivalent of an extra $18,000 a week. During the same period, average full time weekly earnings for workers rose by just $3,200 a year, to around $65,000, or by $62 a week, to $1,253.10.

The ACTU report's average earnings figure actually covers up the real situation, because the average incorporates the astronomical salaries taken home by the corporate elite. About one million low-paid workers struggle to exist on, or close to, the minimum weekly wage of just $569.90—less than half the average. With household bills soaring, increasing numbers of "working poor" are unable to pay for basic necessities, such as rent, utilities and food.

The 2009-10 result marked a rapid return to the underlying trend over the past decade. Since 2001, CEOs' base salaries alone have grown by 130.6 percent, compared to 52.3 percent for average workers, widening the gap between CEO pay and that of the average worker from 20.8 times to 31.4 times.

During 2009-10, corporate profits also soared by 27.5 percent, sending the profit share of the national income close to the record high it reached in 2008. The wages share of national income remained at its lowest level since 1964. The profit bonanza was concentrated in mining and construction, where gross operating profits rose by 60.6 percent and 55.5 percent respectively, while wages in these sectors grew by just 3.8 percent and 2.9 percent respectively.

According to the second report, the *Australian Financial Review's* annual survey on corporate executive remuneration packages, mining chiefs were prominent beneficiaries. BHP Billiton chief Marius Kloppers received $13.3 million, an almost 9 percent increase over the past year. Rio Tinto CEO Tom Albanese's remuneration rose from $2.6 million in 2009 to $10.06 million last year. Woodside's Don Voelte got $8.3 million.

Property, construction and investment bank chiefs were near the top of the list. Westfield CEO Frank Lowy received $14.9 million, construction company Leighton's CEO Wal King got $14.6 million and Macquarie Group's Nicholas Moore took home $9.5 million.

The CEOs of Australia's four major banks, which are still propped up by a government guarantee of deposits, also featured. Their combined pay grew 23 percent, from $36 million last year, to a massive $44.3 million. Leading the way was Ralph Norris, head of the privatised Commonwealth Bank of Australia (CBA), who received $16.5 million, up from $9 million last year. National Australia Bank (NAB) CEO Cameron Clyne was paid $7.7 million, Westpac CEO Gail Kelly reaped $9.6 million, and ANZ boss Mike Smith pulled $10.9 million.

CBA chairman David Turner flatly defended Norris's extraordinary salary and bonuses package, even though it was worth 250 times average weekly earnings. Turner declared: "Ralph (Norris) is well paid, but it has been based on these profitability factors." Between them, the four banks declared profits of nearly $22 billion in 2009-10, much of these at the expense of home buyers whose mortgage interest rates have risen nearly 2 percentage points in a year. Around half the first home buyers nationally are already living under "housing stress"—i.e., spending over 30 percent of their income on repayments.

Other top executives on $6 million to $10 million packages included the chiefs of the country's two largest supermarket chains: Woolworth's Michael Luscombe ($8.2 million) and Wesfarmers' Richard Goyder ($8 million). Asbestos company James Hardie's CEO Louis Gries secured $8.2 million.

The *Australian Financial Review* survey listed 52 other executives receiving between $6 million and $3 million, including gold mining company Newcrest's CEO Ian Smith on $5.9 million. Telstra, another privatised conglomerate paid its CEO, David Thodey, $3.1 million. Fairfax Media's Brian McCarthy was also on $3.1 million.

Comments made to the newspaper by business leaders demonstrate the extraordinary arrogance of this super-rich layer. Lindsay Maxsted, chairman of toll road developer Transurban, whose CEO Chris Lynch received a $6 million package, declared there were no excesses at the company. "We unashamedly pay market price," he declared. Leighton chairman David Mortimer spoke for them all. "I don't think there's a culture of greed. I think there is a culture of success."

In fact, the bloated executive pay packages and company profits have been achieved with the help of savage cuts to workers' jobs and conditions, as well as the billions raked in from higher mortgage repayments and price rises for electricity, gas, water, rent, fuel, food, health care and other basic items.

Over the past decade, the banks have axed thousands of jobs and closed down hundreds of bank branches while increasing workloads for those who have remained. Just last month, Westpac announced it would eliminate thousands of jobs in its head office and support areas. Similar attacks have been carried out in the mining, manufacturing, retail and hospitality sectors, where companies have used the global financial crisis to restructure their operations, cutting wage levels, introducing short-time working and further casualising the workforce.

Commenting on the pay reports, Prime Minister Julia Gillard told the media that she shared the "uncomfortable feeling many Australians have when they see these huge numbers". Her remarks echoed Treasurer Wayne Swan's remark in 2009 that people were "rightly offended" by the multi-million payouts handed to departing CEOs.

Attempting to deflect anger from the government itself, Gillard claimed that the Labor Party had "acted on executive pay". She pointed to legislation last year to amend the Corporations Act. This measure was supposed to allow shareholders to cap CEO termination packages, which saw chief executives from the top 100 companies walk away on average with golden handshakes worth $3.4 million.

In reality, the cap legislation merely required payouts above one year of base salary to be referred to shareholders—overwhelmingly giant financial institutions themselves—for approval. The cap did not apply to current termination contracts. Moreover, as the latest figures illustrate, no restrictions were placed on the amounts paid to CEOs as base salaries, bonuses and share options.

During the 2008 financial meltdown, the Labor government rushed to provide billions of dollars to bail out corporations, and guaranteed bank deposits and borrowings to the tune of trillions of dollars. But there was no bailout for the many thousands of working people who lost their jobs or their homes to foreclosures.

Labor's massive handouts to big business were fully supported by the ACTU. The trade unions also assisted companies in their restructuring operations—shedding full-time jobs, cutting real wages and slashing working conditions.

Even as ACTU President Ged Kearney released the Executive PayWatch report, she was trying to promote the illusion that there were common interests between the corporate elite and the working class. She urged the government to adopt "stronger curbs on executive salaries and measures to force businesses to look to the long term sustainability of the company and to serve the interests of the whole Australian community, not just their shareholders".

To appease workers' hostility, the ACTU has issued a call for executive pay to be capped at a maximum of 10 times the average earnings of employees—itself a major differential of inequality. But the unions have no intention of pursuing this or any other measure that would challenge the obscene levels of wealth of Australian business executives or the profitability of their companies. Many union leaders themselves sit on superannuation boards whose own revenues depend on driving up corporate profit rates at the direct expense of the jobs, wages and conditions of the employees.