

German executive pay, company profits rise sharply in 2010

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In 2010, the salaries of the members of the boards of the 30 biggest German companies rose by 18 percent. On average, the members of the boards of these companies listed in the DAX share index earned €2.7 million a year.

Top earners are the members of the board of the Deutsche Bank, with €4.92 million average annual incomes, followed by the top managers of Siemens with €4.89 million, Volkswagen with €4.58 million, and Daimler with €4.39 million. The source of these figures is a survey by *Welt am Sonntag* from early April.

Already in the middle of March, the *Frankfurter Rundschau* had published a ranking of the best-paid chief executive officers. Leading the list was VW CEO Martin Winterkorn. In 2010, his annual income was €9.3 million, a 41 percent increase over 2009.

Winterkorn was followed by Siemens CEO Peter Löscher and Deutsche Bank CEO Josef Ackermann with €9 million each, Daimler CEO Dieter Zetsche with €8.8 million, RWE CEO Jürgen Grossmann with €8.7 million, and Linde CEO Wolfgang Reitzle with €8 million. Achieving the highest rise in income was Daimler CEO Zetsche, whose salary rose by 105 percent, more than doubling in one year.

The CEOs of chemical company BASF, sporting goods company Adidas, and car company BMW earned annual incomes ranging from €4.3 million to €5.4 million, increases of about 60 percent.

Compared to these figures, the members of the boards of Beiersdorf, with an average annual income of €864,000, and those of Commerzbank, whose incomes were not allowed to exceed €500,000, must be considered low-paid. Both concerns were partially nationalised. However, Commerzbank's board wants to abolish the pay cap soon by paying back earlier than

planned state funds invested to save the bank during the financial crisis.

In other companies such as Lufthansa, Infineon and ThyssenKrupp, which were hit particularly hard by the international financial and economic crisis, the incomes of board members have more than doubled on average and, in the case of the mechanical engineering and auto company MAN, tripled.

Also of note is the annual income of Mathias Döpfner, CEO of the Axel Springer publishing corporation, listed in the MDAX as one of Germany's 50 biggest companies. His income in 2010 was estimated to be about €10 million.

Most shareholders of 30 DAX-listed companies can celebrate a veritable torrent of money with dividend payments increasing sharply. The overall payout almost reached pre-financial crisis levels. Overall, the DAX companies paid dividends worth €25.6 billion in the past fiscal year. According to estimates by the financial audit company Ernst & Young, this is an increase of 28 percent compared to the previous year.

The incomes of workers and employees, on the other hand, have been stagnant for several years and even declining. If there are increases in wages at all, they do not keep pace with the increased costs of living. Young people leaving schools and universities have to content themselves with precarious jobs earning barely enough to make a living. And in spite of the rapid increase in profits, a number of DAX companies are cutting jobs and preparing further cost-cutting measures.

The same development is taking place on an international scale. For years, incomes and wealth have been redistributed from the bottom to the top. The worst crisis of capitalist world economy since the 1930s has drastically accelerated this process. After governments all over the world saved the banks from

collapsing with hundreds of billions in tax money, this money is being recovered with massive financial restructuring programmes and attacks on the working class.

The main responsibility for this development lies with the trade unions, which helped to organise these attacks on the working class and have suppressed any systematic resistance against them.

In Germany, wage agreements were kept low with the active support of the unions. With extended periods of tenure, many wage settlements fell under the inflation level. The same union officials who demanded wage sacrifices and restraint on the part of workers voted on the supervisory boards in favour of gigantic increases in income for board members—i.e., including themselves.

Many companies reacted in the crisis year of 2009 by laying off workers and making large-scale use of reduced working hours, paid for with income losses for employees and out of tax revenues. Both measures were supported by the unions.

When the economy recovered in some parts of the world, company orders increased, not least to restock previously emptied reserves. Many German companies also benefited from the high demand in China and other countries.

The Munich automobile company BMW, for example, was able to increase its profits 15-fold from €210 million to €3.2 billion. Overall, it sold 1.46 million cars, 14 percent more than in 2009. Particularly in China, BMW was able to increase its turnover by 85 percent.

Volkswagen, Europe's biggest automobile company, increased its net profit during the last year to €7.2 billion, eight times higher than in the previous year, while turnover rose by only 14 percent.

The high profits are a result of the billions spent by the German government to save the banks and economic stimulus measures. An analyst of the investment bank Macquarie concludes, as quoted by the *Berliner Zeitung*: "It is certainly the case that tax money is being channelled into company profits." But while profits are being channelled into the pockets of the board members and shareholders, gaps in public budgets are being filled at the expense of the general population.

The same article in the *Berliner Zeitung* points out that the profit share has risen strongly in the past

decades, from 27 percent in 1980 to 34 percent in 2010. Profit share is the proportion of corporate and financial profits in relation to national income as a whole. The rest goes to wages and salaries.

The newspaper concludes: "Judging by the companies' profit expectations, the share of the cake which goes to companies, their owners and management personnel is still growing."

German governments in past decades have strongly facilitated this redistribution of wealth from the bottom to the top. In particular, the Social Democratic Party/Green government of Gerhard Schröder and Joschka Fischer from 1998 to 2005 was a trailblazer in this regard. It drastically lowered taxes for companies and the wealthy while attacking the social achievements of the working class with its anti-welfare Hartz reforms. This paved the way for the formation of a huge low-wage sector, which in turn puts growing pressure on the wages of securely employed workers.

Worldwide, social inequality has increased dramatically. The current Forbes list consists of 1,210 dollar billionaires, the highest total ever. In Germany, a board member of a DAX company with an annual income of €9 billion earns 300 times more than a worker with an annual income of €30,000.

Incomes for many jobs requiring a high level of qualifications and responsibility are even lower. For example, a train conductor employed at Deutsche Bahn AG earns €2,700 pre-tax a month, and even less at a private rail company (€1,900—i.e., less than €23,000 a year). Nevertheless, train drivers are under attack from the German public sector union Verdi and the media because they are striking for higher wages. German teachers, who were recently sold out by their own trade unions, earn an entry-level salary of just €2,600 per month despite their high level of qualifications.



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