Report highlights gap between executive and workers’ pay in UK

Barry Mason
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The trade union-backed Labour Research Department (LRD) has issued a report showing how the gap between highly paid executives and most of the workforce is widening exponentially in the UK.

The salaries of top-paid executives in 2014 were a staggering 183 times the wages of average workers.

The LRD research noted at least 535 executives were being paid at least £1 million a year in salaries, with other payments and expenses on top.

According to LRD the UK’s current top earner is Sir Martin Sorrell, who is the chief executive of the advertising and public relations group WPP. He reportedly receives remuneration of £43 million a year, which includes a quarter of a million pounds to enable his wife to be with him on business trips.

The top 10 earners according to LRD are:

1. Sir Martin Sorrell, WPP, £42,978 million per annum
2. Tony Pidgley, Berkeley, £23,296 million
3. Ben van Beurden, Shell, £19,510 million
4. Jeremy Darroch, Sky, £16,889 million
5. Erik Engstrom, RELX Group, £16,176 million
6. Peter Long, TUI Travel, £13,333 million
7. Rob Perrins, Berkeley, £12,357 million
8. Tidjane Thiam, Prudential, £11,834 million
9. Breon Corcoran, Betfair, £11,627 million
10. Antonio Horta-Osorio, Lloyds Banking Group, £11,544 million

In 2014 the average pay of chief executives at the UK’s top 100 companies was £4.964 million. In comparison, according to the Office of National Statistics an average worker earned £27,200, making the ratio of pay 183:1.

The gap between executive pay and that of an ordinary worker continues to accelerate. The ratio has risen from 160 times in 2010 to 183 times today. In 1988 the pay of an average FTSE 100 chief executive was 47 times that of an average worker.

Deborah Hargreaves, the director of the High Pay Centre, commented: “Pay packages of this size go far beyond what is sensible or necessary to reward and inspire top executives. It’s more likely that corporate governance structures in the UK are riddled with glaring weaknesses and conflicts of interest.”

The pay of executives in the public sector is also becoming increasingly divorced from that of most public sector workers. After enduring no pay rise for several years public sector workers’ pay is now capped at 1 percent for the life of the current government.

This has meant a big cut in real terms for the majority of public sector staff. According to the *Daily Mail* , over 500 top executives at council offices across the UK earned more than £150,000 last year. Some 50,000 executive level employees in the National Health Service (NHS) are on six figure salaries.

While not at the same level, the pay gap between senior managers and workers is also increasing, especially in the UK and the United States. A recent press release by the global management consultancy, Hay Group, stated the pay gap between senior managers and “lower-level” workers in the UK had widened by 5.3 percent, while in the United States it had widened by 7.2 percent since the recession began in 2008.

Adam Burden, a consultant at the Hay Group, said: “Globally, the job level pay gap increase has accelerated since the recession. However, it is not purely a post-recession issue. This is a complex trend that has been building for the past 30 years, through economic boom as well as bust.”

As well as pay levels for top executives soaring away from that of workers, their pensions are also rising steeply. The Trades Union Congress (TUC) produces a regular pension-watch report based on annual reports from FTSE 100 companies.

The average pension contribution (including cash alternatives) made to executives by a FTSE 100 company is 34.1 percent. Seventy percent of executives in the UK’s top companies receive cash lump sums for at least part of their retirement provision. Of these the vast majority pocket stand-alone cash payments. “These pay-outs alone are often multiples of the total pay package of a typical worker in the same company,” the TUC report notes.

The report highlighted some of those in receipt of enormous pension pay handouts, with Richard Solomons, chief executive of InterContinental Hotels Group, receiving £3.2 million and Douglas Flint, an executive at HSBC, getting three quarters of a million in cash contributions.

The ongoing rise in wealth and income inequality continues to impact adversely on the health and social conditions of the vast majority of workers. The recently released annual report produced by Sir Michael Marmot, chair of the Commission on Social Determinants of Health, showed that around a quarter of households in England do not have sufficient income to be able to live healthy lives, up from 20 percent in 2008.

The report plots the number of years a person can live without suffering a disability. In Blackpool, a neighbourhood suffering multiple deprivations, the number of years a man is likely to live free of disability is 55, while in the affluent neighbourhood of Wokingham in southeast England it is 71, a difference of 16 years.