UK CEO pay skyrockets as workers' wages continue to plummet

Barry Mason
12 April 2017

Chief executive officers at the UK's Financial Times Stock Exchange (FTSE) firms are earning on average 386 times more than workers paid the national living wage.

In March, the Equality Trust issued its Pay Tracker report, comparing the pay of chief executive officers (CEOs) of the top 100 FTSE companies with workers on average pay and low pay in the UK.

The Equality Trust was founded in 2009, with a remit to reduce income inequality in the UK.

To produce its report the Equality Trust took the 2015 Annual Report and Accounts for the top 100 FTSE listed companies, with 2015 being the latest figures available.

It compared the total remuneration figure for each CEO against the annual UK figures for the average wage of £27,615, the National Living Wage (NLW) of £13,662 and the real living wage figure (outside London) of £16,034.

The average wage is based on of the median annual earnings of those in full-time employment for 2015. The living wage is the government set minimum wage for those over 25, due to rise to just £7.50 an hour from April 1 this year. The real living wage is a figure based on independent research arriving at a figure a worker and their family would need to earn in order to live. It is not a statutory figure and any employer paying it does so on a voluntary basis.

According to the report, topping the list of CEO remuneration packages is Martin Sorrell of the advertising and PR company WPP, with an annual income of over £70 million. It would take him about 20 minutes to earn what a worker on the national living wage earns in the course of a year.

The Equality Trust findings show that on average each CEO in the FTSE top 100 rakes in £5.3 million annually, representing 386 times the earnings of a worker on the NLW. In other words, the average top 100 FTSE CEO earns more in a day than a worker on the NLW earns for 365 days.

Two thirds of CEOs earn more than 100 times the average UK salary, while 90 percent of them earn at least 100 times more than the NLW.

Comparing the pay of CEOs with a series of job titles, the report highlights that the average top 100 CEO earns 165 times that of a nurse, 140 times that of teacher and a staggering 312 times the income of a care worker.

While the pay of top CEOs continues to rise, according to a recent Resolution Foundation report, the Equality Trust notes that the pay of public sector workers in real terms is set to fall. With increasing inflation and pay restraint, public sector pay will continue to fall over the next three years. The report notes that by the end of the parliamentary term in 2019/20, the real pay of public sector staff will be below 2004-2005 levels.

Commenting on the report, the Trust's executive director, Dr. Wanda Wyporska, said, "The people who educate our children, look after our grandparents, and keep our families safe have seen their pay frozen, while fat cat CEOs continue to gorge themselves on obscene and undeserved rewards. They're also stretching far away from their own employees. Being a top company CEO in the UK is like being a lottery winner—every year—guaranteed."

Wyporska said the Equality Trust were "calling on Government to introduce mandatory reporting for large and medium businesses on the pay gap between their highest and average paid employee. Only then can we create a sense of trust and common purpose essential to build an economy and society that works for all."

While the financial elite continues to rake in obscene amounts of wealth, conditions of poverty and social inequality prevail for the vast majority of Britain's population. The pay of workers in the UK has seen a staggering decline since the imposition of mass austerity in the aftermath of the 2008 global financial crisis.

The Equality Trust report follows the publication of research by the Trades Union Congress, based on figures issued by the International Labour Organisation. These were issued as part of its Global Wage Report 2016/15.

The TUC noted, "The UK ranks 103 out of 112 countries for pay growth since the financial crisis" and "while workers in most countries saw real terms pay increases between 2008 and 2015, UK workers saw the value of their wages fall."

The TUC added, "The Office for Budgetary Responsibility and the Bank of England both expect real wages to continue fall. … [W]ith prices being pushed up in the shops by the falling pound, the threat of another living standards crisis has increased."

A Resolution Foundation report "Living Standards 2017," issued in January, highlighted the decline in living standards hitting workers—with those already at the bottom being hit the hardest.

It stated, "We project that income growth will slow to 0.3 percent a year for the typical working-age household over the next four years, once we account for housing costs. This overall weak growth also hides a division between growth for some and falling living standards for others.

"Our projections suggest that incomes will rise slowly for high income households, stagnate in the middle and fall at the bottom. Very significant cuts to working-age welfare of over £12 billion are a key component of what looks set to be falling living standards for almost the entire bottom half of the working-age income distribution between this year and 2020-21. The result is the biggest rise in inequality since the late 1980s."

Former Chancellor George Osborne, who was replaced in the first cabinet announced by Prime Minister Theresa May upon her taking office last summer, wasted no time in cashing in.

Osborne is in all but name a full-time CEO and part-time MP.

Since his removal, he has taken up a £650,000 a year role as a consultant to US investment firm BlackRock. On top of this, he pulled in £786,450 from 14 speeches given mainly to banks and other City of London financial institutions. Osborne also has a £120,000 a year academic position as the first ever Kissinger Fellow at the Arizona-based McCain Institute for International Leadership. In May, he will take on the position of the editor of the main London newspaper, the *Evening Standard*, with his salary for that not made public.

As a backbench MP, Osborne continues to receive £75,000 a year, plus expenses.

Even taking into account so-called "shareholder revolts" against excessive CEO pay, the heads of the UK main conglomerate continue to rake in vast amounts. Despite a reported voluntary 40 percent cut in pay, BP Chief Executive Bob Dudley pulled in £9 million in 2016. Reuters reported Friday that Dudley's pay level was set "after around 60 percent of shareholders opposed BP's pay policy at last year's annual general meeting."

The overall pay deal for BP Chief Financial Officer Brian Gilvary was cut by 18 percent, but he still took home £4.2 million.

Reuters noted, "Even after a cut of nearly $8 million, Dudley's pay remains well above that of rival European oil companies." It cited the 2016 salary of Shell's Ben van Beurden (€8.2 million and a 60 percent increase year on year, and Total's Patrick Pouyanne—paid €3.8 million last year.

The Equality Trust calls on the government to make it mandatory for large and medium companies to highlight the pay gap between the highest and lowest paid employers. More "transparency," however, can in no way alleviate the growing divide, a product of the capitalist mode of production that results in the accumulation of ever greater wealth at one pole of society and ever increasing social misery at the other.

Far from being a restraining influence on the further enrichment of the super-rich, the government is beholden to and increasingly part of these sated layers.