Is your company's average employee salary at least 5% of the total remuneration of its highest paid executive?

Question developed with Manifest

Rationale for question

Executive remuneration has become a topic of debate due to a rising gap between average workers' pay and that of senior executives. Exact statistics differ according to the location, size and sector of companies sampled and years examined, but research conducted in the UK indicates that CEO remuneration is rising at a faster rate than average wages. For example, according to Incomes Data Services (IDS), in 2008 the UK top directors' earnings continued to defy gravity with increases averaging an 11.5% rise on the previous year, even as the world economy entered much tougher times and unemployment was rising. Likewise, The Work Foundation (in December 2007) found that average CEO remuneration packages increased by 28%, against inflation of 2.8% and average wage increases across the whole economy of only 4%.

Critics question the justification for high executive remuneration, particularly in times of falling profits and tough trading conditions. They express doubt about the real effectiveness of executive 'incentive packages'. Large and inflationary pay increases to CEOs might be seen as a perversion of market principles, as failure gains rewards equal to success. Growing pay inequality therefore corrodes the basic concept of fair reward that underpins a thriving society - and may also damage the performance and long-term success of organisations as staff become cynical and disillusioned. In wider society, it may lead to greater social differentiation and social unrest (see also Community Relations Question 4).

It is impossible, however, to create an ideal ratio of the earnings of the average worker to that of the highest paid company executive in an open labour market. Senior executive pay packages (which often include salary, annual bonuses, share options and Long Term Incentive Plans), can vary greatly depending on the country, industry and company size. In fact, a 2007 survey of executive remuneration by Manifest expresses concern that in smaller companies, executive directors are actually under-incentivised.

This question does not require companies to disclose salary figures, nor does it seek to create a standard for senior executive remuneration. Instead, it seeks to promote transparency and ascertain the difference in pay between the average worker and the highest paid executive (for example, the CEO earning approximately three times as much as the average employee).

Defining Terms

[No specific or technical terms require definition.]

Primary and Secondary answer requirements

ANSWERING YES

Companies must:
1. describe how they calculate remuneration for staff and executives, including bonuses, share options and other items in the pay package; and
2. provide an indication of the differential between highest and average earnings.

ANSWERING NO

Companies must:
1. explain why they do not or cannot answer YES to this question, listing the business reasons, any mitigating circumstances or other reasons that apply; and
2. describe how they calculate remuneration for staff and executives.

Companies may:
1. set out any proposed future policies regarding remuneration.

ANSWERING NOT APPLICABLE

Companies must:
1. confirm that they are made up of directors only and have no employees.

DON'T KNOW is not a permissible answer to this question.

NO ANSWER YET is only permissible under extraordinary circumstances and then for only a limited period.