

## Why Australian CEOs are sharing part of our wages pain

Written by The Conversation

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*Low wages growth has been a spectre hanging around the Australian economy for some time. In our series [What We Earn](#) we unpick the causes for this and why some workers might be feeling it more than others.*

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Even though shares and bonuses for CEOs have been fluctuating over the years, recently CEO salaries have remained stagnant. This trend lines up with the stagnant wages workers [have been experiencing across the board](#)

I calculated the average CEO salary, bonus and remuneration for a sample of ASX100 firms, for the period 2012-2016. I only included firms with available data for the same CEO for the entire five year period, which was 45 of the 100.

Looking just at the salary component of remuneration, it's clear CEO salaries plateaued across 2016 and 2015 with modest increases of 2.31% and 3.15% respectively. In contrast, CEO salaries increased by 7.54% and 8.53% in 2014 and 2013, well above the growth in average Australian wages. CEO salaries as a multiple of average Australian wages show a small but steady increase over the five-year period.

However CEO bonuses and share-based payments show a different story. Bonus payments were much more volatile across 2012-2016.

CEO bonuses are usually payments based on [short-term performance](#) . This explains their volatility across 2012-2016; the large increase in average bonus payments in some years and the large negative change for 2016.

Share-based payments are usually calculated with a standard accounting method and reflect the amount of shares a CEO owns during a year, rather than the money those shares earn during that period.

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There's been large increases in share-based remuneration awarded to CEOs in every year except 2014.

Share-based payments are also usually linked to the company's [share performance](#) and so its value is subject to changes in both the individual business and the whole capital market.

Overall the data shows that growth in total CEO pay has outstripped average Australian wage growth in every year of the last five years. But perhaps we need to look more closely.

### CEO pay and average wages

CEO pay is made up of a base salary component plus a mix of elements that are subject to fluctuation. These parts of the executive pay packet are influenced by [many factors](#) including firm size and complexity, individual company performance, internal benchmarks, share market performance, industry norms and the domestic and international economy. So many of the factors influencing low wages growth for Australian workers are also an important influence on CEO pay, although not necessarily in the same way.

For example, low wages growth has helped to [moderate growth in labour costs for firms](#) and so improving profitability. However, low wages growth [has also been linked](#) to higher unemployment levels, under-capacity in the economy, low consumer expectations about inflation and Australia's weakening terms of trade. All of these factors will ultimately impact negatively on the profitability of individual businesses and it's difficult to justify a large increase in CEO base salary if the firm is not performing well.

On the basis of the data provided, it's reasonable to predict there will be a continued plateauing of CEO base pay and that any increase will, on average, be roughly in line with Australian wages growth. The other elements of CEO pay are much more unpredictable. Certainly if business performance slows, so will the amount of elements of executive remuneration that are variable because they are linked to performance.

Public scrutiny of executive pay and shareholder's ability to vote against it with [Australia's two-strikes rule](#)

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are also likely to moderate executive pay in the future. Pay levels well above industry norms or individual performance will continue to draw

[shareholder ire](#)

and a

[swift board reaction](#)

*Julie Walker is affiliated with Chartered Accountants Australia New Zealand.*

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