

Tougher action is still needed to rein in executive salaries and bonuses, say unions

Australia enters a new decade at risk of repeating the mistakes of the past few years unless tighter restrictions are imposed on executive pay packets, say unions.

The Productivity Commission's final report on executive remuneration falls short of what is needed to rein in a corporate culture of rewarding risky behaviour that endangers jobs and undermines the economy, said ACTU President Sharan Burrow.

While welcoming improved transparency and shareholder accountability in the setting of executive remuneration, it was a great disappointment that the commission did not adopt a cap on CEO salaries, as unions have been urging, she said.

"This report is a big let down for working Australians who have watched with horror as boards and executives rewarded themselves with ever growing swags of money while engaging in reckless behaviour that resulted in tens of thousands of job losses," Ms Burrow said.

"Working Australians rightfully expected the Productivity Commission to recommend tougher action to break this nexus between risk-taking and excessive pay and bonuses.

"It's obscene that the average pay of CEOs of the top 20 companies last year was \$7.2 million – or 110 times average wages – at a time when workers were being told they had to tighten their belts and accept job losses.

"Tighter rules of corporate governance and increased board accountability and transparency are long overdue, and the proposed 'two strikes' rule to sack boards that repeatedly approve unacceptable remuneration packages is positive.

"But it is disappointing that the big business lobby has got into the commission's ear and even the two strikes rule has been watered down.

"Excessive salaries and bonuses contributed to the GFC by encouraging risk-taking and short-term thinking that undermined the sustainability of businesses and the financial system.

"We hope the new decade will foster a change of corporate culture for the better, but on the early evidence it looks like business as usual.

"The Government must not let some positive economic signs stall the momentum for reform.

"We need tighter restrictions on executive pay to prevent a repeat of the greed and recklessness that led to the GFC."

Unions have proposed that the base salaries of company chiefs, excluding incentives, should be capped at a maximum 10 times the average earnings of employees within that company.

Incentives or bonus payments should then be based on long-term sustainability not short-term risk taking.

Companies should also be taxed at a higher rate for paying CEO salaries over \$1 million.

Media contact: Anaya Latter ph: 0432 121 636

www.actu.asn.au

your rights at work — worth fighting for