UK: Highest-paid CEOs take home 117 times that of an average paid worker

By Barry Mason
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The pay of chief executives of top companies in the UK continues to spiral upwards. After the Christmas holidays, workers returned to work, and by their third working day back, a CEO at the FTSE 100 companies had already “earned” more than the average paid employee’s annual salary.

The average median salary in the UK for 2018 was £29,559, and by 5 p.m. on January 6, FTSE CEO incomes had already passed the £29,559 mark. The FTSE 100 is a share index of the 100 companies listed on the London Stock Exchange with the highest market capitalisation.

The figures are based on research from the High Pay Centre (HPC), a think tank that monitors the pay levels of top earners. The HPC refers to the calculation as “High Pay Day 2020.”

The HPC report for this year explained: “The calculation for ‘High Pay Day 2020’ is based on research by HPC and the CIPD (Chartered Institute of Personnel and Development), the professional body for HR and people development, showing that:

• “Top bosses earn 117 times the annual pay of the average worker.
• “In 2018 (latest available data) the average FTSE 100 CEO earned £3.46 million, equivalent to £901.30 an hour.
• “In comparison, the average (as defined by the median) full-time worker took home an annual salary of £29,559 in 2018, equivalent to £14.37 an hour.
• “To match average worker pay in 2020, FTSE 100 CEOs starting work on Thursday 2 January 2020 only need to work until just before 17.00 on Monday 6 January—just three working days (33 hours).”

Noting a slight closing of the gap between the pay of chief executives and the average worker, the report stated, “Compared with last year, CEOs now have to work slightly longer to make the median UK salary, after their pay fell from £3.9 million. However, the fact that it now takes them until teatime, rather than lunchtime, on the third working day of the year to pocket a sum of money that half of workers did not earn for an entire year’s work in 2019 rather puts this slight fall into perspective.”

Being in work in the UK is no guarantee of escaping poverty. In December, the Royal Statistical Society revealed its “statistic of the year.” It chose as its candidate the fact that 58 percent of UK households in poverty have at least one member in employment.

The figure was calculated by the Institute for Fiscal Studies (IFS) earlier in the year. According to the IFS, the number of those living in relative poverty in working households rose from 37 percent in the mid-1990s to 58 percent by 2017-2018.

Around 2 million workers, approximately 7 percent of the workforce, are on the national minimum wage. Boris Johnson’s Conservative government has announced to great fanfare that it will up the national minimum wage by around 6 percent to a still-very-low £8.72 an hour in April. Under its proposals, basic pay in the UK will remain at rock bottom for an entire generation of workers to come. Chancellor Sajid Javid proposed the minimum wage will reach the princely sum of £10.50 an hour by 2040!

These pittances in no way reflect the necessary amount of money required to be able to fully engage in society. According to the Living Wage Foundation, the current minimum wage needed to be able to live is £9.30 outside London, and £10.75 within London.

According to a recent Resolution Foundation (RF) report, “Under the Wage Floor,” around a quarter of those in receipt of minimum pay are underpaid. Quoted in a January 8 BBC news article, Lindsay Judge, RF senior policy analyst, stated, “The welcome introduction of the National Living Wage in 2016 has led to a worrying rise in minimum wage underpayment. As the government plans to increase the legal wage floor through this Parliament, it is essential to strengthen the incentives for
firms to comply.”

Widespread, deeply ingrained poverty is becoming an integral feature of life in Britain. A report issued by the Social Metrics Commission (SMC) last summer highlighted the scale of poverty.

The SMC was set up in 2016 and involves experts from such organisations as the Joseph Rowntree Foundation (JRF). It describes its purpose is “to develop a new approach to poverty measurement that both better reflect the nature and experiences of poverty that different families in the UK have. …”

Reporting on the findings of the commission, the Guardian noted, “More than 4 million people in the UK are trapped in poverty, meaning their income is at least 50 percent below the official breadline, locking them into a weekly struggle to afford the most basic living essentials. … The finding echoes wider concerns about the re-emergence of extreme poverty, known as destitution, which separate research has shown was experienced by an estimated 1.5 million people in the UK as a result of benefit cuts and high rents. …

“…work is no longer a guarantee of protection against poverty. At the millennium 54 percent of children in poverty lived in a family where an adult worked. That rose to 73 percent in 2017-18. Even in families where all adults work full time, one in six children are in poverty.”

Writing in the i newspaper December 31, the executive director of the JRF, Claire Ainsley, responded to the proposed rise in the national living wage, writing, “Increasing the national living wage well above inflation is the right thing to do. It cannot be right that four million workers and their families are locked into poverty due to high housing costs, work that isn’t paying, and inadequate social security…but it won’t turn the tide on rising poverty unless there is effective action to bring down costs and make social security an anchor in hard times.”

She continued, “[I]ncreases in the minimum wage (over the last decade) did not lead to reductions in in-work poverty with too many families struggling despite being in work. … If a worker gets a pay rise but this gets wiped out by their social security being withdrawn and their rent rising that worker and their family are no better off…a higher wage doesn’t help if you can’t get the hours you need work in the place where you live.”

While the High Pay Centre research carries out valuable research, its focus on employees on average pay of £29,000 versus CEO pay only paints a partial picture. Millions of workers, particularly the younger generation, earn nowhere near £29,000 a year. A vast number of workers are unable to find secure full-time employment and have to rely on precarious part-time and zero-hour contracts.

A recent article posted on the London School of Economics and Political Science (LSE) British Politics and Policy blog noted the detrimental impact of precarious employment. It was a summary of research carried out by three academics, Victoria Mousteri, Michael Daly and Liam Delany.

It noted, “The UK economy is approaching ‘full employment’ and the jobless rate has dropped below pre-recession levels. Yet, for many workers these employment levels have not meant high quality jobs. More employees now find themselves underemployed than before the recession and many more are on zero-hours contracts. Furthermore, when considered together, the total number of underemployed and zero hours workers has remained remarkably stable since the recession in contrast to the improving picture of employment rates more generally.”

It continued, “Hours-underemployment is linked to uncertainty, reduced control over working hours, in-work poverty and reduced well-being.”

Responding to the nominal minimum wage rise, Trades Union Congress General Secretary Frances O’Grady said, “Workers are still not getting a fair share of the wealth they create, and in-work poverty is soaring as millions of families struggle to make ends meet.”

In a Guardian article of January 6, responding to High Pay Day, O’Grady said, “This tells you everything about how unfair our economy is. Every working person plays a part in creating Britain’s wealth. But people at the top are taking more than their share.”

O’Grady sheds crocodile tears, as the head of an organisation that is primarily responsible for the low pay of millions having, for decades now, consistently suppressed action by workers to fight the continued erosion of historically won jobs, pay and conditions.

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