



Policies For The Good Company: Managing the adverse effects of excessive pay inequality on business, society & economy

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About One Society

One Society's work is based on a wealth of research which shows that large divides in income at the top and bottom of society – beyond 'proportional rewards' - are damaging to our economy and society, not just those at the bottom but right the way up. We work to promote policy and practice which reduce excessive income inequality. One Society works in partnership with The Equality Trust.

We argue that there is more than enough room for the monetary recognition of “due desert”ⁱ, and the requirements of competitive markets (e.g in pay scales), while still reducing the UK's overall rate of income inequality.

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Why private sector pay ratios are a matter of public interest

Increasing private sector pay inequality as a contributor to overall income inequality:

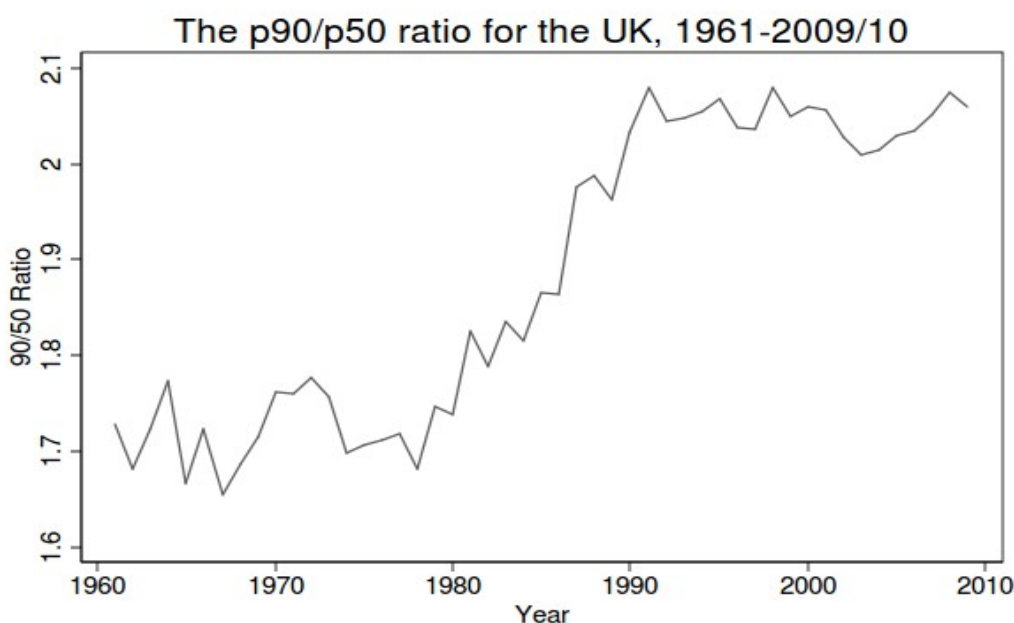
Increasing UK pay inequality is a major contributor to overall income inequality. The table below shows how the ratio between the pay of FTSE 100 CEOs and average pay has more than doubled in just ten years. (it should be noted that this top-to-average ratio does not reflect the full extent of inequality, as a top-to-bottom ratio would)

Year	Average CEO remuneration per year	ASHE data (average pay) per year	Multiple
1999	£1,234,983.00	£17,803.00	×69
2000	£1,686,973.00	£18,848.00	×90
2001	£1,805,717.00	£19,722.00	×92
2002	£2,599,143.00	£20,376.00	×128
2003	£2,786,143.00	£21,124.00	×132
2004	£3,087,023.00	£22,011.00	×140
2005	£3,304,533.00	£22,888.00	×144
2006	£3,308,814.00	£23,554.00	×140
2007	£3,876,921.00	£24,043.00	×161
2008	£3,958,000.00	£25,165.00	×157
2009	£3,747,000.00	£25,816.00	×145

Source: High Pay Commission, using ASHE data and executive pay data from MM&K and Manifestⁱⁱ

The High Pay Commission also point out that “*if this trend continues in ten years they [CEOs] will be paid 214 times the median wage*”.ⁱⁱⁱ

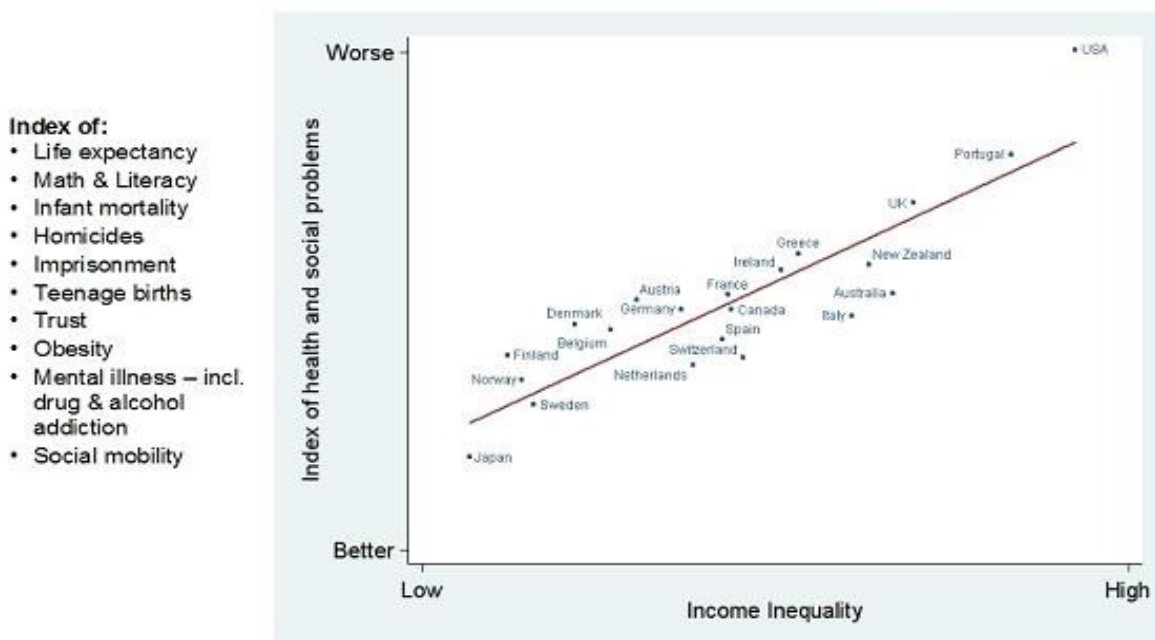
The UK now has one of the highest rates of income inequality in the developed world^{iv}. This inequality is rising: the graphic below shows the rising gap between adult median income and that of the 90th percentile (i.e 90th from bottom).



The economic cost of excessive income inequality:

High rates of income inequality are associated with a range of health and social problems, many of which have economic consequences. A summary of this phenomenon is contained in Wilkinson & Pickett's *The Spirit Level*, (a graphic from that source is reproduced below).

Health and Social Problems are Worse in More Unequal Countries



Source: Wilkinson & Pickett, *The Spirit Level* (2009)

www.equalitytrust.org.uk Equality Trust

We note that there are publications^v produced in response to *The Spirit Level* that have attacked its conclusions. A few points on these are important to raise:

- The Spirit Level authors point out that evidence is not limited to their own work, and that there are “around 200 papers in peer-reviewed academic journals testing the relationship between inequality and health in many different settings, more than 50 papers on violence and inequality and quite a few on inequality in relation to trust and social capital”^{vi}).
- We would warn against any assumption that the truth must lie equidistant between the two sides of any argument. There is now a recognised practice of interest groups raising objections to academic evidence, motivated not by a desire to test that evidence, but in order to state that the evidence is 'controversial'^{vii} (well-known examples include the debates around the link between cancer and tobacco, and around anthropogenic climate change).

Excessive income inequality and low social mobility

The UK has one of the lowest rates of social mobility in the developed world^{viii}. This is a tragedy for those ‘trapped at the bottom’, but also for the wider economy and society, which will not benefit from the contribution of those who never get to become the innovators, teachers, entrepreneurs or surgeons that they could have been.

There is strong evidence^{ix} that the most effective way to increase social mobility is to reduce income inequality. A recent study by the Institute for Fiscal Studies for BIS found “countries with higher income inequality tend to have lower social mobility [...] it is likely to be very hard to increase social mobility without tackling income inequality”^x. A number of these studies contain evidence that income inequality is not only correlated with low social mobility, but is likely to cause it.

Income inequality has now produced stagnating median pay: a social and political crisis in the making

The increasing gap between high and low incomes has contributed to a situation in which economic growth cannot now be guaranteed to deliver rising living standards for the average worker, as research by the Resolution Foundation recently found: “*from 2003-08 – before the 2008-09 recession, and despite GDP growth of 11 percent in the period – wages in the bottom half flat-lined*”^{xi}. A similar point is made by Open University Research Fellow Stuart Lansley, who finds that a “*collapse in the wage share has been borne most heavily by the middle and lower paid, leading to a sharp rise in earnings inequality. Some unskilled and semi-skilled jobs now pay little more in real terms – and in some cases less – than they did in the late 1970s*”^{xii}.

This inequality is largely an issue of pay. The increase in national income that has been allocated to profits and the pay of high earners has been at the expense of low and middle earners, but also at the expense of the taxpayers: “*In 1977, the tax-benefit system ‘topped up’ this group’s share of national income by one percentage point; by 2008-09 the system was lifting their share almost four times as much, by 3.7 percentage points*”^{xiii}.

The economic cost (and scale of taxpayer subsidy) of excessively low pay:

There is also evidence which clearly shows how low pay creates externalised costs, additional to the costs of *inequality* demonstrated above:

- According to the the Institute for Fiscal Studies, below-living-wage pay costs the taxpayer around £6 billion a year in benefits and foregone revenue.^{xiv}
- To this should be added the contribution of low pay to poverty-related health impacts, which, according to the Marmot Review “*additional NHS healthcare costs [...] well in excess of £5.5 billion per year*”^{xv}. Further evidence of the impact of high pay ratios on mental health is cited on page 6.

The economic cost of excessively high pay:

There is widespread concern about the role in the financial crisis of high pay, bonuses and the tendency of these to incentivise volatile and short-termist behaviour. The direct cost of high pay (and the financial costs of low pay, inequality and volatility) also have an impact upon the public, through the impact upon pension funds and other investments.

Market failures in some employment markets create overheated levels of pay, leading to individuals being attracted to certain sectors (e.g finance), where the levels of supply and demand for suitably skilled individuals do not adequately explain the levels of remuneration. This also leads to individuals being drawn away from other sectors.

Why high pay ratios damage company performance

The assertion that high pay is necessary to motivate, recruit and retain 'top people' is contradicted by the evidence

- A broad survey of academic evidence suggests that financial incentives can be perverse incentives: *"An analysis of 51 separate experimental studies of financial incentives in employment relations found overwhelming evidence that these incentives may reduce an employee's natural inclination to complete a task and derive pleasure from doing so. 'We find that financial incentives may indeed reduce intrinsic motivation and diminish ethical or other reasons for complying with workplace social norms such as fairness. As a consequence, the provision of incentives can result in a negative impact on overall performance'^{xxvi}.*
- Interestingly, incentives appear to be useful at the lower end of the pay scale, but not at the top: *"Tasks that involve only effort are likely to benefit from increased incentives, while for tasks that include a cognitive component, there seems to be a level of incentive beyond which further increases can have detrimental effects on performance".^{xvii}*
- The assertion that high pay is necessary to recruit and retain people with the required qualities is called into question by a number of sources, probably most prominently by David Bolchover, who argues that there is no shortage of talent (e.g in *"Pay Check; Are top earners really worth it?"^{xviii}*. This conclusion appears to be confirmed by some in the banking industry who admitted that even when bonuses were restricted, this caused *"...no problems recruiting a bumper crop of talent"^{xix}.*
- The argument that high pay is necessary to avoid top performers being poached by foreign competitors is also flawed: UK executive pay is already higher than the rest of Europe, and is approaching levels in the US^{xx} and *"in the last five years only one FTSE 100 company has had its CEO poached by a rival, and that rival was also British"^{xxi}*

Curent levels of director's remuneration are *not* correlated to performance:

- A report published in May 2011 by pay consultants MM&K and corporate governance group Manifest showed that FTSE 100 CEO pay remuneration rose by 32% to an average of £3.5m between 2009 and 2010, while share values rose by only by 9% over the same period^{xxii}.
- *"There is evidence that excess compensation of directors and CEOs is associated with firm underperformance In a study in the US, Brick, Palmon and Wald (2005) demonstrated that high director and CEO pay is positively correlated with poor governance, which is in turn related to poorer company performance"^{xxiii}.*

Productivity of the workforce as a whole is reduced by high pay ratios:

- The final report of the "Hutton Review of Fair Pay in the Public Sector" cites "*A wide range of academic studies, covering large and small businesses across different sectors in North America and Europe, suggest there is a strong correlation between narrower pay dispersion within an organisation and improved organisation performance, in particular where the input of many employees is important to performance. According to this research, wide gaps between top and bottom pay within an organisation harm performance. This is not to say that organisations with high pay differentials between the top and the rest will be poorly performing, rather that there will be gains to morale and productivity in organisations where everyone is seen to be paid according to their contribution*".^{xxiv}
- Also cited by the Hutton Review (interim report) are the results of research by Towers Watson, showing that engagement among people who feel that their manager makes fair decisions on pay is much higher than those who feel that decisions are not fair (77% and 45% respectively). This is supplemented by numerous examples of data which suggests that employee engagement is strongly correlated with performance: (e.g "*Hay Group research concludes that engaged employees generate 43 per cent more revenue than unengaged employees*")^{xxv}
- Other evidence shows that people with low relative status in the workplace (associated with low relative pay) are more likely even than people without jobs at all to suffer declining mental health (and its consequences in terms of low engagement, low productivity & absenteeism). For example, a recent academic study on the effect of employment on mental health found that "*those in the poorest quality jobs showed greater decline in mental health than those who were unemployed*"^{xxvi}
- In terms of physical health, a recent study found "*a strong and highly significant association between health outcomes, in particular cardiovascular health, and fairness of pay*" and cited "*a large and growing body of evidence [which] suggests that fairness perceptions play an important role in labor relations, affecting work morale, effort provision and market efficiency*"^{xxvii}

Public, industry & expert opposition to excessive pay inequality

Policies to reduce excessive pay ratios would be electorally popular:

IPPR, 2011:

Researchers found that “two-thirds of Britons would support government action to reduce the gap between high and low earners” and that “82% of those surveyed said government should act in both the public and private sectors”^{xxviii}

YouGov – Nov 2010:

Of those surveyed in a 2,000-strong opinion poll conducted by YouGov: “when asked how much a FTSE chief executive should be paid, 64 per cent said less than £500,000, and just 5 per cent said their remuneration should be between £1m and £4m. A mere 1 per cent said their pay should be anywhere near where it actually is – above £4m”.^{xxix}

YouGov/Compass – Sep 2009:

“78% of respondents to a YouGov/Compass poll saying that the growing gap between rich and poor was “bad for our society” and 73% saying they would support a government move to impose a new tax on all bonuses of more than £10,000”^{xxx}.

JRF/Fabian Society - “Understanding Attitudes to Tackling Economic Inequality” 2009

“75% described ‘people in full-time employment earning around £100,000 per year’ as ‘overpaid’. In more specific questions about salaries of £150,000, less than 30% were willing to defend such a salary on the grounds of either need or desert – only 28% thought ‘people earning £150,000 have special skills and their salary is generally a fair reflection of their value’ and only 29 per cent disagreed with the statement that £150,000 is ‘too much because it is more than anyone needs’.

A clear majority of the public was shown as wanting to see tighter rules on corporate pay: 80% of poll respondents agreed that bonuses should ‘reward long-term success rather than short-term performance; 70% thought that ordinary employees should be represented on the remuneration committees that decide how much executives get paid (with only 6% disagreeing); while a small majority (56%) were even in favour of making executives of failed companies ‘pay back their bonuses from the last two years’ (with 20% disagreeing)”.^{xxxi}

There is an increasing industry & expert recognition that executive pay is driven by an “arms race” that may harm performance, and that self-regulation by individual companies is unable to mitigate this:

- Cliff Weight, a director at pay consultants MM&K: “Many performance related pay schemes appear designed to satisfy the chief executive and in fact offer little incentive for anything above just adequate performance”^{xxxii}.
- According to BIS' recent paper "A Long-Term Focus for Corporate Britain; Summary of Responses" (whose respondents were mainly companies, investors, their representatives, lawyers and accountants), “The majority of respondents support the idea that executive pay has risen to unacceptable levels in some or all cases and that this often has no correlation to an increase in talent or success.”^{xxxiii}.
- Will Hutton: “Chief executives have become treated as business super-stars drawn from an ever narrower potential pool of potential talent for which companies have to pay the going rate. And even if these defects were eliminated, benchmarking between firms locks them into a kind of arms race, offering increasing remuneration to their chief executives in order to keep up with competitors”^{xxxiv}.

Potential policy solutions

Top pay has lost its link to employee pay, performance, the concept of proportional reward and the requirements of recruitment and retention. Encouraging companies to adopt policies of pay transparency and other best practice codes is necessary, but far from sufficient, to regain this link.

Policies should be adopted that i) give greater influence to those who have a stake in the long-term future of the company as a whole and ii) encourage those who have already influence to be assertive. Good proposals have been made in current government policy reviews, some of which we have referred to below, but changes are likely to be marginal and cosmetic without initiatives which give greater say to those who have an interest in the long-term financial sustainability of the company and the economy, and initiatives in which government uses its regulatory and financial power to create a financial demand for better practice.

This is a complex issue, which requires initiatives that take into account the roles of all relevant influencers (including companies, regulators, investors, advisors etc).

There is also a role for policymakers in countering some of the false assertions explored in this paper, and thus giving a lead to investors, members of remuneration committees and others.

Reporting the ratio of top pay & employee's pay – plugging gaps in current proposals

The Hutton Review of Fair Pay in the Public Sector (currently being considered by the Government) makes recommendations for private sector pay as well as public sector pay. The Review's Final Report recommends that listed companies should publish “*top to median pay multiples in their annual reporting from January 2012*”^{xxxv}. A similar requirement is already in place in the US^{xxxvi}. This is a welcome proposal, but there are gaps in the proposals (and in the anticipated methods of implementation if and when the proposals are adopted):

- In most organisations, almost half of all staff are paid less than median pay; this means that a top-to-median ratio will not reveal the full extent of organisational inequality (and its associated costs). Therefore organisations should be required to report not only on the relationship of top pay to median pay, but also the relationship to bottom pay (preferably the average of the bottom 10%, expressed in full-time equivalent rates to avoid falsely exaggerating the ratio).
- Whether ratios are expressed as top-to-median and/or top-to-bottom, they will be subject to distortion if overseas staff are included. Therefore reported ratios should include only UK-based staff.
- In order that “top pay” is properly reported, it is important to recognise that in some organisations, some professionals (including those whose actions can have strategic effects) are more highly paid than the CEO^{xxxvii}. Therefore in addition to chief executive earnings, the number and salaries of any staff paid more than the CEO should also be reported.

We recommend those aspects of the *Hutton Review's* "Fair Pay Code" which apply to "*fair and transparent process for setting executive pay*"^{xxxviii}. (The Review itself stops short of recommending that private sector companies be required to adopt that Code; we recommend that the Fair Pay Code should form the basis of government guidance for listed companies.

Remuneration Committees & Remuneration Consultants: cooling the hothouse

Composition of committees:

While the Hutton Review of Fair Pay in the Public Sector recommends that public sector remuneration committees should include employee representatives, it stops short of recommending that this becomes a requirement in the private sector. However, the arguments presented are even more pertinent to the private sector: *“an employee representative on the remuneration committee [...] will help ensure that decisions can be justified to all employees [...] and] could also improve the quality of executive pay decisions, both by contributing information on the working of the organisation that is independent of its management, and by increasing the diversity of remuneration committee membership. Indeed, employees have an incentive to monitor executive pay and performance since they have so much staked on the success of the organisation – arguably even more than shareholders”* ^{xxxix}

Remuneration committees are currently too often made up exclusively of people who recommend levels of remuneration which seem normal to them and abnormal to virtually everyone else. Too often there is also a closed loop, of a small group of individuals appearing on each other's remuneration committees, in a perhaps over-comfortable relationship, including people whose pay may be benchmarked against each other, which provides an incentive to inflate pay awards.^{xl}

Listed companies should be required to include a minimum number of employee representatives on their remuneration committees (certainly more than one: lone advocates of alternative viewpoints are too easily discounted), in the same way that occupational pension schemes are obliged to include member-nominated trustees. There is already established practice for recruiting member-nominated trustees, which could be easily adapted.

Remit of remuneration committees

The exclusive focus of remuneration committees on the pay and performance of highly paid executives creates an architecture of discourse which exaggerates the extent to which executives are responsible for company performance. When combined with the limited diversity of remuneration committee personnel this tends to make it less likely that the interests of the company as a whole will be properly promoted.

The remit of remuneration committees should be extended, to include top-to-median and top-to-bottom pay dispersion in the company and relevant comparators.

The role and incentives of remuneration consultants

There is widespread recognition, by commentators including themselves, that remuneration consultants tend to encourage unhelpful inflation of top pay:

- *“The incentive to structure overgenerous schemes is obvious: that way you get hired again and also win mandates from other executives who would like to be similarly rewarded...the pressure they put on all companies to be in the top-quartile of pay rates has been hugely damaging, not to mention mathematically impossible”^{xli}.*
- *“people put pressure on you to change different elements of the [remuneration] report.... I think that's when it does make a difference who we're reporting to. If we're reporting to the executive team or we're reporting to the remuneration committee.”*
- *“We have been involved in situations where the executive team is trying to put a bit of pressure on to you, and in the end something has been put forward to the remuneration*

committee but it may not have our name on it, in the sense that we then don't feel that that fully represents our views. Whether the remuneration committee is aware of that is another point, because in some cases we don't see [the committee].^{xliii}

Government should review the role of remuneration consultants and their incentives. Potential recommendations could include a requirement for:

- the remuneration consultant(s) to report to and to be appointed solely by the remuneration committee, as opposed to the executive;
- the appointment of the remuneration consultant(s) to be subject to a shareholder vote at the AGM;
- the maximum tenure of the remuneration consultant(s) to be set at three years for any one organisation;
- the remuneration consultant to be employed on condition of having signed the remuneration consultants group's (RCM) code of conduct.

Promoting shareholder assertiveness

It is clear that shareholders alone are now unable to ensure sufficient accountability of companies on remuneration matters, owing to a number of factors including agency problems and "*the diversified portfolios and lack of time and resources of many institutional investors*"^{xliii}, which has led to a situation in which levels of shareholder assertiveness on pay levels are low^{xliv} and "*defeat over remuneration is rare – even at the height of the financial crisis only five companies lost the vote on their remuneration report*"^{xlv}.

However, we note that "*greater disclosure and shareholder votes have encouraged engagement between shareholders and boards*"^{xlvi}, and that investors with diversified portfolios do have an interest in promoting the interests of the company as a whole and the interests of the wider economy (even if they do not always act accordingly). One Society therefore proposes that the Government should encourage and facilitate the scrutiny of asset managers by asset owners (and the scrutiny of asset owners by individual investors).

This goal could be promoted through:

- Requiring institutional investors to disclose whether they make use of the services of an agency which makes voting recommendations (such as Manifest or PIRC) and if so to explain any votes against these recommendations (a number of investors already disclose voting records and explain any contentious votes).
- Mandatory voting disclosure for institutional investors, (for which the Government has reserve powers under section 1277 of the Companies Act 2006)
- Shareholder votes on remuneration to be binding, rather than advisory (as is the case at present) .
- Shareholders required to publish a statement on their policy with regard to investee companies' remuneration.

Public procurement and holdings

It is already a recommendation of the Hutton Review of Fair Pay in the Public Sector that "*the government, including local government, should use their influence as a major procurer with all major private sector contractors and suppliers to see that they observe the Fair Pay Code*"^{xlvii}. One Society supports this proposal.

There are additional policies which could be adopted by Government to ensure that its influence promotes best practice. These include

- Requiring public agencies to publish assessments of the cost to taxpayers of below-living-wage employment related to major outsourced contracts.
- Requiring public sector pension funds to publish a policy on remuneration, and to vote on remuneration reports at investee company AGMs.

Encouraging more democratic workplaces

We note that employee-owned and co-operative enterprises tend to bring benefits in terms of employee motivation, employee pay and conditions and frequently in terms of performance^{xlviii}. A summary of recommendations for encouraging such enterprises can be found in the *Mutuals Manifesto*^{xlix} (although One Society has concerns about that document's recommendations concerning “how public providers can be converted to high quality, businesslike bodies”).

There is a correlation between narrower pay gaps and countries / industries where there are greater rates of collective bargaining and union membership. In the UK private sector, the pay of 18% of employees is subject to collective agreements, and 30% of employees are in unionised workplaces^l. This is low compared to both the private sector and to European averages. There is evidence that collective bargaining and trade union membership is a significant factor in reducing pay inequality^{li}. It would therefore be sensible for Government to explore the role of unions and collective bargaining in reducing pay inequality.

Low pay

We have cited above how low pay externalises costs (and contributes to widening inequality, which incurs further costs). For this reason, Government should consider means of giving preferential tax treatment to employers who pay Living Wage.

Employment status

Although specific recommendations in this area are beyond the scope of One Society's remit, we are concerned about the potential of false self-employment and other forms of insecure employment status to contribute to poverty and inequality.

- i This concept is most strongly associated with Will Hutton's "Them and Us: Changing Britain – Why We Need a Fair Society", 2010, Little Brown.
- ii High Pay Commission: "More for Less: what has happened to pay at the top and does it matter?" 2011, page 28 (http://highpaycommission.co.uk/wp-content/uploads/2011/05/HPC_interim_report2011.pdf)
- iii High Pay Commission, 2011, page 15
- iv UN Development Program. Human Development reports, 2003-6 (<http://hdr.undp.org/en/reports/>)
- v E.g. C Snowdon, *The Spirit Level Delusion*, 2010, Little Dice / P Saunders, *Beware of False Profits*, 2010, Policy Exchange.
- vi R Wilkinson & K Pickett; *The Spirit Level*; 2010 (second edition), Penguin, page 279
- vii For a short summary of this practice, see Prof L Ceccarelli "Manufactroversy: The Art of Creating Controversy Where None Existed" *Science Progress*, April 2008 (<http://www.scienceprogress.org/2008/04/manufactroversy/>)
- viii See J Blanden "How Much Can We Learn From International Comparisons of Intergenerational Mobility?", 2009, Centre for the Economics of Education. (<http://cee.lse.ac.uk/cee%20dps/ceedp111.pdf>)
- ix For example:
 - D Andrews and A Leigh, "More Inequality, less social mobility"; *Applied Economics Letters*, 2009, Number 16, p1489 (<http://people.anu.edu.au/andrew.leigh/pdf/InequalityMobility.pdf>)
 - OECD: "Growing Unequal? Income Distribution and Poverty in OECD Countries", 2008 (http://www.oecd.org/document/53/0,3746,en_2649_201185_41460917_1_1_1_1,00.html)
 - Blanden, Gregg & Macmillan, "Intergenerational Persistence in Income and Social Class: The Impact of Increased Inequality", 2008, CMPO (<http://www.bristol.ac.uk/cmppo/publications/papers/2008/wp195.pdf>).
 - Wilkinson and Pickett, 2010, p 289
- x Crawford, Johnson, Machin & Vignoles, "Social Mobility, a Literature Review", 2011, BIS, p1 (<http://www.bis.gov.uk/assets/biscore/economics-and-statistics/docs/s/11-750-social-mobility-literature-review.pdf>)
- xi James Plunkett: "Growth without gain? The faltering living standards of people on low-to-middle incomes" Resolution Foundation, 2011, page 10 (http://www.resolutionfoundation.org/media/media/downloads/Growth_without_gain_-_Web.pdf).
- xii Stewart Lansley: "Britain's Livelihood Crisis" TUC, 2011
- xiii Plunkett, 2011, page 10
- xiv Brewer And Phillips, "IFS analysis on the 'living wage'", 2010, Institute for Fiscal Studies (<http://www.ifs.org.uk/publications/5244>)
- xv The Marmot Review "Fair Society Healthy Lives", full report, 2010, page 18 (<http://www.marmotreview.org/AssetLibrary/pdfs/Reports/FairSocietyHealthyLives.pdf>)
- xvi When performance-related pay backfires (LSE press release, June 2009 <http://www2.lse.ac.uk/newsAndMedia/news/archives/2009/06/performancepay.aspx> accessed 31/04/11)
- xvii Ariely, Gneezy, Loewenstein and Mazar: "Large Stakes and Big Mistakes"; Research Center for Behavioral Economics and Decision Making, 2005, p16-17 (<http://www.bos.frb.org/economic/wp/wp2005/wp0511.pdf>)
- xviii David Bolchover "Pay check; are top earners really worth it?" 2010, Coptic press.
- xix "Bankers flock to Barclays despite bonus crackdown" Independent, 10 November 2010. (<http://www.independent.co.uk/news/business/news/bankers-flock-to-barclays-despite-bonus-crackdown-2129738.html>)
- xx High Pay Commission, 2011, page 30
- xxi High Pay Commission, 2011, page 56
- xxii Manifest/MM&K: *Executive Director Total Remuneration Survey* 2011
- xxiii High Pay Commission, 2011, page 39
- xxiv Hutton review of Fair Pay in the public sector, Final Report, 2011, p74 (http://cdn.hm-treasury.gov.uk/hutton_fairpay_review.pdf)
- xxv Hutton review of Fair Pay in the public sector, Interim Report, 2010, p 26 (http://www.hm-treasury.gov.uk/d/hutton_interim_report.pdf)
- xxvi Butterworth, Leach, Stazdins, Olesen, Rodgers & Broom: "The psychosocial quality of work determines whether employment has benefits for mental health: results from a longitudinal national household panel survey" *Occupational and Environmental Medicine*, 2011 (<http://oem.bmj.com/content/early/2011/02/26/oem.2010.059030.abstract>)
- xxvii A Falk, I Menrath, P Verde & J Siegrist "Cardiovascular Consequences of Unfair Pay" 2011, Forschungsinstitut zur Zukunft der Arbeit, pages 1-2 (<http://ftp.iza.org/dp5720.pdf>)
- xxviii K Lawton & T Lanning: "Getting what we deserve? Attitudes to pay, reward and desert" 2011 IPPR. (http://www.ippr.org/index.php?option=com_ippr&view=publication&id=7617&megafilter=&siteid=&Itemid=55)
- xxix Nicholas Timmins, *Top Executives paid 'far too much'*, Financial Times, 9th November 2010. (http://www.ft.com/cms/s/0/a4bc14f0-ec08-11df-b50f-00144feab49a_s01=1.html#axzz1K9YF6elf)
- xxx "Pay gap widens between executives and their staff", *Guardian*, September 2009 (<http://www.google.co.uk/search?q=%E2%80%9C9CPay+gap+widens+between+executives+and+their+staff>)

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- xxxix Bamfield & Horton, *Understanding Attitudes to Tackling Economic Inequality*, Joseph Rowntree Foundation, June 2009. (<http://www.jrf.org.uk/publications/attitudes-economic-inequality>)
- xxxii “Executive pay rises while shareholder earnings fall, says MM&K survey”; *The Guardian*, 5 July 2010 (<http://www.guardian.co.uk/business/2010/jul/05/executive-pay-rises-shares-fall>)
- xxxiii BIS: “A Long-Term Focus for Corporate Britain; Summary of Responses” page 20 (<http://www.bis.gov.uk/assets/biscore/business-law/docs/s/11-797-summary-responses-long-term-focus-corporate-britain.pdf>)
- xxxiv Hutton Review of Fair Pay in the Public Sector: interim report, 2010 page 4. (http://www.hm-treasury.gov.uk/d/hutton_interim_report.pdf)
- xxxv Hutton Review of Fair Pay Final Report, page 78
- xxxvi Section 953(b) of the Dodd-Frank Wall Street Reform and Consumer Protection Act requires companies to report Chief Executive pay, the organisation's median pay and the ratio between these.
- xxxvii For example, in Barclays “*the top paid banker will receive £14 million, nearly four times the amount awarded to the then CEO John Varley*” (High Pay Commission, 2011, page 32). Hutton identifies medical professionals as an example of this phenomenon in the public sector. (“Hutton Review of Fair Pay in the Public Sector; Interim Report”, December 2010, page 40. Other examples include professional footballers.
- xxxviii Hutton Review of Fair Pay Final Report, pages 90-92
- xxxix Hutton Review of Fair Pay Final Report, page 68
- xl For example, Paul Pindar, CEO of Capita plc, was, until last year, the senior independent non-executive director and member of the remuneration committee at Debenhams plc. A fellow independent non-executive director and remuneration committee member at Debenhams was Martina King. Martina King is also a non-executive director at Capita plc, and chairs the remuneration committee which is responsible for setting Paul Pindar's level of pay.
- xli Patrick Hosking “Put paid to paid consultants” *The Times*, 9 January 2010. (<http://www.timesonline.co.uk/tol/comment/columnists/article6981589.ece> (paywall))
- xlii Ruth Bender, Paying For Advice: The Role of the Remuneration Consultant in UK Listed Companies, Cranfield School of Management, 2008. (<https://dspace.lib.cranfield.ac.uk/bitstream/1826/3469/1/Bender%20Paying%20for%20Advice%20Brussels%20Nov%202008.pdf>)
- xliii High Pay Commission, 2011, page 51
- xliv Typically, votes cast against remuneration policies are in the low single percentages (See "Shareholders' anger grows but bosses' pay deals are safe – for now"; *The Scotsman*; 15 July 2010 (<http://thescotzman.scotzman.com/market-reports/Terry-Murden-Shareholders39-anger-grows.6420476.jp?articlepage=1>))
- xlvi High Pay Commission, 2011, page 50
- xlvi High Pay Commission, 2011, page 50
- xlvi Hutton Review of Fair Pay Final Report, page 78
- xlvi For Example, see: “John Lewis to share nearly £200m in bonuses after successful year” *Guardian*, 9 March 2011. (<http://www.guardian.co.uk/business/2011/mar/09/john-lewis-staff-share-200m-pound-bonuses>)
- xlix Mutuo, Building Societies Association, Co-operatives UK, Employee Ownership Association & Association of Financial Mutuals; *The Mutuals Manifesto*; 2010 (<http://www.mutuo.co.uk/wp-content/shared/mutuals-manifesto-final-print.pdf>).
- l James Achur, “Trade Union Membership 2009”; BIS / UK Statistics Authority, 2010; page 29 (<http://stats.bis.gov.uk/UKSA/tu/TUM2009.pdf>)
- li S.Machin: “Big ideas: rising wage inequality”, *CentrePiece*, Autumn 2008, p 8-10 (<http://cep.lse.ac.uk/pubs/download/cp260.pdf>)