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# Executive Excess

The gap between executive and employee pay within companies



## Introduction

*'I don't understand why people need a million quid a year. I've asked one or two of the more sympathetic bankers to explain it to me. The response has been: "It's not that I need the money, it is because others get it so I should, too." That is a ludicrous mindset. What on earth do these people think they are doing?'*

Vince Cable, the Observer 16<sup>th</sup> March 2014

*'...it is difficult to persuade the public that profits are no more than the necessary lifeblood of a successful business if they see a small cohort at the top reaping such large rewards.*

*If leaders of big companies seem to occupy a different galaxy from the rest of the community, they risk being treated as aliens.'*

Richard Lambert, then CBI Director General, 30<sup>th</sup> March 2010

*'You have to realise: if I had been paid 50% more, I would not have done it better. If I had been paid 50% less, then I would not have done it worse.'*

Jeroen van der Veer, former CEO of Royal Dutch Shell

The scale of executive remuneration – in other words, the sheer size of the pay packets that many company directors take home – has long been of concern to the general public and the trade union movement. Of particular concern to the TUC is the gap between the pay of company directors and ordinary employees in the same companies and throughout the economy as a whole. As the quote from Richard Lambert shows, some business representatives have also recognised the damage that the enormity of the gap between executive pay and the pay of other employees has done to the reputation of business. But this recognition has not prevented the executive-employee pay gap from continuing to grow<sup>1</sup>.

The gap between the pay of company directors and what they pay their staff has fuelled public disillusionment and lack of trust in business and tarnished the corporate sector's reputation to an extent that now threatens its license to operate. High intra-company pay differentials have contributed to inequality across the economy as a whole.

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<sup>1</sup> See Cheques With Balances: why tackling high pay is in the national interest, Final Report of the High Pay Commission, November 2011

However, high pay gaps within companies are also bad for business. They over-value the contribution of those at the top in relation to other company workers, which can affect employee morale and motivation. High differentials can make it harder to achieve agreements on workforce pay, as company workers will understandably feel aggrieved when pay restraint for ordinary company workers goes hand in hand with pay rises at the top.

Academic research shows clearly that companies with high pay gaps do less well on a range of performance measures than those with lower wage differentials:

- A study of 4,735 companies between 1991 and 2000 found that within-firm pay inequality is significantly associated with lower firm performance<sup>2</sup>.
- A second study that used compensation data from Standards and Poor's ExecuComp (covering around 1,500 companies per year) found that firm productivity is negatively correlated with pay disparity between top executive and lower level employees<sup>3</sup>.
- A third study of over 100 companies found that low pay differentials were associated with higher product quality<sup>4</sup>.

The negative impact of high pay differentials on company performance makes this an issue that should be of significant concern to shareholders. However, companies and shareholders both report that while executive pay forms a major part of their discussions, the issue of the relationship between directors' pay and the pay of ordinary company workers is rarely raised.

To summarise, high pay differentials damage employee morale, are detrimental to firm performance, contribute to inequality across the economy as a whole and have fuelled the public's lack of trust in business. Addressing this is an issue of clear interest to company employees, to shareholders and to the public more broadly. It is therefore a matter of public interest that information that allows pay differentials within companies to be monitored is publicly available.

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<sup>2</sup> Pedro Martins, Dispersion in Wage Premiums and Firm Performance, Centre for Globalisation Research Working Paper No. 8 April 2008

<sup>3</sup> Olubunmi Faleye, Ebru Reis, Anand Venkateswaran, The Effect of Executive-Employee Pay Disparity on Labor Productivity, EFMA, Jan 2010

<sup>4</sup> Douglas M. Cowherd and David I. Levine, Product Quality and Pay Equity Between Lower-Level Employees and Top Management: An Investigation of Distributive Justice Theory, Administrative Science Quarterly, Vol. 37, No. 2, Special Issue: Process and Outcome: Perspectives on the Distribution of Rewards in Organizations June 1992

## Company wage gaps in public policy

### **Companies required to take into account pay elsewhere in the company since 1995**

Ever since the introduction of the Greenbury Code in 1995, remuneration committees have been required to take into account pay and conditions elsewhere in the company, especially when setting annual salary increases. This remains part of what has now become the Corporate Governance Code today<sup>5</sup>. However, this provision has been roundly ignored by the vast majority of companies in their approach to executive remuneration, and the gap between executive pay and the pay of ordinary employees has soared since the introduction of the Greenbury Code in 1995.

The Corporate Governance Code (and the Greenbury Code before it) has always applied on a 'comply or explain' basis, meaning that companies should either comply with the requirement or explain why they have not done so. Over the years since 1995, companies have not only ignored the provision in terms of setting executive remuneration, but have also failed properly to report why they have chosen to do this.

### **Reporting regulations strengthened in 2008**

In 2008, in response to the lack of information given in remuneration reports on this issue, the then Labour government introduced regulations requiring that "The directors' remuneration report must contain a statement of how pay and employment conditions of employees of the company and of other undertakings within the same group as the company were taken into account when determining directors' remuneration for the relevant financial year."<sup>6</sup>

However, the majority of companies continued to ignore or at best paid lip service to the 2008 regulations and indeed the Corporate Governance Code requirement itself. A High Pay Centre report in 2013 found that 84 of the FTSE 100 companies provided no evidence for how employee pay was taken into account when setting executive pay, while the remaining 16 companies complied in relation to annual salary increases only<sup>7</sup>.

### **October 2013 reporting requirements**

The current government has introduced new reporting requirements for directors' remuneration that came into force in October 2013. Under the 2013

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<sup>5</sup> Supporting principle D1, see <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.pdf>

<sup>6</sup> Schedule 8, Regulation 11, Part 2 of the The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008  
<http://www.legislation.gov.uk/ukxi/2008/410/made>

<sup>7</sup> High Pay Centre, One Law for Them, December 2013,  
[http://highpaycentre.org/files/one\\_law\\_for\\_them\\_report.pdf](http://highpaycentre.org/files/one_law_for_them_report.pdf)

regulations, companies have to report for the first time a figure for total remuneration for each executive director. The regulations have also strengthened the reporting requirements on the relationship between employee pay and executive pay. They include the requirement that was part of the 2008 regulations for a ‘statement of how pay and employment conditions of employees...were taken into account when setting the policy for directors’ remuneration’. In addition, the 2013 regulations require information on:

- ‘whether, and if so, how, the company consulted with employees when drawing up the directors’ remuneration policy;
- the percentage change in total remuneration in comparison with the previous year for the CEO and the average percentage change for employees of the company as a whole; and
- ‘an explanation of the differences (if any) in the company’s policy on the remuneration of directors from the policy on the remuneration of employees generally’<sup>8</sup>.

There are indications that some companies are flouting the spirit if not the letter of the regulations<sup>9</sup>, but it is too early to make a full assessment at this time. This is an issue the TUC will return to in the months ahead.

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<sup>8</sup> Schedule 8, The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013

[http://www.legislation.gov.uk/ukxi/2013/1981/pdfs/ukxi\\_20131981\\_en.pdf](http://www.legislation.gov.uk/ukxi/2013/1981/pdfs/ukxi_20131981_en.pdf)

<sup>9</sup> See High Pay Centre briefing: The effect of executive pay reforms

<http://highpaycentre.org/pubs/high-pay-centre-briefing-the-effect-of-executive-pay-reforms>

## About this report: research on executive and employee pay in FTSE 350 companies

It is in this context of growing wage inequality within companies and across the economy as a whole that the TUC has commissioned data from Incomes Data Services (IDS)<sup>10</sup> on executive remuneration and average employee pay within the same companies.

The research uses company reports for FTSE 350 companies (excluding investment trusts) for the year ending 31<sup>st</sup> March 2013. It is therefore providing a snapshot of the situation **before** the introduction of the October 2013 regulations, which will be a useful comparator for assessing the impact of these regulations<sup>11</sup>.

Figures on the total remuneration of the company's highest paid director have been calculated by IDS on the basis of the information provided in company remuneration reports.

It is possible to calculate an approximate figure for average (mean) employee wages from annual reports, although these figures may not be fully accurate (the reasons for this are set out below). Company annual reports (not remuneration reports) are required to include a figure for total staff numbers and for the total wage bill. The latter can be divided by the former to give a figure for average employee pay. This is the only way of calculating a figure for average employee pay within companies and thus comparing the pay of company directors with the pay of their own staff from publicly available sources.

### **Caveats about the data**

However, calculating average employee pay in this way may not generate a fully accurate figure; there are a number of reasons for this set out below. It is worth noting that these issues are not addressed in the reporting requirements introduced in October 2013.

- Part-time workers who are paid less than their full-time equivalents (FTEs) because of the lower number of hours worked will nonetheless count as one worker in the figure for the number of workers within the company. Thus a company with a large number of part-time workers will generate an artificially low figure for average employee pay. To correct for this, additional information on the numbers of FTEs would be required. This information is not a requirement for annual reports and is often not included. This is a particular issue in the retail sector, where many companies employ large numbers of part-time workers (see table 17).

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<sup>10</sup> See <http://www.incomesdata.co.uk/>

<sup>11</sup> Care will have to be taken with making very specific comparisons, as the requirements of the October 2013 regulations mean that some figures may not be directly comparable with previous data. Nonetheless, overall pay gaps and trends will be able to be compared.

- The figure for total wage costs includes all company employees, including those working in other countries. Depending on the sector and country, overseas workers may be paid much lower rates than UK workers. This does not actually make the figure for average employees inaccurate. How companies treat their overseas workers is as important as how they treat their UK workers – and paying lower rates of pay is one of the reasons that companies choose to base activities overseas. But when making comparisons between companies it is important to remember that you may be comparing pay rates across very different economies, as the average employee pay figure for some companies will include a majority of employees from non-UK economies, whereas some companies employ all their staff within the UK.
- The total wage bill figure used to create the ‘average employee pay’ figure includes the wages of executive directors, which – as the average employee pay is a mean, not a median – will pull the average employee figure upwards, sometimes considerably, depending on the size of the company and how much its top executives are paid. This means that median employee pay will generally be lower than mean employee pay.
- There are variations in how contractors employed by the company are accounted for, as some companies include contractors in their employee numbers and total wage figures, while others do not. This is a particular issue in the mining sector, where operations are based largely overseas and generally employ large numbers of workers. In many cases, these workers are employed via contractors. Whether or not workers employed via contractors are included in the figures for employee numbers and wages in the company’s annual report can make a significant difference to the figure that will be derived for average employee pay. If contractors are included, the average employee pay figure will be generally be lower than if they are excluded (reflecting the lower pay rates of miners working overseas in comparison with head office staff). Because of this, stark variations in average employee pay figures can reflect reporting variations rather than actual pay differences. As already noted, this is a particular issue for mining companies (see table 14).
- Employee numbers may represent average employee numbers over the year, or employee numbers at the end of the year. Which figure is used may affect the average employee pay figure produced (although this is unlikely to make a significant difference in most cases).
- Incentive payments are sometimes included within the figure for wages and salaries and sometimes accounted for separately. It is often not clear from company reports whether or not the wages figure includes incentive pay or not and also not clear how incentive pay, if included, is allocated among staff.
- Finally, there are a number of other employment related costs that are sometimes included in the total wages figures, such as redundancy payments, costs for discontinued operations, pension costs, social security costs and so on. These are not actually wage costs as such but will all inflate the figure derived for average employee pay.



- These inconsistencies in reporting mean that the figures derived from company reports for average employee pay may not be fully accurate or comparable.

### **Invitation to companies to provide accurate data**

In order to address these issues, the TUC wrote to every FTSE 350 company included in this report inviting them to provide a figure for median employee remuneration, expressed as a full-time equivalent for part-time workers. The text of this letter is included at appendix one. To address the issue of overseas workers, we invited companies to provide information on average employee pay in each country in which it employed a significant number of workers, or at least for the country in which it employed the largest number of workers, in addition to a figure for UK workers.

Out of the 288 companies included in our sample<sup>12</sup>, we received responses of some kind from 39 companies, a 14% response rate. The TUC is very grateful to all these companies for their responses. Of these, around a third said that they were happy for us to use the publicly available information in their annual reports to calculate average employee pay for their company (sometimes directing us to the right page or sending a copy of the report) and/or declined to provide any additional information.

The majority of companies who responded provided information of some kind to be used in the report. In some instances this was contextual: for example, information about the location of their employees. Some companies with large numbers of part-time workers provided a 'full-time equivalent' number of employees to enable a more accurate figure for average (mean) pay to be calculated. A small number of companies included detailed information on mean employee pay. Two companies provided us with information on median employee pay as requested. In a small number of cases, the information provided was not compatible with the information we had requested and therefore could not be included in the report.

Where usable, all the company specific information has been included in the tables below where that company is mentioned, either in the table itself or in the footnotes or both.

To allow the scale of executive remuneration to be fully understood we have included a ratio of each highest paid director to the annual non-London living wage for a full-time worker (£13,923). While not all the companies in the sample will employ workers on the living wage, this information provides a useful way to understand pay inequality in the UK.

But despite our best efforts, because of the variations in company disclosure described above, it is impossible to be certain that figures for average employee pay generated from the data in company reports are fully accurate and

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<sup>12</sup> Investment trusts and recently listed companies for whom full accounts were not available were excluded from the FTSE 350 sample.

comparable. The TUC's view is that this points to significant deficiencies in the current reporting regime. For this reason, the TUC is happy to invite any company who wishes to do so to provide us with a more accurate figure for average employee earnings for as long as the report remains on our website.

Where the figures below for average employee pay have been generated by IDS using data in annual reports, the figures for average number of employees and total wages have been used to maximise comparability between companies. This does mean that average employee pay at companies that have large numbers of part-time workers that have not provided us with their full-time equivalent number of workers will appear lower than is actually the case.

As argued above, the gap between executive pay and the pay of other employees in the same companies has a direct impact on company performance and is an issue of widespread public concern. The TUC regards it as unacceptable that disclosure on employee pay rates within companies is so poor and believes that it is a matter of public interest that this is addressed. This is returned to below.

## Key research findings: FTSE 100 and FTSE 250

The information on directors' remuneration is for the highest paid director (HPD) (usually the Chief Executive but not always) in the company.

Information on the ratio between HPD remuneration and the average employee pay within the same company is included (please see the caveats set out on page 9).

Information on the ratio between HPD remuneration and the annual non-London living wage for a full-time worker (£13,923) is also included.

The company information is taken from annual reports for the year ending 31<sup>st</sup> March 2013.

### **Key findings for the FTSE 100**

- Median total earnings for highest paid director across the FTSE 100 were £3,195,353.
- Mean total earnings for highest paid director across the FTSE 100 were £4,080,851.
- Median basic salary for highest paid director across the FTSE 100 was £815,000.
- Mean basic salary for highest paid director across the FTSE 100 was £823,655.
  
- The median ratio of highest paid director total earnings to average employee pay across the FTSE 100 was 85.
- The mean ratio of highest paid director total earnings to average employee pay across the FTSE 100 was 138.
- The median ratio of highest paid director basic salary to average employee pay across the FTSE 100 was 20.
- The mean ratio of highest paid director basic salary to average employee pay across the FTSE 100 was 30.
  
- The median ratio of highest paid director total earnings to living wage across the FTSE 100 was 230.
- The mean ratio of highest paid director total earnings to living wage across the FTSE 100 was 293.
- The median ratio of highest paid director basic salary to living wage across the FTSE 100 was 59.
- The mean ratio of highest paid director basic salary to living wage across the

FTSE 100 was 59.

- Median employee earnings across the FTSE 100 were £37,140.
- Mean employee earnings across the FTSE 100 were £40,763.

### **Key findings for the FTSE 250**

- Median total earnings for highest paid director across the FTSE 250 were £1,284,361.
- Mean total earnings for highest paid director across the FTSE 250 were £1,621,637.
- Median basic salary for highest paid director across the FTSE 250 was £452,426.
- Mean basic salary for highest paid director across the FTSE 250 was £470,267.
  
- The median ratio of highest paid director total earnings to average employee pay across the FTSE 250 was 34.
- The mean ratio of highest paid director total earnings to average employee pay across the FTSE 250 was 53.
- The median ratio of highest paid director basic salary to average employee pay across the FTSE 250 was 13.
- The mean ratio of highest paid director basic salary to average employee pay across the FTSE 250 was 17.
  
- The median ratio of highest paid director total earnings to living wage across the FTSE 250 was 92.
- The mean ratio of highest paid director total earnings to living wage across the FTSE 250 was 116.
- The median ratio of highest paid director basic salary to living wage across the FTSE 250 was 32.
- The mean ratio of highest paid director basic salary to living wage across the FTSE 250 was 34.
- Median employee earnings across the FTSE 250 were £37,028.
- Mean employee earnings across the FTSE 250 were £47,223.

## Comparative company information

**Table 1: Top 20 companies in FTSE 100 directors by HPD basic salary pa. Plus HPD total earnings pa, average employee salary pa, HPD basic salary to average employee salary pa ratio & HPD basic salary to living wage pa ratio**

Highest to lowest	Company	Sector	FTSE 100 by HPD basic salary pa	HPD total earnings pa	Average employee salary pa	HPD basic salary to average employee salary pa ratio	HPD basic salary to living wage pa ratio
1	Antofagasta	Oil, gas & minerals	2,167,383	2,212,896	42,988	50	156
2	Vedanta	Oil, gas & minerals	1,404,000	2,010,000	9,275	151	101
3	BHP Billiton	Oil, gas & minerals	1,401,331	6,441,480	85,376	16	101
4	EVRAZ	Oil, gas & minerals	1,313,715	1,316,790	9,833	134	94
5	WPP Group	Media, marketing & telecommunications	1,300,000	9,499,480	37,468	35	93
6	Royal Dutch Shell	Oil, gas & minerals	1,297,442	6,341,064	78,703	16	93
7	HSBC Holdings	Finance	1,250,000	4,420,000	36,298	34	90
8	SABMiller	Food, drink & tobacco	1,245,000	9,350,505	17,890	70	89
9	BG	Utilities	1,233,000	5,027,921	85,401	14	89
10	Anglo American	Oil, gas & minerals	1,217,000	5,210,192	26,238	46	87
11	Diageo	Food, drink & tobacco	1,217,000	6,307,658	42,610	29	87
12	Royal Bank of Scotland <sup>13</sup>	Finance	1,200,000	1,646,000	34,000	35	86
13	Tesco	Retail & distribution	1,114,000	1,604,761	11,120	100	80
14	Vodafone	Media, marketing & telecommunications	1,099,000	6,779,928	36,562	30	79
15	BP	Oil, gas & minerals	1,061,553	3,180,203	74,328	14	76
16	Lloyds Banking Group	Finance	1,061,000	1,894,000	30,022	35	76
17	Eurasian Natural Resources	Oil, gas & minerals	1,051,000	2,663,000	6,831	154	75
18	Reed Elsevier	Media, marketing & telecommunications	1,050,625	2,228,930	50,590	21	75
19	Rio Tinto	Oil, gas & minerals	1,046,789	2,565,310	70,383	15	75
20	British American Tobacco	Food, drink & tobacco	1,037,500	6,452,278	21,798	48	75

<sup>13</sup> RBS pointed out a figure in their annual report for average employee salary, which has been used. This is lower than the figure that would have been derived from dividing total wages by employee numbers as set out on page 9.

**Table 2: Top 20 companies in FTSE 100 by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa., HDP total earnings to average employee salary pa ratio & HPD total earnings to living wage pa ratio**

Highest to lowest	Company	Sector	FTSE 100 companies by total earnings pa	Basic salary pa	Average employee salary pa.	HPD total earnings to average employee salary pa ratio	HPD total earnings to living wage pa ratio
1	Melrose	Engineering, electrical and other manufacture	31,157,399	409,800	19,393	1607	2238
2	Burberry	Retail & distribution	16,018,324	990,000	33,963	472	1150
3	WPP Group	Media, marketing & telecommunications	9,499,480	1,300,000	37,468	254	682
4	Experian	Transport & leisure	9,491,418	936,768	46,779	203	682
5	SABMiller	Food, drink & tobacco	9,350,505	1,245,000	17,890	523	672
6	Old Mutual	Finance	8,928,080	870,000	22,348	400	641
7	Prudential Corporation	Finance	8,197,894	360,000	43,593	188	589
8	Standard Chartered	Finance	7,761,079	716,516	34,801	223	557
9	British Sky Broadcasting	Media, marketing & telecommunications	7,278,239	935,000	38,301	190	523
10	Vodafone	Media, marketing & telecommunications	6,779,928	1,099,000	36,562	185	487
11	Pearson	Media, marketing & telecommunications	6,608,444	993,000	38,599	171	475
12	Aggreko	Other services	6,546,987	647,500	47,856	137	470
13	British American Tobacco	Food, drink & tobacco	6,452,278	1,037,500	21,798	296	463
14	BHP Billiton	Oil, gas & minerals	6,441,480	1,401,331	85,376	75	463
15	Royal Dutch Shell	Oil, gas & minerals	6,341,064	1,297,442	78,703	81	455
16	Arm Holdings	Engineering, electrical and other manufacture	6,340,330	490,000	71,429	89	455
17	Diageo	Food, drink & tobacco	6,307,658	1,217,000	42,610	148	453
18	Unilever	Food, drink & tobacco	6,214,345	948,000	24,200	257	446
19	Tate & Lyle	Food, drink & tobacco	5,773,667	700,000	48,063	120	415
20	ICAP	Finance	5,506,487	360,000	175,000	31	395

**Table 3: Top 20 companies in FTSE 250 by HPD basic salary pa. Plus their total earnings pa, average employee salary pa, HPD basic earnings to average employee salary pa ratio and HPD basic salary to living wage £pa ratio**

Highest to lowest	Company	Sector	HPD basic salary pa	HPD total earnings pa	Average employee salary pa.	HPD basic salary to average employee salary pa ratio	HPD basic salary to living wage pa ratio
1	Kazakhmys	Oil, gas & minerals	1,062,000	1,676,000	6711	158	76
2	First Group	Transport & leisure	846,000	1,055,000	20,943	40	61
3	Home Retail <sup>14</sup>	Retail & distribution	836,000	1,543,813	22,626	37	60
4	Informa	Media, marketing & telecommunications	823,497	3,230,734	42,411	19	59
5	Mondi	Engineering, electrical and other manufacture	821,548	7,228,725	22,521	36	59
6	Inchcape	Engineering, electrical and other manufacture	790,400	1,935,172	27,004	29	57
7	Berkeley	Construction & building materials	780,000	3,289,728	77,881	10	56
8	Rentokil Initial	Other services	775,000	1,115,000	16,032	48	56
9	Daejan	Property	750,000	770,000	36,417	21	54
10	Taylor Wimpey	Construction & building materials	731,000	1,837,000	41,111	18	53
11	Cable & Wireless Communications	Media, marketing & telecommunications	700,000	1,703,341	32,233	22	50
12	Phoenix Group	Finance	700,000	1,442,605	104,348	7	50
13	Cranswick	Food, drink & tobacco	684,000	1,420,000	22,165	31	49
14	Persimmon Group	Construction & building materials	678,800	1,933,483	38,608	18	49
15	Hochschild Mining	Construction & building materials	678,000	1,118,056	44,904	15	49
16	Hochschild Mining	Oil, gas & minerals	676,538	1,097,835	17,963	38	49
17	London Stock Exchange	Finance	675,000	2,397,000	60,438	11	48
18	Direct Line	Finance	671,000	1,826,380	28,600	23	48
19	Travis Perkins	Construction & building materials	652,000	1,027,000	24,741	26	47
20	William Hill	Transport & leisure	650,000	2,415,765	16,099	40	47

<sup>14</sup> Home Retail provided the figure used for average (mean) employee pay using FTEs. This was higher than the figure that would have been derived from the annual report.

**Table 4: Top 20 companies in FTSE 250 by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HDP total earnings to average employee salary pa ratio and HPD total earnings to living wage £pa ratio**

Highest to lowest	Company	Sector	HPD total earnings pa.	HPD basic salary pa.	Average employee salary pa	HDP total earnings to average employee salary pa ratio	HPD total earnings to living wage pa ratio
1	Mondi	Engineering, electrical and other manufacture	7,228,725	821,548	22,521	321	519
2	Imagination Technologies	E-business, software & computer services	6,533,012	352,000	37,550	174	469
3	Investec	Finance	6,077,589	391,378	87,717	69	437
4	Telecity	E-business, software & computer services	6,013,319	533,000	50,252	120	432
5	Rightmove	Property	5,883,960	318,240	47,018	125	423
6	Euromoney Institutional Investor	Media, marketing & telecommunications	4,855,645	198,418	61,953	78	349
7	Oxford Instruments	Engineering, electrical and other manufacture	4,823,272	346,000	39,531	122	346
8	Jardine Lloyd Thompson	Finance	4,427,222	650,000	55,871	79	318
9	Restaurant Group	Retail & distribution	4,409,425	590,000	13,288	332	317
10	Bodycote International	Engineering, electrical and other manufacture	3,621,185	458,000	33,775	107	260
11	Menzies (John)	Retail & distribution	3,390,531	336,000	17,945	189	244
12	Synthomer	Engineering, electrical and other manufacture	3,327,028	472,500	31,159	107	239
13	WH Smith <sup>15</sup>	Retail & distribution	3,297,835	525,000	19,336	171	237
14	Berkeley	Construction & building materials	3,289,728	780,000	77,881	42	236
15	Afren <sup>16</sup>	Oil, gas & minerals	3,273,086	625,000	91,377	36	235
16	Howden Joinery	Retail & distribution	3,253,253	555,000	31,936	102	234
17	Informa	Media, marketing & telecommunications	3,230,734	823,497	42,411	76	232
18	Tullett Prebon	Other services	3,153,000	650,000	200,491	16	226
19	Henderson Group	Finance	3,012,635	350,000	117,608	26	216
20	Provident Financial	Finance	2,921,194	650,000	30,190	97	210

<sup>15</sup> WH Smith provided a figure for FTEs, allowing us to calculate a more accurate figure for average (mean) employee pay.

<sup>16</sup> Afren provided information on employee numbers and average pay for Afren's locations in the UK, US and Africa. These have been used to create a weighted average used in the report. The average (mean) pay of its UK employees was £144,372, average (mean) pay of its US employees was £155,283 and average (mean) pay of its African employees was £47,103.



**Table 5: Top 20 companies in FTSE250 by HPD total earnings to average employee salary pa ratio. Plus HPD total earnings pa, HPD basic salary to average employee salary pa ratio, HPD basic salary pa, and average employee salary pa**

Highest to lowest	Company	Sector	HPD total earnings to average employee salary pa ratio	HPD total earnings pa	HPD basic salary to average employee salary pa ratio	HPD basic salary pa	Average employee salary pa
1	Restaurant Group	Retail & distribution	332	4,409,425	44	590,000	13,288
2	Mondi	Engineering, electrical and other manufacture	321	7,228,725	36	821,548	22,521
3	Centamin	Oil, gas & minerals	271	1,181,263	104	451,851	4,356
4	Ferrexpo	Oil, gas & minerals	250	1,225,157	87	424,511	4,894
5	Kazakhmys	Oil, gas & minerals	250	1,676,000	158	1,062,000	6,711
6	Menzies (John)	Retail & distribution	189	3,390,531	19	336,000	17,945
7	Imagination Technologies	E-business, software & computer services	174	6,533,012	9	352,000	37,550
8	WH Smith <sup>17</sup>	Retail & distribution	171	3,297,835	27	525,000	19,336
9	New World Resources	Oil, gas & minerals	166	2,436,667	38	552,765	14,642
10	Mitie Group	Other services	166	2,245,400	38	510,000	13,545
11	Dunelm	Retail & distribution	158	1,762,457	24	265,000	11,176
12	William Hill	Transport & leisure	150	2,415,765	40	650,000	16,099
13	Halfords	Retail & distribution	128	1,500,000	44	513,000	11,684
14	Petropavlovsk	Oil, gas & minerals	128	1,102,411	69	596,667	8,637
15	Rightmove	Property	125	5,883,960	7	318,240	47,018
16	Oxford Instruments	Engineering, electrical and other manufacture	122	4,823,272	9	346,000	39,531
17	Telecity	E-business, software & computer services	120	6,013,319	11	533,000	50,252
18	Morgan Crucible	Engineering, electrical and other manufacture	116	2,767,243	20	480,000	23,841
19	Bodycote International	Engineering, electrical and other manufacture	107	3,621,185	14	458,000	33,775
20	Ted Baker	Retail & distribution	107	1,983,408	18	338,000	18,515

<sup>17</sup> WH Smith provided a figure for FTEs, allowing us to calculate a more accurate figure for average (mean) employee pay.

**Table 6: Top 20 companies in FTSE 100 by HPD total earnings to average employee salary pa ratio. Plus HPD basic salary to average employee salary pa ratio, HPD basic salary pa, and average employee salary pa**

Highest to lowest	Company	Sector	HPD total earnings to average employee salary pa ratio	HPD total earnings pa.	HPD basic salary to average employee salary pa ratio	HPD basic salary pa	Average employee salary pa.
1	Melrose	Engineering, electrical and other manufacture	1607	31,157,399	21	409,800	19,393
2	SABMiller	Food, drink & tobacco	523	9,350,505	70	1,245,000	17,890
3	Burberry	Retail & distribution	472	16,018,324	29	990,000	33,963
4	Next	Retail & distribution	444	4,154,973	76	714,000	9,358
5	Old Mutual	Finance	400	8,928,080	39	870,000	22,348
6	Eurasian Natural Resources	Oil, gas & minerals	390	2,663,000	154	1,051,000	6,831
7	Compass Group	Other services	349	4,435,578	74	945,000	12,714
8	British American Tobacco	Food, drink & tobacco	296	6,452,278	48	1,037,500	21,798
9	Unilever	Food, drink & tobacco	257	6,214,345	39	948,000	24,200
10	WPP Group	Media, marketing & telecommunicatn	254	9,499,480	35	1,300,000	37,468
11	Sainsbury	Retail & distribution	247	3,224,000	72	940,000	13,064
12	Randgold Resources	Oil, gas & minerals	230	4,301,243	50	925,926	18,682
13	Kingfisher	Retail & distribution	230	3,813,931	49	816,000	16,571
14	Associated British Foods	Food, drink & tobacco	226	3,210,503	65	918,000	14,184
15	Standard Chartered	Finance	223	7,761,079	21	716,516	34,801
16	Vedanta	Oil, gas & minerals	217	2,010,000	151	1,404,000	9,275
17	Intertek Group	Other services	204	4,469,063	31	687,000	21,922
18	Experian	Transport & leisure	203	9,491,418	20	936,768	46,779
19	Anglo American	Oil, gas & minerals	199	5,210,192	46	1,217,000	26,238
20	Reckitt Benckiser <sup>18</sup>	Chemicals & pharmaceuticals	195	5,001,400	31	800,000	25,710

<sup>18</sup> Reckitt Benckiser Group informed us that 3,700 of its 35,900 employees are based in the UK.

**Table 7: Chemical and pharmaceutical companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio, HPD basic salary to average employee salary ratio and HPD total earnings to living wage £pa ratio**

Highest to lowest	Chemical and Pharmacy company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Reckitt Benckiser	5,001,400	800,000	25,710	195	31	359
2	Johnson Matthey	3,881,982	768,000	35,944	108	21	279
3	GlaxoSmithKline	3,771,591	1,033,000	58,761	64	18	271
4	AstraZeneca	3,446,241	740,000	48,191	72	15	248
5	Smith & Nephew <sup>19</sup>	2,676,642	851,447	45,603	59	19	192
6	Hikma Pharmaceuticals <sup>20</sup>	2,035,368	461,276	27,029	105	24	146
7	Croda International	1,780,985	350,208	38,172	47	9	128
8	PZ Cussons	1,404,569	472,875	13,809	102	34	101
9	Victrex	1,138,976	445,538	52,718	22	8	82
10	Elementis	1,084,459	468,000	40,444	27	12	78
11	United Drug	1,072,157	453,360	31,572	34	14	77
12	BTG	988,413	458,000	65,863	15	7	71
13	Dechra	959,564	374,491	29,556	32	13	69
<b>Sector mean</b>		<b>2,249,411</b>	<b>590,477</b>	<b>39,495</b>	<b>65</b>	<b>17</b>	<b>162</b>
<b>Sector median</b>		<b>1,780,985</b>	<b>468,000</b>	<b>38,172</b>	<b>59</b>	<b>15</b>	<b>128</b>

<sup>19</sup> Smith and Nephew provided information on the number and average pay of employees in the UK and USA, where the majority of its employees are located. These figures have been used to create a weighted average, which has been used in the report. The average (mean) pay of its UK employees was £38,943 and the average (mean) pay of its US employees was \$78.321 (£48,115).

<sup>20</sup> Hikma Pharmaceuticals provided the figure used for average employee pay. The company also pointed out that their employees are primarily located in the Middle East, North Africa, Portugal and America. The average pay (salary and bonus, excluding share option awards) of the company's UK employees (who deal with listing, legal and investor relations activities) was £143,229 pa.

**Table 8: Construction and building material companies by HPD total earnings. Plus HPD basic salary pa, average employees salary pa, HPD total earnings to average employee salary ratio, HPD basic salary to average employee salary ratio and HPD total earnings to living wage £pa ratio**

Highest to lowest	Construction and building material company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Berkeley	3,289,728	780,000	77,881	42	10	236
2	Galliford Try	2,572,000	475,000	36,883	70	13	185
3	CRH	2,223,886	932,537	31,127	71	30	160
4	Bellway	2,055,047	544,000	42,815	48	13	148
5	Wolseley	1,966,600	814,200	37,202	53	22	141
6	Persimmon Group	1,933,483	678,800	38,608	50	18	139
7	Barratt Developments	1,843,453	643,000	46,304	40	14	132
8	Taylor Wimpey	1,837,000	731,000	41,111	45	18	132
9	Kentz	1,557,884	318,588	28,133	55	11	112
10	Balfour Beatty	1,118,056	678,000	44,904	25	15	80
11	Travis Perkins	1,027,000	652,000	24,741	42	26	74
12	Kier	912,000	460,000	31,010	29	15	66
13	SIG	864,000	549,000	26,926	32	20	62
14	Carillion	853,029	560,000	24,459	35	23	61
15	Bovis Homes Group	844,000	430,000	42,684	20	10	61
16	Redrow	620,939	385,000	34,540	18	11	45
	<b>Sector mean</b>	<b>1,594,882</b>	<b>601,945</b>	<b>38,083</b>	<b>42</b>	<b>17</b>	<b>115</b>
	<b>Sector median</b>	<b>1,697,442</b>	<b>601,500</b>	<b>37,042</b>	<b>42</b>	<b>15</b>	<b>122</b>

**Table 9: E-business, software & computer service companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	E-business, software & computer company	HPD total earnings pa.	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Imagination Technologies	6,533,012	352,000	37,550	174	9	469
2	Telecity	6,013,319	533,000	50,252	120	11	432
3	Sage Group	2,383,712	708,000	38,389	62	18	171
4	Computacenter	1,664,354	500,000	41,351	40	12	120
5	Micro Focus International	1,291,000	490,000	74,671	17	7	93
6	Fidessa	992,941	553,000	68,928	14	8	71
7	SDL	944,978	316,667	40,907	23	8	68
8	Aveva	900,096	365,000	63,784	14	6	65
9	Anite	763,381	334,000	64,687	12	5	55
<b>Sector mean</b>		<b>2,387,421</b>	<b>461,296</b>	<b>53,391</b>	<b>53</b>	<b>9</b>	<b>171</b>
<b>Sector median</b>		<b>1,291,000</b>	<b>490,000</b>	<b>50,252</b>	<b>23</b>	<b>8</b>	<b>93</b>

**Table 10: Engineering, electrical and other manufacture companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Engineering, electrical & manufacturing	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Melrose	31,157,399	409,800	19,393	1607	21	2238
2	Mondi	7,228,725	821,548	22,521	321	36	519
3	Arm Holdings	6,340,330	490,000	71,429	89	7	455
4	Oxford Instruments	4,823,272	346,000	39,531	122	9	346
5	Smiths Group	4,514,857	820,000	31,918	141	26	324
6	Rolls-Royce <sup>21</sup>	4,108,253	896,000	48,233	85	19	295
7	Weir Group	4,053,528	687,500	37,078	109	19	291
8	Bodycote International	3,621,185	458,000	33,775	107	14	260
9	Synthomer	3,327,028	472,500	31,159	107	15	239
10	IMI	3,106,299	405,000	34,745	89	12	223
11	BAE Systems	2,942,568	963,000	54,119	54	18	211
12	Morgan Crucible	2,767,243	480,000	23,841	116	20	199
13	Dialight	2,262,745	325,968	21,161	107	15	163
14	Rexam	2,153,000	738,000	27,889	77	26	155
15	Inchcape	1,935,172	790,400	27,004	72	29	139
16	Meggitt	1,755,637	639,000	38,981	45	16	126
17	Halma	1,722,051	435,000	29,274	59	15	124
18	GKN	1,703,088	726,000	32,453	52	22	122
19	Spectris	1,690,820	271,000	44,369	38	6	121
20	Senior	1,675,512	440,000	29,222	57	15	120
21	Filtrona ( Essentra)	1,570,000	564,000	31,239	50	18	113
22	Qinetiq	1,495,284	580,000	52,825	28	11	107
23	Spirax-Sarco	1,402,668	490,000	38,893	36	13	101
24	Inmarsat	1,357,764	615,000	74,215	18	8	98
25	DS Smith	1,320,000	561,000	19,153	69	29	95
26	Pace	1,291,978	472,347	38,108	34	12	93
27	Fenner	1,233,730	382,824	41,026	30	9	89
28	Rotork	1,211,651	400,000	37,172	33	11	87

<sup>21</sup> Rolls-Royce provided the figure used for average employee pay. This represents average pay for its UK employees, who make up about half its workforce.

29	Spirent	1,147,822	430,524	65,046	18	7	82
30	Cobham	1,057,005	441,000	46,757	23	9	76
31	Invensys	990,769	650,000	40,031	25	16	71
32	Renishaw	969,000	572,000	36,336	27	16	70
33	Keller	951,000	433,000	39,485	24	11	68
34	CSR	893,084	405,030	65,300	14	6	64
35	Laird Group	724,000	336,000	12,293	59	27	52
36	AZ Electronic Materials	655,626	360,410	52,298	13	7	47
37	Ultra Electronics	481,000	420,000	44,492	11	9	35
38	RPC Group	471,000	282,000	26,099	18	11	34
39	Chemring	295,558	200,000	38,031	8	5	21
<b>Sector mean</b>		<b>2,882,247</b>	<b>518,201</b>	<b>38,382</b>	<b>102</b>	<b>15</b>	<b>207</b>
<b>Sector median</b>		<b>1,675,512</b>	<b>472,347</b>	<b>37,172</b>	<b>52</b>	<b>15</b>	<b>120</b>

**Table 11: Finance companies by HPD total earnings. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Finance company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Old Mutual	8,928,080	870,000	22,348	400	39	641
2	Prudential Corporation	8,197,894	360,000	43,593	188	8	589
3	Standard Chartered	7,761,079	716,516	34,801	223	21	557
4	Investec	6,077,589	391,378	87,717	69	4	437
5	ICAP	5,506,487	360,000	175,000	31	2	395
6	Schroders	4,870,000	400,000	159,111	31	3	350
7	Aberdeen Asset Management <sup>22</sup>	4,815,727	500,000	51,454	93	10	346
8	Jardine Lloyd Thompson	4,427,222	650,000	55,871	79	12	318
9	HSBC Holdings	4,420,000	1,250,000	36,298	122	34	317
10	Barclays <sup>23</sup>	3,669,497	800,000	42,967	85	19	264
11	Henderson Group	3,012,635	350,000	117,608	26	3	216
12	Provident Financial	2,921,194	650,000	30,190	97	22	210
13	Close Brothers Group	2,856,816	450,000	67,053	43	7	205
14	Standard Life	2,790,224	775,000	59,943	47	13	200
15	Intermediate Capital	2,729,954	328,000	256,296	11	1	196
16	Legal & General	2,679,260	653,000	35,077	76	19	192
17	Beazley	2,420,296	420,000	73,848	33	6	174
18	London Stock Exchange	2,397,000	675,000	60,438	40	11	172
19	Jupiter Fund Management <sup>24</sup>	2,140,547	239,423	135,648	16	2	154
20	SVG Capital	2,101,275	373,000	140,902	15	3	151
21	Hiscox	1,925,499	453,000	62,887	31	7	138

<sup>22</sup> Aberdeen Asset management provided information on employee numbers (FTEs) and median employee pay in all countries where the company employs more than 100 people. These have been used to create a weighted average for median employee pay across the group. Median employee pay was £52,000 in the UK (where the majority of employees are based), £76,000 in the US, £44,000 in Singapore, £54,000 in Sweden and £60,800 in Germany.

<sup>23</sup> Barclays pointed out a figure in their annual report for FTEs, which has been used to calculate average employee earnings.

<sup>24</sup> Jupiter Fund Management informed us that the vast majority of its employees are based in the UK.



22	Ashmore	1,909,832	100,000	71,713	27	1	137
23	Paragon	1,902,974	422,000	36,684	52	12	137
24	Lloyds Banking Group	1,894,000	1,061,000	30,022	63	35	136
25	Amlin	1,834,400	358,000	68,673	27	5	132
26	Direct Line	1,826,380	671,000	28,600	64	23	131
27	Resolution	1,814,334	600,000	44,289	41	14	130
28	RSA	1,803,947	800,000	39,120	46	20	130
29	Aviva	1,770,492	720,000	42,421	42	17	127
30	St James's Place Capital	1,738,834	465,000	53,864	32	9	125
31	Hargreaves Lansdown	1,670,707	450,000	52,122	32	9	120
32	Royal Bank of Scotland <sup>25</sup>	1,646,000	1,200,000	34,000	48	35	118
33	Phoenix Group	1,442,605	700,000	104,348	14	7	104
34	3i Group	1,308,000	550,000	152,542	9	4	94
35	F&C Asset Management	1,120,000	275,000	82,629	14	3	80
36	Alliance Trust	1,098,284	425,250	74,243	15	6	79
37	Rathbone Brothers	977,840	340,000	72,560	13	5	70
38	Admiral Group	816,849	424,725	22,035	37	19	59
39	International Personal Finance	802,999	432,000	12,795	63	34	58
40	Hansteen Holdings	733,000	375,000	89,672	8	4	53
41	Man Group	643,652	615,939	130,347	5	5	46
42	RIT Capital Partners	560,519	430,165	124,324	5	3	40
43	Brewin Dolphin Holdings	557,000	311,000	57,159	10	5	40
44	Caledonia Investments	550,209	466,000	46,386	12	10	40
45	IP Group	218,000	214,000	79,412	3	3	16
	<b>Sector mean</b>	<b>2,606,425</b>	<b>534,898</b>	<b>73,111</b>	<b>54</b>	<b>12</b>	<b>187</b>
	<b>Sector median</b>	<b>1,902,974</b>	<b>450,000</b>	<b>59,943</b>	<b>33</b>	<b>8</b>	<b>137</b>

<sup>25</sup> RBS pointed out a figure in their annual report for average employee salary, which has been used. This is lower than the figure that would have been derived from dividing total wages by employee numbers as set out on page 9.

**Table 12: Food, drink and tobacco companies by HPD total earnings. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary ratio pa to average employee salary and HPD total earnings to living wage £pa ratio**

Highest to lowest	Food, drink and tobacco company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	SABMiller	9,350,505	1,245,000	17,890	523	70	672
2	British American Tobacco	6,452,278	1,037,500	21,798	296	48	463
3	Diageo	6,307,658	1,217,000	42,610	148	29	453
4	Unilever	6,214,345	948,000	24,200	257	39	446
5	Tate & Lyle	5,773,667	700,000	48,063	120	15	415
6	Associated British Foods	3,210,503	918,000	14,184	226	65	231
7	Imperial Tobacco	3,029,643	655,000	24,973	121	26	218
8	Booker	1,505,500	275,000	17,579	86	16	108
9	Cranswick	1,420,000	684,000	22,165	64	31	102
10	Domino's Pizza	1,334,276	270,000	28,630	47	9	96
11	Britvic	1,285,776	507,359	37,579	34	14	92
12	A.G. Barr	1,085,148	345,000	33,384	33	10	78
13	Dairy Crest	904,000	512,000	32,486	28	16	65
14	Devro	459,000	425,000	28,557	16	15	33
<b>Sector mean</b>		<b>3,452,307</b>	<b>695,633</b>	<b>28,150</b>	<b>143</b>	<b>29</b>	<b>248</b>
<b>Sector median</b>		<b>2,267,572</b>	<b>669,500</b>	<b>26,765</b>	<b>103</b>	<b>21</b>	<b>163</b>

**Table 13: Media, marketing & telecommunications companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Media, marketing & telecommunications company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	WPP Group	9,499,480	1,300,000	37,468	254	35	682
2	British Sky Broadcasting	7,278,239	935,000	38,301	190	24	523
3	Vodafone	6,779,928	1,099,000	36,562	185	30	487
4	Pearson	6,608,444	993,000	38,599	171	26	475
5	Euromoney Institutional Investor	4,855,645	198,418	61,953	78	3	349
6	BT Group	3,849,303	921,000	44,528	86	21	276
7	Informa	3,230,734	823,497	42,411	76	19	232
8	ITV	2,256,000	818,000	58,142	39	14	162
9	Reed Elsevier	2,228,930	1,050,625	50,590	44	21	160
10	United Business Media	1,822,582	640,000	39,608	46	16	131
11	Cable & Wireless Communications	1,703,341	700,000	32,233	53	22	122
12	Colt Telecom Group	1,608,992	488,974	50,663	32	10	116
13	TalkTalk Telecom Group	916,000	500,000	38,635	24	13	66
14	KCOM	522,350	383,000	38,694	13	10	38
15	Telecom Plus	334,000	334,000	27,869	12	12	24
16	Perform Group	275,000	269,000	34,967	8	8	20
<b>Sector mean</b>		<b>3,360,561</b>	<b>715,845</b>	<b>41,951</b>	<b>82</b>	<b>18</b>	<b>241</b>
<b>Sector median</b>		<b>2,242,465</b>	<b>759,000</b>	<b>38,665</b>	<b>49</b>	<b>18</b>	<b>161</b>

**Table 14: Oil, gas and minerals companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Oil, gas and minerals company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	Total earnings to living wage £pa ratio
1	BHP Billiton	6,441,480	1,401,331	85,376	75	16	463
2	Royal Dutch Shell	6,341,064	1,297,442	78,703	81	16	455
3	Anglo American	5,210,192	1,217,000	26,238	199	46	374
4	Randgold Resources	4,301,243	925,926	18,682	230	50	309
5	Petrofac	3,927,793	610,740	47,521	83	13	282
6	Afren <sup>26</sup>	3,273,086	625,000	91,377	36	7	235
7	BP	3,180,203	1,061,553	74,328	43	14	228
8	Premier Oil	2,746,915	530,000	121,663	23	4	197
9	Eurasian Natural Resources	2,663,000	1,051,000	6,831	390	154	191
10	Rio Tinto	2,565,310	1,046,789	70,383	36	15	184
11	Hunting	2,457,649	468,000	40,041	61	12	177
12	New World Resources	2,436,667	552,765	14,642	166	38	175
13	SOCO International	2,326,287	541,231	285,550	8	2	167
14	Antofagasta	2,212,896	2,167,383	42,988	51	50	159
15	Glencore International	2,102,000	700,000	36,579	57	19	151
16	Tullow Oil	2,100,497	856,110	102,915	20	8	151
17	Vedanta	2,010,000	1,404,000	9,275	217	151	144
18	John Wood Group	2,001,002	378,861	50,681	39	7	144
19	Kazakhmys	1,676,000	1,062,000	6,711	250	158	120
20	Enquest	1,628,527	395,000	106,899	15	4	117
21	EVRAZ	1,316,790	1,313,715	9,833	134	134	95
22	African Barrick Gold	1,282,353	475,000	15,419	83	31	92
23	Ferrexpo	1,225,157	424,511	4,894	250	87	88
24	Centamin	1,181,263	451,851	4,356	271	104	85
25	Petropavlovsk	1,102,411	596,667	8,637	128	69	79
26	Hochschild Mining	1,097,835	676,538	17,963	61	38	79
27	Kenmare Resources	691,913	432,369	23,692	29	18	50

<sup>26</sup> Afren provided information on employee numbers and average pay for Afren's locations in the UK, US and Africa. These have been used to create a weighted average used in the report. The average (mean) pay of its UK employees was £144,372, average (mean) pay of its US employees was £155,283 and average (mean) pay of its African employees was £47,103.

28	Polymetal International <sup>27</sup>	615,122	281,717	17,245	36	16	44
29	Petra Diamonds	566,800	261,752	22,924	25	11	41
30	Lonmin	549,863	325,850	14,626	38	22	39
<b>Sector mean</b>		<b>2,374,377</b>	<b>784,403</b>	<b>48,566</b>	<b>105</b>	<b>44</b>	<b>171</b>
<b>Sector median</b>		<b>2,101,249</b>	<b>617,870</b>	<b>24,965</b>	<b>61</b>	<b>19</b>	<b>151</b>

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<sup>27</sup> Polymetal pointed out that less than 1% of their staff are based in the UK, with more than 99% being based in Russia and Kazakhstan. They also provided a link to their Sustainability Report, which sets out information on employee pay in the context of local pay conditions.

**Table 15: Other services companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Other services company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Aggreko	6,546,987	647,500	47,856	137	14	470
2	Bunzl	5,224,950	845,000	35,611	147	24	375
3	Intertek Group	4,469,063	687,000	21,922	204	31	321
4	Amec	4,458,733	900,000	60,909	73	15	320
5	Compass Group	4,435,578	945,000	12,714	349	74	319
6	Tullett Prebon	3,153,000	650,000	200,491	16	3	226
7	Ashtead Group	2,631,480	468,000	36,182	73	13	189
8	Michael Page International	2,626,256	450,000	49,433	53	9	189
9	Moneysupermarket	2,598,380	390,000	48,758	53	8	187
10	Mitie Group	2,245,400	510,000	13,545	166	38	161
11	Serco	2,177,604	744,500	19,296	113	39	156
12	Capita Group	1,849,040	380,000	28,826	64	13	133
13	Hays	1,832,796	649,000	46,824	39	14	132
14	Domino Printing Sciences	1,614,000	411,000	31,902	51	13	116
15	Babcock International	1,464,000	545,000	34,234	43	16	105
16	Berendsen (Davis Service Group)	1,309,000	528,000	21,370	61	25	94
17	Interserve	1,299,289	446,778	25,077	52	18	93
18	RPS	1,265,000	446,000	41,614	30	11	91
19	Synergy Health	1,262,443	420,000	23,196	54	18	91
20	Electrocomponents	1,254,275	562,734	29,653	42	19	90
21	ITE Group	1,239,000	410,000	24,148	51	17	89
22	G4S	1,185,551	830,000	7,233	164	115	85
23	Regus	1,181,000	565,000	30,289	39	19	85
24	Genus	1,149,357	300,000	38,282	30	8	83
25	Rentokil Initial	1,115,000	775,000	16,032	70	48	80
26	Dignity	987,000	458,000	25,010	39	18	71
27	De La Rue	964,000	450,000	34,374	28	13	69
28	Paypoint	771,000	409,000	39,462	20	10	55
29	Premier Farnell	704,929	464,000	30,444	23	15	51
30	Homeserve	661,000	380,000	30,079	22	13	47
31	WS Atkins	555,000	312,000	42,175	13	7	40

32	Big Yellow Group	461,035	267,900	27,258	17	10	33
33	NMC Health	338,657	251,174	13,573	25	19	24
<b>Sector mean</b>		<b>1,970,600</b>	<b>530,230</b>	<b>35,993</b>	<b>72</b>	<b>22</b>	<b>142</b>
<b>Sector median</b>		<b>1,299,289</b>	<b>464,000</b>	<b>30,289</b>	<b>51</b>	<b>15</b>	<b>93</b>

**Table 16: Property companies by HPD total earnings pa. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Property company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Rightmove	5,883,960	318,240	47,018	125	7	423
2	British Land <sup>28</sup>	3,527,228	800,000	75,086	47	11	253
3	Land Securities <sup>29</sup>	2,928,885	663,000	53,400	55	12	210
4	Hammerson	2,322,712	400,000	55,774	42	7	167
5	Derwent London	2,275,210	567,000	148,193	15	4	163
6	Great Portland Estates	1,895,422	490,000	151,765	12	3	136
7	Savills	1,534,903	225,000	17,869	86	13	110
8	Shaftesbury	1,365,874	430,000	131,818	10	3	98
9	St Modwen Properties	1,282,945	446,000	52,083	25	9	92
10	Intu Properties	1,233,351	513,750	36,207	34	14	89
11	Capital & Counties Properties	1,220,661	450,000	60,736	20	7	88
12	Segro	1,129,440	520,000	82,937	14	6	81
13	Unite	871,660	401,333	33,954	26	12	63
14	Grainger	792,946	420,000	45,423	17	9	57
15	Workspace	772,300	337,400	50,610	15	7	55
16	Daejan	770,000	750,000	36,417	21	21	55
17	London & Stamford Property	629,962	303,400	204,500	3	1	45
	<b>Sector mean</b>	<b>1,790,439</b>	<b>472,654</b>	<b>75,517</b>	<b>33</b>	<b>9</b>	<b>129</b>
	<b>Sector median</b>	<b>1,282,945</b>	<b>446,000</b>	<b>53,400</b>	<b>21</b>	<b>7</b>	<b>92</b>

<sup>28</sup> British Land provided the figure used for average employee pay.

<sup>29</sup> Land Securities pointed out a figure in their annual report for average employee salary excluding directors, which has been used. For information, if calculated from total wage divided by the number of employees (as set out on page 9) average employee salary is £77,439, giving a HPD total earnings and HPD basic salary ratio of 38 and 9 respectively.



**Table 17: Retail and distribution companies by HPD total earnings. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Retail and distribution company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Burberry	16,018,324	990,000	33,963	472	29	1150
2	Restaurant Group	4,409,425	590,000	13,288	332	44	317
3	Next	4,154,973	714,000	9,358	444	76	298
4	Kingfisher	3,813,931	816,000	16,571	230	49	274
5	Menzies (John)	3,390,531	336,000	17,945	189	19	244
6	WH Smith <sup>30</sup>	3,297,835	525,000	19,336	171	27	237
7	Howden Joinery	3,253,253	555,000	31,936	102	17	234
8	Sainsbury	3,224,000	940,000	13,064	247	72	232
9	Wm Morrison <sup>31</sup>	2,288,851	570,000	19,398	118	29	164
10	Marks & Spencer	2,013,000	975,000	13,069	154	75	145
11	Ted Baker	1,983,408	338,000	18,515	107	18	142
12	Dunelm	1,762,457	265,000	11,176	158	24	127
13	Tesco	1,604,761	1,114,000	11,120	144	100	115
14	Home Retail <sup>32</sup>	1,543,813	836,000	22,626	68	37	111
15	Halfords	1,500,000	513,000	11,684	128	44	108
16	N Brown	1,397,577	542,000	20,529	68	26	100
17	Diploma	1,042,080	385,000	38,317	27	10	75
18	Debenhams	969,361	599,243	11,160	87	54	70
19	Greggs <sup>33</sup>	585,030	469,397	20,969	28	22	42
20	Carpetright	522,000	482,000	28,065	19	17	37
21	Ocado	455,000	350,000	23,592	19	15	33
22	Supergroup	419,463	400,000	25,479	16	16	30
23	Sports Direct International	150,000	150,000	13,941	11	11	11
<b>Sector mean</b>		<b>2,599,960</b>	<b>584,984</b>	<b>19,352</b>	<b>145</b>	<b>36</b>	<b>187</b>
<b>Sector median</b>		<b>1,762,457</b>	<b>542,000</b>	<b>18,515</b>	<b>118</b>	<b>27</b>	<b>127</b>

<sup>30</sup> WH Smith provided a figure for FTEs, allowing us to calculate a more accurate figure for average (mean) employee pay.

<sup>31</sup> Wm Morrison provided the figure used for average (mean) employee pay using FTEs. This was higher than the figure that would have been derived from the annual report. The company also provided information about other aspects of its benefits package for staff.

<sup>32</sup> Home Retail provided the figure used for average (mean) employee pay using FTEs. This was higher than the figure that would have been derived from the annual report.

<sup>33</sup> Greggs provided a figure for FTEs, allowing us to calculate a more accurate figure for average (mean) employee pay.

**Table 18: Transport and leisure companies by HPD total earnings. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Transport and leisure company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	Experian	9,491,418	936,768	46,779	203	20	682
2	TUI Travel	4,480,402	850,000	26,105	172	33	322
3	InterContinental Hotels	3,941,436	474,000	42,153	94	11	283
4	BBA Aviation	2,473,919	558,000	27,845	89	20	178
5	William Hill	2,415,765	650,000	16,099	150	40	174
6	Whitbread	2,011,718	425,250	14,901	135	29	144
7	Millennium & Copthorne Hotels <sup>34</sup>	2,005,031	650,000	21,945	91	30	144
8	EasyJet	1,986,000	712,000	46,186	43	15	143
9	Bwin Party Digital Entertainment	1,888,675	445,483	30,857	61	14	136
10	National Express	1,715,673	420,000	16,584	103	25	123
11	IG Group	1,679,000	414,000	82,022	20	5	121
12	International Airlines Group	1,362,000	650,000	44,197	31	15	98
13	Playtech	1,347,723	298,770	28,531	47	10	97
14	888 Holdings	1,251,373	338,269	49,079	25	7	90
15	Greene King	1,231,000	516,000	11,506	107	45	88
16	Ladbrokes	1,222,000	580,000	16,515	74	35	88
17	Stagecoach Group	1,126,000	581,000	26,469	43	22	81
18	Enterprise Inns	1,106,000	640,000	41,750	26	15	79
19	First Group	1,055,000	846,000	20,943	50	40	76
20	Go-Ahead Group <sup>35</sup>	1,022,000	503,000	31,608	32	16	73
21	Fisher (James) & Sons	805,751	300,000	38,385	21	8	58
22	JD Wetherspoon	802,299	434,000	11,359	71	38	58
23	Marstons	747,490	480,000	11,376	66	42	54
24	Betfair Group	625,220	445,333	48,866	13	9	45

<sup>34</sup> Millennium & Copthorne Hotels pointed out that many of their staff work part-time (but did not provide a figure for full-time equivalents).

<sup>35</sup> Go-Ahead Group informed us that they employ very few overseas staff.

25	Mitchells & Butlers <sup>36</sup>	462,036	404,000	12,553	37	32	33
<b>Sector mean</b>		<b>1,930,197</b>	<b>542,075</b>	<b>30,584</b>	<b>72</b>	<b>23</b>	<b>139</b>
<b>Sector median</b>		<b>1,347,723</b>	<b>503,000</b>	<b>27,845</b>	<b>61</b>	<b>20</b>	<b>97</b>

**Table 19: Utilities companies by HPD total earnings. Plus HPD basic salary pa, average employee salary pa, HPD total earnings to average employee salary ratio pa, HPD basic salary to average employee salary ratio pa and HPD total earnings to living wage £pa ratio**

Highest to lowest	Utilities company	HPD total earnings pa	HPD basic salary pa	Average employee salary pa	HPD total earnings to average employee salary pa ratio	HPD basic salary to average employee salary pa ratio	HPD total earnings to living wage £pa ratio
1	BG	5,027,921	1,233,000	85,401	59	14	361
2	Centrica	4,456,027	950,000	41,690	107	23	320
3	National Grid <sup>37</sup>	3,175,460	971,000	59,936	53	16	228
4	United Utilities	1,420,600	650,000	38,206	37	17	102
5	Drax Group <sup>38</sup>	1,335,097	523,000	40,171	33	13	96
6	Scottish & Southern Energy (SSE) <sup>39</sup>	1,169,500	940,000	31,541	37	30	84
7	Severn Trent	1,034,920	530,100	33,139	31	16	74
8	Pennon	647,000	359,000	28,903	22	12	46
<b>Sector mean</b>		<b>2,283,316</b>	<b>769,513</b>	<b>44,873</b>	<b>47</b>	<b>18</b>	<b>164</b>
<b>Sector median</b>		<b>1,377,849</b>	<b>795,000</b>	<b>39,189</b>	<b>37</b>	<b>16</b>	<b>99</b>

<sup>36</sup> Mitchells & Butler provided information on both median and mean employee pay. The median has been used as a median figure is considered a better guide to employee earnings. Mean employee pay was £14,861. The figures provided by the company are lower than those that would have been derived from the annual report. This should be kept in mind in terms of comparisons with other companies.

<sup>37</sup> National Grid provided some information on factors they consider relevant to considering executive pay and pay ratios.

<sup>38</sup> Drax Group provided information on both median and mean employee pay. The median has been used as this figure is considered a better guide to employee earnings. Mean employee pay was £41,207. The figures provided by the company are lower than those that would have been derived from the annual report. This should be kept in mind in terms of comparisons with other companies.

<sup>39</sup> SSE informed us that the majority of its staff are UK-based, with some in Ireland and a small number in other parts of Europe.

**Table 20: HPD total earnings pa - sector medians**

Highest to lowest	Sector	HPD total earnings - sector median
1	Food, drink & tobacco	£2,267,572
2	Media, marketing & telecommunications	£2,242,465
3	Oil, gas & minerals	£2,101,249
4	Finance	£1,902,974
5	Chemicals & pharmaceuticals	£1,780,985
6	Retail & distribution	£1,762,457
7	Construction & building materials	£1,697,442
8	Engineering, electrical and other manufacture	£1,675,512
9	Utilities	£1,377,849
10	Transport & leisure	£1,347,723
11	Other Services	£1,299,289
12	E-business, software & computer services	£1,291,000
13	Property	£1,282,945

**Table 21: HPD total earnings to living wage £pa ratio – sector medians**

Highest to lowest	Sector	HPD total earnings to living wage £pa ratio - sector median
1	Food, drink & tobacco	163
2	Media, marketing & telecommunications	161
3	Oil, gas & minerals	151
4	Finance	137
5	Chemicals & pharmaceuticals	128
6	Retail & distribution	127
7	Construction & building materials	122
8	Engineering, electrical and other manufacture	120
9	Utilities	99
10	Transport & leisure	97
11	Other Services	93
12	E-business, software & computer services	93
13	Property	92

**Table 22: HPD total earnings to average employee salary ratio - sector medians**

Highest to lowest	Sectors	HPD total earnings to average employee salary ratio - sector median
1	Retail & distribution	118
2	Food, drink & tobacco	103
3	Oil, gas & minerals	61
4	Transport & leisure	61
5	Chemicals & pharmaceuticals	59
6	Engineering, electrical and other manufacture	52
7	Other Services	51
8	Media, marketing & telecommunications	49
9	Construction & building materials	42
10	Utilities	37
11	Finance	33
12	E-business, software & computer services	23
13	Property	21

## Conclusion

This report shows that the gap between the pay of top directors and ordinary employees remains extremely high in the UK. The median ratio between total remuneration of top company directors and average employee pay at their own companies in the FTSE 100 is 85, while the mean ratio is 138. At the FTSE 250, the median and mean ratios between highest paid director total remuneration and average employee pay are 34 and 53 respectively.

As set out in this report, high pay gaps within companies are detrimental to firm performance, can harm employee morale and motivation, contribute to wider inequality and are a matter of widespread public and political concern. It is therefore clearly in the public interest that high pay differentials are addressed and that companies are required to disclose clear and comparable information about pay gaps to allow meaningful comparisons between companies and over time.

The TUC believes that worker representation on remuneration committees has a vital role to play in addressing pay differentials and ensuring that remuneration committees fulfil their existing requirement to take into account pay and conditions elsewhere in the company when setting directors' pay. The Labour Party has committed to introducing mandatory worker representation on remuneration committees and the TUC calls on other political parties to match this commitment.

It is important that at least two members of the remuneration committee should be worker representatives in order to avoid the 'lone voice' phenomenon. As has been clearly documented in research, it is much harder for one person acting alone to challenge successfully a dominant group view.

It is also essential that disclosure is substantially improved. Companies have been required by law since 2008 to state *how* they have taken employee pay into account when setting executive pay and this requirement is also included in the 2013 regulations. However, as the High Pay Centre report cited earlier sets out, this legal requirement has not been adhered to by companies, and has been largely ignored or at best paid lip service to<sup>40</sup>. It is at present too easy for remuneration reports simply to state that they have taken employee pay into account, even though this is roundly contradicted by the facts.

Given the significance of intra-company pay gaps, it is unacceptable that disclosure on this area is so poor. As set out above, it is currently not possible to produce fully robust figures for the ratio between executive remuneration and average employee pay within companies. Without this information, it is not possible to track developments over time or make meaningful comparisons

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<sup>40</sup> High Pay Centre, One Law for Them, December 2013, [http://highpaycentre.org/files/one\\_law\\_for\\_them\\_report.pdf](http://highpaycentre.org/files/one_law_for_them_report.pdf)

between companies. It is a matter of urgency that this gap in disclosure is addressed.

This will require companies to disclose information on employee pay and numbers in a standardised format to address the many variations that currently exist in reports. There are a variety of different ways in which this could be done and the TUC calls on the government to consult on the different options and then implement reform to require companies to report clearly on employee pay levels.

In addition to average employee pay, the TUC believes that meaningful information on low pay within companies should also be disclosed.

In conclusion:

- Executive pay levels in the UK remain excessive.
- The gap between executive pay and employee pay within the same companies is far too high and is damaging firm performance, employee morale and social cohesion.
- Current reporting requirements are inadequate and do not allow fully accurate and comparable figures on employee pay and therefore pay gaps within companies to be produced.
- This weakness in disclosure must be addressed as a matter of urgency. The government should consult on, and introduce, a legal requirement for company reporting on employee pay in a standardised format.
- Worker representation on remuneration should be implemented. This should be mandatory and remuneration committees should include a minimum of two worker representatives.



## Appendix one

Dear

### **Request for information on average employee pay for inclusion in TUC report on company pay ratios**

The TUC is planning to publish a report on company pay ratios in the FTSE 350 in the near future. We will be focussing on the ratio between top director pay and average employee pay within the same company. We have commissioned Incomes Data Services to provide us with information from annual reports on top director pay and average employee pay to create the ratio.

We will be using the information in reports in the range 31/3/2012 to 28/2/2013 to calculate total remuneration for lead director (generally the Chief Executive) to provide the figure for the top part of the ratio.

We will, if necessary, also use information in your annual report to derive a figure for average employee pay for the bottom part of the ratio. We will do this by taking the total wage bill and dividing it by the number of employees, as both of these pieces of information are required disclosures in annual reports for listed companies.

This is the most accurate way that we can calculate average employee pay with the information that is publicly available, but we wish to offer you the opportunity to provide a more accurate figure on average employee pay to use in the report. We would ideally like information on both median and mean employee pay, but will probably use the median employee pay figure to create the pay ratio in recognition of the recommendations of, for example, the Hutton Review of Fair Pay. However, if this presents any problems we will use whichever figure you provide and make clear in the report whether this is a mean or median figure.

If you employ staff overseas, we would welcome the provision of separate figures for average employee pay on a country by country basis for all countries in which you employ over 100 workers. However, if this presents difficulties, please provide a figure for average employee pay for the country in which you employ the largest number of workers, **in addition** to a figure for your UK workers (and if the UK is the country where you employ the largest number of workers, it would be helpful to have this information for the country where you employ the second largest number). It would also be helpful if you could let us know

roughly how many workers you employ in the countries for which you provide us with information on average employee pay.

We will make it clear in the report whether the figure we use for average employee pay has been derived from your annual report or provided by you. We will also make it clear that we have invited all companies included in the report to provide us with an accurate figure on average employee pay for utilisation in the report.

If you wish to provide us with a figure/s for average employee pay for our report, please could you do so by **Friday 19<sup>th</sup> July**. Please can you send it either by e-mail to xxxx or by post to the TUC for attention of xxxx. If this deadline causes you difficulties, please do not hesitate to contact us to discuss this further. While we cannot guarantee that any information provided after this date will be used in the report, we will keep it on file and make sure that it is used in any subsequent revisions.

If you have any queries, please do not hesitate to contact us.

Thank you in advance for your assistance and I look forward to hearing from you.

Yours sincerely

**Frances O'Grady**  
General Secretary





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