

**Alec Waugh**

Early in 2014, I posted a report, *CEO Pay: We have all been manipulated and conned. It's time to speak out.* Since then, more information of senior executive salary levels has been released.

It is now apparent yearly salaries of millions of dollars paid to individuals are unnecessary and unjustified. You do not need to pay such sums to attract quality applicants (Brownie Points, "How to control salary inflation: Put jobs out to tender," Nov 28).

The qualities they bring to the position inevitably rely on teams and others to improve performance; and no one person can influence performance and the bottom-line to the extent demanded of such reimbursement.

A recent survey of New Zealand executives by Auckland consultancy Strategic Pay reveals that almost 25% of New Zealand executives think top-level managers pay packets are out of kilter with reality.

This echoes Warehouse Group chief executive Mark Powell describing his own

# Salary inflation: Put a cap on top pay

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\$1.96 million salary for 2013 as "embarrassing." He went on to say "All CEOs should be troubled by how much they earn."

He has the backing of the Shareholders' Association, which wants companies to limit their chief executives' base pay to no more than 20 times the average wage of \$54,700.

The *Business Herald* Executive Pay survey 2014 shows that between 2004 and 2010, CEO salaries ballooned by 80%. In 2014, the average salary of New Zealand top bosses is roughly 25 times the country's average salary of \$55,000.

This is not a personal attack on CEOs accepting the salary packages offered; it's more a reflection on the

recruitment consultants, board directors, shareholders and remuneration authorities who have bought into this skyrocket phenomenon.

An alleged shortage of quality leaders and some research indicating leadership was important in a company's performance are hardly sufficient evidence to offer one person an enormous salary package.

Income Data Services reported executive pay in the UK was 47 times the average wage in 2000; now it has risen to 120 times.]

The Swiss have recently been debating through a referendum that CEO salaries should be pegged to a maximum of 12 times the company's lowest-paid worker.

Known as the 1.12 initia-

tive its driving force was the impact of inequality in society. While that referendum was not successful, it showed the substance behind the debate on such matters.

I listened to Sir Bob Harvey on Radio New Zealand National (Oct 10, 2014) attempting to justify a large increase in the pay of the Waterfront Auckland CEO's pay. He came across as uncomfortable in defending the amount paid. The reason for his predicament is that he knows it cannot be justified.

The time is long overdue to attempt to begin the discussion of what is the formula and method that should be adopted in reimbursing organisational leaders, both in government and private enterprise.

The problem is how to measure actual performance good, bad or indifferent. It is hard, often subjective and in difficult years hard to quantify or apply. What CEO honestly believes all or most of the appreciation in value of their company is due to their own talent?

Is the benchmark for comparisons the prime minister's salary of \$380,000 and the chief District Court judge's salary of \$395,000?

What about bonus payments for share market price improvements and conversely reductions for share market decline? If applied evenly and consistently that may have relevance but I have seen little evidence of this approach working.

My own experience of working primarily in the state sector but with some experience in private enterprise exposed me to some fine leaders but personally I have never met anyone whom I thought justified a salary of \$500,000 a year or more.

The reality is we have all been conned, feeling powerless to stop the ever upward trend, not knowing what to do or say, when outrageous sums are being offered.

My suggestion is a maximum ceiling of \$750,000 annual salary for the chief executive of a large private company and \$350,000 maximum for the CEO of a state sector organisation.

Alec Waugh is chairman of Kaspanz (KiwiSaver, Annuities, New Zealand Superannuation Protection Society Inc) <https://kaspanz.wordpress.com>

## In Tray

### The year in review

It's that time of the year again when any self-holidaying hack [Surely "self-respecting"? – Ed] is very busy downloading their old articles from the year gone by, moving them around a bit and linking them to each other, tossing in a plausible-sounding conclusion, and hey presto, churning out an authoritative-looking best-of for the 12 months gone by.

No matter, of course, that these annual reviews really belong to another time when nobody except newspaper writers ever kept piles of old clippings in the bottom drawer to be exhumed at year's end. And never mind that anyone can put one of these best-of lists together by going to Facebook or Twitter, signing in and letting the respective algorithms harvest and stack their most notable postings and tweets in an instant.

Some things may have indeed changed but the need to get away early for Christmas drinks is the same as it ever was.

In Tray is therefore delighted to share excerpts for its own all-purpose obligatory and pointless year-in-review for 2014.

### Best film

A black and white film with subtitles that only a handful of critics have ever seen has emerged as the consensus choice as the best film of 2014 – an extraordinary accomplishment for what has been acclaimed as an epic work. The film, whose title we can no longer recall or indeed pronounce, led a field of strong contenders that were carefully considered as the country's leading reviewers combed through some of the amazing new releases they have recommended in the past 12 months. In addition to another black and white film nobody had ever heard of, this year's listing also includes a strong showing from a colour silent film that was shot on Easter Island, several film noir works, an Egyptian film that makes absolutely no sense even to anyone who might speak Arabic, and the acclaimed new production by Sir Peter Jackson [Surely not? – Ed].

### Best lifestyle column subject

Any columnist worth their salt turned over at least one of their opinion pieces in 2014 to the deeply fascinating question of their own reservations about the world of social media, usually pegged on a recent decision to take a break from Facebook because it's populated with narcissists, curmudgeons, and psychopaths. With the mandatory inclusion of their experience in returning to Facebook a few hours later because of [insert important news event] and discovering it's all still much the same.

### Best hipster witticism

Any commentator who was anyone in 2014 and wanted to get down with the kids thought it was terribly clever to slap the word "hashtag" in front of whatever they were banging on about. Hey guys, listen up: putasockinitin2015 #hashtag.

### Tweets of the year

Awarded to any major – or, especially, minor – media personality who was said to be so grief-stricken over a celebrity death or unexpected election win, that they "took to Twitter" to express their feelings in 140 characters or fewer.

### Police state of the year

Once again in 2014, Kiwis have punched well above their weight in the only international poll that counts – the world's top 10 police states. The finding possibly comes as a surprise after several recent surveys placing the country among the world's most-transparent and corruption-free nations, but apparently has been confirmed by the independent judgments passed by virtually all of the country's news outlets, several keynote speakers who appeared at the Moment of Truth, and the Hager Institute for Strategic Studies, all likening the degree of government surveillance in New Zealand to that of North Korea, Iran and/or Russia.

*Now if you'll excuse us, we have the first of several Christmas parties to prepare for this weekend ...*

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