UK CEOs earn 120 times more than UK workers and gap is widening

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Chief Executive Officers (CEOs) of the UK's most profitable corporations are being paid more than ever before. According to the High Pay Centre (HPC), the CEOs of the most valuable firms listed on the London Stock Exchange (the Financial Times Stock Exchange (FTSE) 100 index) enjoy a median pay of £4.19 million.

This is the highest sum ever recorded by UK CEOs. The pay for a FTSE 100 CEO is over 25 times the amount necessary to put the recipient in the top 1 percent of UK earners. The HPC point out that opaque corporate structures mean there is the possibility these huge remuneration packages are underestimations of their full value.

Top CEO pay is 120 times higher than the median earnings of a UK full-time worker, £34,963 in 2023.

Average CEO pay is calculated by adding all the pay and dividing by the number of executives but the median is the midpoint between the highest and lowest payment. According to the HP, when average pay from 2023 is looked at the figure is much higher at almost £5 million (£4.98 million), up 12.2 percent from 2022 and equating per CEO to a more than £500,000 increase.

Working full-time, it would take the average paid UK worker approximately a decade and a half just to earn the same amount UK CEO's have enjoyed as their yearly increase.

According to Luke Hildyard, director at the HPC, the sharp increase in CEO pay is the result of "a small number of companies making really large pay awards rather than big increases across the board".

The number of companies on the FTSE blue-chip index paying their CEOs more than £10 million annually more than doubled from four in 2022 to nine in 2023. FTSE 100 companies spent £755 million paying just 222 executives in 2023, according to the HPC.

UK CEOs are pushing for even higher payouts to compete with their international peers, particularly in the US. Earlier this year Dame Julia Hoggett, CEO of the London Stock Exchange plc, said UK pay rates for CEOs was "significantly below global benchmarks," making it harder to attract the top executives. London Stock Exchange Group chief executive David Schwimmer insisted in February this year, "If London has an ambition to be a globally leading financial centre and to attract world-class companies, that means it has to attract world-class talent."

Low and behold, just two months later in April nearly 90 percent of LSEG shareholders supported a proposal to more than double Schwimmer's pay to a potential maximum of £13.1 million. This makes Schwimmer one of the very highest paid FTSE 100 bosses. He will receive potential incentive payments of up to 550 percent of his salary and a 300 percent bonus this year.

AstraZeneca shareholders recently approved an enormous pay rise for chief executive Pascal Soriot to £18.7 million, claiming their main rivals are based in the US. In their annual report, AstraZeneca claimed Soriot's pay ought to be measured against large financial data providers such as US-based S&P Global.

The HPC met claims of supposedly underpaid UK CEOs with some scepticism. The number of UK-headquartered companies considered globally significant is low—only a third of FTSE 100 companies would be large enough to qualify for the S&P 500 in the US. Little beyond anecdotes exist of UK business concerns failing to attract executives and they also question an easy connection between higher executive pay and better business performance.

The think tank also argues that the more that is paid to CEOs the less goes towards workers' pay or into business investment, noting the negative impact pay inequality has on employee engagement, productivity and wellbeing. It cites the weakening of trade unions, an adversarial approach to labour relations—the UK ranks 27th out of 29 European countries for worker participation in business decision making, to account for the cult of the superstar CEO as the key driver of business performance. This is exacerbated by the increased ownership of shareholdings in UK firms by overseas investors, particularly from the US and the primacy of shareholders dividends above all other considerations.

The HPC nevertheless claims that "it's much too early to describe this as a trend", noting that while £10 million plus is awarded to the CEOs of the very largest UK companies, £3/£4 million is the going rate for the remainder of the FTSE 100 and £1/£2 million for the FTSE 250.

Along with soaring CEO pay, there is the rocketing of wealth among that layer who make the CEOs look like paupers—the billionaires. The Socialist Equality Party noted in our general election manifesto this year that, "UK billionaire wealth is up by more than 1,000 percent since 1989, the year it started. In 2000, some 20 years after the financial deregulation of the City of London, the STRL counted 26 billionaires. That figure took a further decade to double to 52 in 2010. But in the years from 2010 until 2019, the number of billionaires tripled to 151."

Social inequality is not driven by the greedy subjective intentions of CEOs but by the nature of the capitalist system. The popular truism "The rich get richer and the poor get poorer" is attributed to poet Percy Bysshe Shelley. But it was Karl Marx who wrote in 1867 "in proportion as capital accumulates, the situation of the worker, be his payment high or low, must grow worse. Accumulation of wealth at one pole is, therefore, at the same time accumulation of misery, the torment of labour, slavery, ignorance, brutalization and moral degradation at the opposite pole, i.e. on the side of the class that produces its own product as capital."

Today whilst UK CEOs are paid more than they have ever received, one-fifth of people in the UK suffer poverty, including a quarter of all children. For the poorest 10 percent of UK households, living standards have fallen by 20 percent compared with 2019/20—a drop in income of £4,600. Approaching 3 million rely on food banks to eat.