Dorling, D. (2018) Top ‘Remuneration’: Have we reached Peak Inequality? Public Sector Focus, January/February, pp. 54-55, http://flickread.com/edition/html/index.php?pdf=5a943d429e02a#56

Top ‘Remuneration’:
Have we reached Peak Inequality?

A fall in inequality can begin without policy and political changes, but they help sustain it. In December 2016 the City of Portland in Oregon announced that it would surcharge companies that paid their CEOs (Chief Executive Officers) more than 100 times their median workers’ pay.

In 2016 in the USA the average pay of the top 500 CEOs had fallen to 335 times the income of the average worker.

That is still incredibly high but in 2014 it was 373 times, although this compares to 42 times in 1980 and 107 times in 1990.

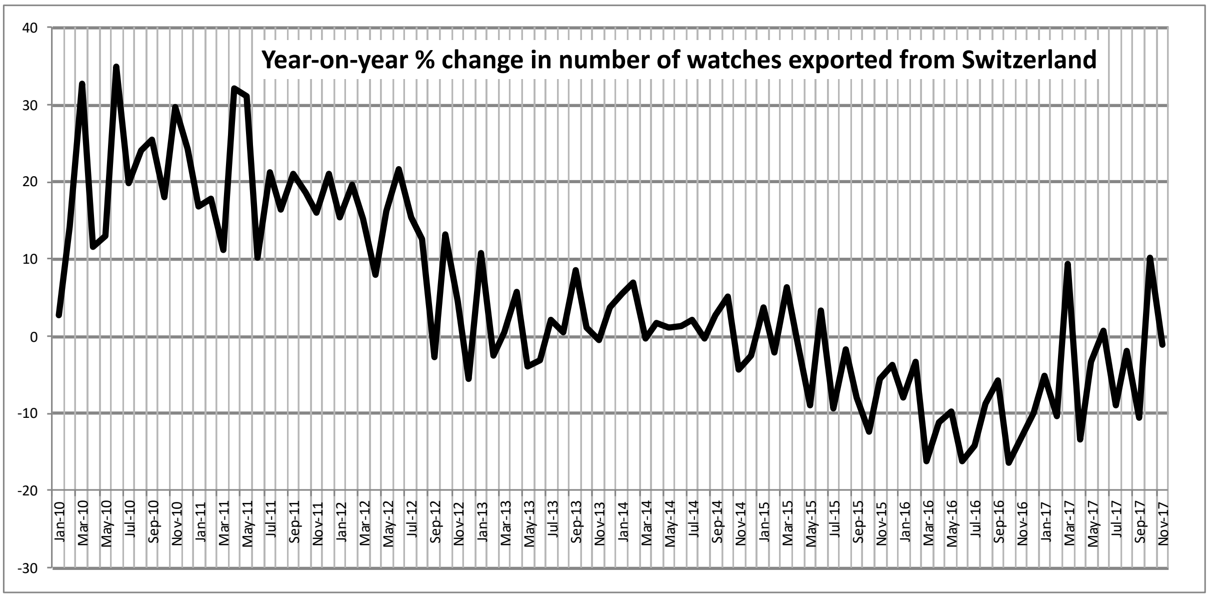
In the UK the average CEO of big British companies was paid 131 times average workers in 2016 (up from 47 times in 1998). However, on the 3rd of August 2017 the UK’s High pay centre revealed that the average UK FTSE 100 CEO pay had dropped by 17% in just one year, down to £4.5million from £5.4million.

The ratio of top bosses pay to average workers’ pay in the UK has only in the very latest year started to fall, just as has happened in the USA a year earlier.

Whether that fall continues will be determined by remuneration committees meeting at the start of this 2018 year. Top CEO pay matters also because it is used by ‘hedge fund managers’, ‘investors’ and others who reap even greater ‘rewards’ to justify their behaviour and the way governments in the UK and USA allow them to behave.

Last year it was the average pay packet of the highest paid 25% of UK CEOs which fell the most among all the top CEOs so inequality within that group also fell. CEO pay matters because it is used to justify excess pay for other top officials. In the 1930s it was when pay at the top began to fall that income inequality overall began to rise.

That rise continued into the 1940s, to when we had never had it so good in the 1950s, though to the swing 1960s and then throughout most of the 1970s, the decade which saw the fastest ever improvement in UK living standards, access to education, improvements in health, and the building and fair distribution of so much good quality housing for the people who most needed it. But then, in the 1980s in the UK and USA, instead of improving the lot of all most and more began to be taken by those at the top who said they needed it to make everyone work better.



Note: The global growth in Swiss watch exports peaked in March 2010. Global sales growth became negative for the first time in September 2012. Briefly in March and October 2017 sales grew more recently, and that was only due to purchases made in China. This is one of many indictors that can be used to try to track if and when 'peak inequality' is reached.
Source: figure 7.1 of "Do We Need Economic Inequality?"

Other affluent countries did not follow suit to this extreme degree and now almost all have higher life expectancy that is still rising, less poverty, better educational outcomes than the USA and UK.

In 2017 the Prime Minster said she would consider introducing new rules to ensure such pay ratios were published for all companies. Many large public institutions publish them already and most soon have to publish their gender pay gaps.

Theresa May is no radical, but she recognizes that moral sentiment has changed and she has to at least pretend that she cares about the incredible heights inequality has reached. She must not appear to care simply because of how unpopular it makes her political party among young voters. Inequality has many other detrimental effects than causing enormous and justified resentment.

When inequality is high people lose face, they lose confidence, they suffer from comparisons in which it is implied that the vast majority warrant little or no respect. Improvements in life expectancy stall or even reverse, you fear for your children and their future. Life feels like a game of chance with most of the odds heavily stacked against you.

Fear divides one from another; loneliness increases, even as we become more crowded in cities. Our greatest fear is other people, and inequality becomes the enemy between us.

Where inequalities have risen the most, the rich are terrified both of becoming poorer and of the poor. The poor and everyone in between cannot believe how much the rich waste. Great economic inequalities rose at the end of both the nineteenth and twentieth centuries as the greedy few took advantage of the confusion created by great social change.

This was not because their huge greed was needed, but because it was not well enough understood and so not well enough controlled.

Today the pace of social change is slowing, global populations are stabilizing, and we better understand the pathology of greed. We should not be surprised to see economic inequalities slowly fall.

Children aged between 8 and 14 today could live all of their working lives in countries becoming more and more equal, as most of their great-grandparents did.

The alternative is catastrophe. But even if that is our fate, most catastrophes end with economic inequalities reducing. None of us can any longer afford the extent of inequality we currently tolerate – and be safe.

This is an updated and edited extract form Danny's new Book: *Do We Need Economic Inequality?* (Cambridge: Polity, £9.99).

The latest UK data can be found here: http://highpaycentre.org/blog/reality-bites-average-ftse100-ceo-pay-package-down-17-on-previous-year

TOP 'REMUNERATION': HAVE WE REACHED PEAK INEQUALITY?

Danny Dorling is a British social geographer and is the Halford Mackinder Professor of Geography of the School of Geography and the Environment of the University of Oxford. Here he examines the extent of inequality prevalent in the UK and asks how long we can tolerate it and stay safe

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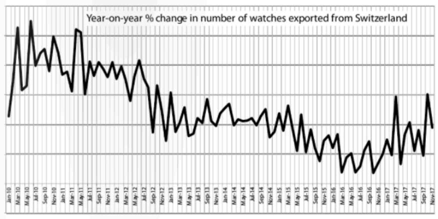

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