“The salary of the Chief Executive of a large corporation is not a market award for achievement. It is frequently in the nature of a warm personal gesture by the individual to himself.”

John Kenneth Galbraith
Introduction

This paper seeks to analyse the extent of high pay in Irish companies. It is mainly based on the Annual Reports of the top companies quoted on the Irish Stock Exchange. While little has been written about CEO pay in Ireland, in other European countries work such as this is undertaken by associations representing shareholders. In the UK for example, there is a High Pay Centre\(^1\). In this country, the work of the Low Pay Commission has thrown the issue of high pay into sharp relief. A challenge to the composition and fairness of high pay is long overdue. It seems that top pay is always affordable, but bottom pay is open to challenge even when it is set down in law.

Companies quoted on the Irish Stock Exchange have to present annual reports to shareholders in a standard format. The Irish Stock Exchange also requires Irish listed companies to conform to the UK Corporate Governance Code and its Irish Corporate Governance Annex with effect from 30th September 2010. The code works on the principle of ‘comply or explain’ – this means that any non-compliance with the code must be explained in the Annual Report. The pay of CEOs is normally set by a Remuneration Subcommittee of the company board. This committee also sets the scale of directors’ fees.

This report covers most of what is publicly available on chief executive pay. Chief executives working for public companies accept that their pay arrangements will be in the public domain. However, some of Ireland’s most significant enterprises are private companies and have no obligation to publish accounts. Some do publish annual reports but the level of detail is generally less than what is found in Stock Exchange listed companies, and by and large there is no disclosure of executive pay. This can lead to an anomalous situation where companies, whose main source of business is public contracts have their information behind a wall of privacy.

Methodology

We have examined 21 companies, most of which are listed on the Irish Stock Exchange. The information on pay comes from the published accounts. Some of the companies chosen are long established, while others such as Dalata are a phenomenon of the banking/property crash and its immediate aftermath. Taken together the firms chosen represent 95% of the value of the Irish Stock Exchange. For comparison purposes we examined CEO pay at the twelve largest Commercial State companies.

Table 1 shows the firms we have chosen and the currency they use in their Annual Reports. All salaries quoted in this paper have been converted to Euro using the conversion rate in the individual Annual Report.

<table>
<thead>
<tr>
<th>Commercial Companies</th>
<th>Commercial State Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIB(^1)</td>
<td>An Post</td>
</tr>
<tr>
<td>Aryzta(^2, 4)</td>
<td>RTE</td>
</tr>
<tr>
<td>Bank of Ireland(^1)</td>
<td>ESB</td>
</tr>
<tr>
<td>C&amp;C(^2)</td>
<td>Bord na Mona</td>
</tr>
<tr>
<td>CRH(^2)</td>
<td>DAA</td>
</tr>
<tr>
<td>DCC(^2)</td>
<td>Eirgrid</td>
</tr>
<tr>
<td>Dalata</td>
<td>Dublin Bus</td>
</tr>
<tr>
<td>FBD Holdings Plc(^5)</td>
<td>Iarnród Eireann</td>
</tr>
<tr>
<td>Fyffes(^5)</td>
<td>VHI</td>
</tr>
<tr>
<td>Glanbia</td>
<td>Coillte</td>
</tr>
<tr>
<td>Grafton(^5)</td>
<td>Irish Aviation Authority</td>
</tr>
<tr>
<td>ICG(^5)</td>
<td>Ervia</td>
</tr>
<tr>
<td>INM</td>
<td></td>
</tr>
<tr>
<td>Kerry Group(^2, 5)</td>
<td></td>
</tr>
<tr>
<td>Kingspan(^5)</td>
<td></td>
</tr>
<tr>
<td>Origin Enterprises Ltd.</td>
<td></td>
</tr>
<tr>
<td>Paddy Power(^5)</td>
<td></td>
</tr>
<tr>
<td>Permanent Tsb(^5)</td>
<td></td>
</tr>
<tr>
<td>Ryanair</td>
<td></td>
</tr>
<tr>
<td>Smurfit Kappa(^5)</td>
<td></td>
</tr>
<tr>
<td>Total Produce(^5)</td>
<td></td>
</tr>
</tbody>
</table>

Notes:
1. Does not operate an LTIP scheme per 2015 Annual Report
2. Operates an LTIP and attributes the value of annual awards in record of CEO pay per 2015 Annual Report
3. A majority of these companies provide for share interests to be allocated to CEO’s. We have not apportioned any value to these interests other than what is recorded as annual income in the relevant annual report.
4. Salaries quoted in Swiss Francs and converted to Euro as per the conversion rate in the Annual Report.
5. Salaries quoted in US$ and converted to Euro as per the conversion rate in the Annual Report.
6. Salaries quoted in Sterling and converted to Euro as per the conversion rate in the Annual Report.

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\(^1\) http://highpaycentre.org/
The Composition of CEO Pay

Executive pay is normally comprised of five parts - basic, bonus, long term investment plans, pension and Benefit in Kind. They may be explained as follows:

Basic Pay
Basic Pay needs no introduction to most people, as it is often the main and only element of their remuneration. Through our research we have established that basic pay can make up as little as 30% of overall remuneration of a CEO. In recent years, the general tendency has been for basic pay to decrease as a percentage of the overall pay package.

Bonus Payments
Bonus payments are awarded to the vast majority of CEOs (and many senior officers). The bonus can be paid in cash, in shares or a combination of both. A level of 100% of salary is not untypical, but they can be in excess of this amount. The payment of a bonus is generally based on a mix of performance indicators, some based on company finances and others on goals set for the CEO. The bonus may be paid either in full or in part depending on the extent to which the performance indicators are achieved. Bonuses are included in the report of the board remuneration committee, and are subject to tax, PRSI and USC.

Long Term Incentive Plans (LTIP’s)
An LTIP grants units of stock conditionally to participants within the plan. This grant is conditional, as the stock will only be transferred to the participant when certain performance conditions have been achieved, usually after three years. LTIPs have performance conditions, which must be achieved prior to the conditional units of stock being transferred to the participant. One of the more common performance conditions is the company’s Total Shareholder Return (TSR) performance over a specified period.

The majority of the companies surveyed have an LTIP in place. Such a plan allows individuals to build a shareholding in the company. As with share based bonus payments, it must be borne in mind that the value of the shareholding may fall as well as rise. LTIPs often include a secondary performance condition which measures the company’s financial performance relative to a comparator peer group. Most of the companies surveyed did not reveal their comparator companies. Kingspan and Smurfit Kappa did so in their 2015 Annual Report.

Problems have been identified with LTIPs by the (British) Investment Association in the Final Report of their Executive Remuneration Working Group, Published in July 2016. The report states that “Executive pay is opaque to the outsider and difficult for some participants (and) remuneration committees... to understand... (The LTIP system) does not always reflect how a business works. Further conditionality has been added to Executive pay systems...which has led to participants significantly discounting the remuneration they are awarded and has often led to increases in remuneration.” This is a significant criticism from a report set up with a mandate to come up with “market based solutions which would avoid the need for legislation”. If the issues raised in this report are acted upon in the UK, they will result in modifications to the combined Code of Corporate Governance and will apply to ISEQ companies.

It should be noted that a number of companies require their Executive Directors to build a shareholding in the company within a specified time period of their appointment. For example, in the Kerry Group the requirement is that Executive Directors build their shares to a level of between 180% and 200% of their basic salary, over a five year period. This is also a feature of companies such as Glanbia, Kingspan and Paddy Power. Between 2009 and 2015, a move towards greater transparency in recording LTIP income is apparent. The majority of firms had some form of share option or LTIP scheme in 2009, but did not attribute the annual yield of these schemes in the report on CEO pay. By 2015 the majority of firms having an LTIP scheme attributed a figure for the annual yield in the report on CEO income.

Pensions
Company remuneration reports indicate the contribution made to the pension pot of an individual. In the past, putting money into pension pots was a way of minimising the tax liability. The Finance Act 2006 effectively established a cap on pension provision by introducing a penalty tax charge on pension assets in excess of the higher of €5 million or the value of individual prospective pension entitlements as at 7th December 2005. As a result of these changes, a number of companies decided that executives who are members of an Irish pension scheme should have the option of continuing to accrue pension benefits as previously or of choosing an alternative arrangement, generally a cash sum.

Benefit in Kind
A typical benefit in kind package would include car benefit or equivalent, medical insurance, and re-location expenses and overseas allowance where applicable. Benefit in kind payments are taxable.

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Executive pay is decided by a Remuneration Committee (often referred to as a Compensation Committee) of the company board. This Committee decides on the total remuneration package for the Executives in the company including salaries, variable remuneration, pensions and other benefit provision and any termination of office settlements. The Remuneration Committee also sets the fees paid to Board Members.

Table 2 shows the percentage of Total Remuneration which is ‘Basic Pay’. In thirteen of the twenty-one companies, ‘Basic Pay’ accounts for less than 50% of ‘Total Remuneration’.

### Table 2: Basic Pay as a % of CEO’s Total Remuneration in 2015

<table>
<thead>
<tr>
<th>Company</th>
<th>Basic Pay 2015</th>
<th>Total Remuneration 2015</th>
<th>Basic Pay as a % of CEO’s Total Remuneration in 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIB</td>
<td>€479,000</td>
<td>€587,000</td>
<td>82%</td>
</tr>
<tr>
<td>C&amp;C</td>
<td>€736,000</td>
<td>€980,000</td>
<td>75%</td>
</tr>
<tr>
<td>Bank of Ireland</td>
<td>€690,000</td>
<td>€961,000</td>
<td>72%</td>
</tr>
<tr>
<td>Aryzta</td>
<td>€114,000</td>
<td>€1,659,000</td>
<td>69%</td>
</tr>
<tr>
<td>Dalata</td>
<td>€420,000</td>
<td>€840,000</td>
<td>50%</td>
</tr>
<tr>
<td>Fyffes</td>
<td>€702,000</td>
<td>€1,417,000</td>
<td>48%</td>
</tr>
<tr>
<td>Total Produce</td>
<td>€439,000</td>
<td>€913,000</td>
<td>44%</td>
</tr>
<tr>
<td>INM</td>
<td>€400,000</td>
<td>€919,000</td>
<td>42%</td>
</tr>
<tr>
<td>Ryan Air</td>
<td>€1,000,000</td>
<td>€2,400,000</td>
<td>40%</td>
</tr>
<tr>
<td>Glanbia</td>
<td>€750,000</td>
<td>€1,889,000</td>
<td>36%</td>
</tr>
<tr>
<td>Kingspan</td>
<td>€635,000</td>
<td>€1,745,000</td>
<td>33%</td>
</tr>
<tr>
<td>Origin Enterprises Ltd</td>
<td>€420,000</td>
<td>€1,257,000</td>
<td>29%</td>
</tr>
<tr>
<td>Smurfit Kappa</td>
<td>€635,000</td>
<td>€635,000</td>
<td>29%</td>
</tr>
<tr>
<td>Kerry Group</td>
<td>€1,262,000</td>
<td>€961,000</td>
<td>25%</td>
</tr>
<tr>
<td>Glenia</td>
<td>€508,000</td>
<td>€513,000</td>
<td>23%</td>
</tr>
<tr>
<td>Bank of Ireland</td>
<td>€623,000</td>
<td>€690,000</td>
<td>23%</td>
</tr>
<tr>
<td>Origin Enterprises</td>
<td>€420,000</td>
<td>€420,000</td>
<td>23%</td>
</tr>
<tr>
<td>Total Produce</td>
<td>€431,000</td>
<td>€439,000</td>
<td>23%</td>
</tr>
<tr>
<td>INM</td>
<td>€677,000</td>
<td>€715,000</td>
<td>23%</td>
</tr>
<tr>
<td>Fyffes</td>
<td>€681,000</td>
<td>€702,000</td>
<td>23%</td>
</tr>
<tr>
<td>AIB</td>
<td>€638,000</td>
<td>€479,000</td>
<td>23%</td>
</tr>
<tr>
<td>Permanent TSB</td>
<td>€515,000</td>
<td>€400,000</td>
<td>23%</td>
</tr>
<tr>
<td>Aryzta</td>
<td>€844,000</td>
<td>€1,141,000</td>
<td>21%</td>
</tr>
<tr>
<td>Dalata</td>
<td>€715,000</td>
<td>€840,000</td>
<td>20%</td>
</tr>
</tbody>
</table>

*To nearest €1,000:
1. CEO Appointed 7 October, 2015.
2. The Chief Executive, had, with effect from 1 May 2009, waived a portion of his salary (€17,000 for the year ended 31 December 2015). The salary shown in the table is the gross amount after that waiver. The salary waiver ceased on 31 March 2015.
3. Fyffes includes a figure of an additional payment of €169,000 in respect of increased transfer value of pension.
4. INM includes an amount of €226,244 charged to the profit and loss accounts in respect of options granted in 2015.
5. Origin includes one third of the €11 million paid out under the cash based LTIP plan in the three years to July 2015.

Table 3 demonstrates that, in the majority of enterprises outside the financial services sector there has been an unrelenting upward trend in basic pay. During a period when, according to the CSO private sector earnings increased by 2% on a weekly basis and 1.1% on an hourly basis, Chief Executive basic pay remained unchanged or decreased in seven companies, increased by 10% or less in a further five and increased by between 11% and 236% in the remaining eight companies. Table 3 also shows the increases in total remuneration between 2009 and 2015.

The total remuneration decreased in five companies, increased by less than 10% in two companies and increased by between 28% and 373% in the remaining thirteen companies. One company did not exist in 2009.
A number of CEO’s waived part of their remuneration package at the height of the economic crisis. These are detailed in Table 4 below.

Table 4: Amounts waived by CEOs in 2009

<table>
<thead>
<tr>
<th>Company</th>
<th>Salary/Bonus Waived 2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of Ireland</td>
<td>67,000</td>
</tr>
<tr>
<td>FBD</td>
<td>15%</td>
</tr>
<tr>
<td>Permanent TSB</td>
<td>€15,000</td>
</tr>
<tr>
<td>Ryanair</td>
<td>10% salary plus bonus reduction of €229,000</td>
</tr>
<tr>
<td>C&amp;C</td>
<td>3% of salary plus all of bonus up to 80% of salary</td>
</tr>
<tr>
<td>Grafton</td>
<td>€307,000 pension provision</td>
</tr>
</tbody>
</table>
Table 5 shows the basic pay and total remuneration of CEOs in the top twelve Irish commercial State companies in 2009 and 2015. There was an increase in pay in just two companies – RTE and the Irish Aviation Authority – while CEO pay in the other ten companies decreased by between 3% and 52%.

Table 5: CEO Pay in Top 12 Commercial State Companies from 2009 to 2015

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Irish Aviation Authority</td>
<td>€232,000</td>
<td>€232,000</td>
<td>0%</td>
<td>€324,000</td>
<td>€344,000</td>
<td>6%</td>
</tr>
<tr>
<td>RTE</td>
<td>€276,000</td>
<td>€250,000</td>
<td>-9%</td>
<td>€326,000</td>
<td>€317,000</td>
<td>3%</td>
</tr>
<tr>
<td>Dublin Bus</td>
<td>€237,000</td>
<td>€177,000</td>
<td>-25%</td>
<td>€237,000</td>
<td>€230,000</td>
<td>-3%</td>
</tr>
<tr>
<td>Ervia</td>
<td>€270,000</td>
<td>€250,000</td>
<td>-7%</td>
<td>€394,000</td>
<td>€334,000</td>
<td>-15%</td>
</tr>
<tr>
<td>Iarnród Éireann</td>
<td>€332,000</td>
<td>€211,000</td>
<td>-36%</td>
<td>€332,000</td>
<td>€279,000</td>
<td>-16%</td>
</tr>
<tr>
<td>Vhi</td>
<td>€412,000</td>
<td>€324,000</td>
<td>-21%</td>
<td>€412,000</td>
<td>€324,000</td>
<td>-21%</td>
</tr>
<tr>
<td>DAA</td>
<td>€320,000</td>
<td>€183,000</td>
<td>-38%</td>
<td>€568,000</td>
<td>€398,000</td>
<td>-30%</td>
</tr>
<tr>
<td>An Post</td>
<td>€386,000</td>
<td>€240,000</td>
<td>-38%</td>
<td>€500,000</td>
<td>€286,000</td>
<td>-43%</td>
</tr>
<tr>
<td>Bord na Mona</td>
<td>€228,000</td>
<td>€170,000</td>
<td>-25%</td>
<td>€407,000</td>
<td>€217,000</td>
<td>-47%</td>
</tr>
<tr>
<td>ESBI</td>
<td>€433,000</td>
<td>€295,000</td>
<td>-32%</td>
<td>€753,000</td>
<td>€359,000</td>
<td>-52%</td>
</tr>
</tbody>
</table>

1. CEO voluntarily waived his 10% of his salary in 2009 and 2015.
2. With effect from 1st June, 2009, the Director General’s annual basic pay was reduced by 12.5%.
3. Bord Gáis Éireann was renamed Ervia in June 2014.
4. No distinction made between ‘basic’ and ‘Total Pay’ so same figure used.
5. CEO took a reduction in salary in 2009 of €70,056.
6. CEO Appointed in April 2015, salary shown is what the CEO would have earned for a full 12 months based on his salary of 9 months shown in accounts and CEO waived 10% of Salary in 2009.
8. In 2009, Salary was based on two contracts – one from 1st January, 2009 to 31 March, 2009 and one from 1st April, 2009 to 31st December, 2009.

Table 6 illustrates the Cash Bonuses paid to CEOs between 2009 and 2015. Twelve companies saw their cash bonuses increase from between €19,000 to €1,151,000. Four companies (including the three main banks) did not receive a Cash Bonus in either year, while five companies had their cash bonuses reduced by between €62,000 and €844,000.

Table 6: Cash Bonus Payments to CEOs in 2009 and 2015 and Differences

<table>
<thead>
<tr>
<th>Company</th>
<th>Cash Bonus Paid to CEO in 2009</th>
<th>Cash Bonus Paid to CEO in 2015</th>
<th>Increase/Decrease in Cash Bonus Paid to CEO between 2009 and 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRH</td>
<td>€300,000</td>
<td>€1,451,000</td>
<td>+1,151,000</td>
</tr>
<tr>
<td>Ryanair</td>
<td>-</td>
<td>€241,000</td>
<td>-659,000</td>
</tr>
<tr>
<td>Kingspan</td>
<td>-</td>
<td>€635,000</td>
<td>+3,000</td>
</tr>
<tr>
<td>Glanbia</td>
<td>-</td>
<td>€563,000</td>
<td>+563,000</td>
</tr>
<tr>
<td>Grafton</td>
<td>-</td>
<td>€494,000</td>
<td>+494,000</td>
</tr>
<tr>
<td>Dalata</td>
<td>-</td>
<td>€420,000</td>
<td>+420,000</td>
</tr>
<tr>
<td>Fyffes</td>
<td>€225,000</td>
<td>€527,000</td>
<td>+302,000</td>
</tr>
<tr>
<td>INM</td>
<td>-</td>
<td>€218,000</td>
<td>+218,000</td>
</tr>
<tr>
<td>ICG</td>
<td>€335,000</td>
<td>€514,000</td>
<td>+179,000</td>
</tr>
<tr>
<td>Total Produce</td>
<td>€215,000</td>
<td>€320,000</td>
<td>+105,000</td>
</tr>
<tr>
<td>Paddy Power</td>
<td>€500,000</td>
<td>€536,000</td>
<td>+36,000</td>
</tr>
<tr>
<td>Smurfit Kappa</td>
<td>€284,000</td>
<td>€303,000</td>
<td>+19,000</td>
</tr>
<tr>
<td>AIB</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bank Of Ireland</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>C&amp;C</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Permanent Tsb</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Origin Enterprises</td>
<td>€160,000</td>
<td>€298,000</td>
<td>-62,000</td>
</tr>
<tr>
<td>FBD</td>
<td>€67,000</td>
<td>-</td>
<td>-67,000</td>
</tr>
<tr>
<td>DCC</td>
<td>€642,000</td>
<td>€532,000</td>
<td>-110,000</td>
</tr>
<tr>
<td>Kerry Group</td>
<td>€813,000</td>
<td>€685,000</td>
<td>-128,000</td>
</tr>
<tr>
<td>Aryzta</td>
<td>€844,000</td>
<td>-</td>
<td>-844,000</td>
</tr>
</tbody>
</table>

1. To nearest €1,000
2. According to the 2010 Accounts, the CEO’s bonus in the 2009 fiscal year was reduced to €241,000.
3. Did not exist in 2009.
The Relationship between Executive Pay and Average Pay

It is possible to calculate average pay in a company from the annual report, and these are set out in Table 7. The most striking pattern is the increase in the ratio between 2009 and 2015, with a doubling of the ratio not uncommon. The pay ratio has declined in a number of companies – mainly in the financial services sector.

Table 7: Ratio of CEO’s package to average earnings 2009 and 2015

<table>
<thead>
<tr>
<th>Company</th>
<th>2009 Ratio CEO package to Average Earnings</th>
<th>2015 Ratio CEO package to Average Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIB</td>
<td>19.7</td>
<td>8.6</td>
</tr>
<tr>
<td>BOI</td>
<td>12.2</td>
<td>12.1</td>
</tr>
<tr>
<td>Aryzta</td>
<td>60</td>
<td>146</td>
</tr>
<tr>
<td>C&amp;C</td>
<td>14.8</td>
<td>23</td>
</tr>
<tr>
<td>CRH</td>
<td>20</td>
<td>87</td>
</tr>
<tr>
<td>Dalata</td>
<td>36</td>
<td>100</td>
</tr>
<tr>
<td>Dcc</td>
<td>13.1</td>
<td>71</td>
</tr>
<tr>
<td>Fbd</td>
<td>53.7</td>
<td>43.8</td>
</tr>
<tr>
<td>Fyffes</td>
<td>15.4</td>
<td>28.5</td>
</tr>
<tr>
<td>Glanbia</td>
<td>21.2</td>
<td>103.9</td>
</tr>
<tr>
<td>Grafton</td>
<td>16.8</td>
<td>32.8</td>
</tr>
<tr>
<td>INM</td>
<td>24</td>
<td>14.2</td>
</tr>
<tr>
<td>Kerry</td>
<td>45.7</td>
<td>85.7</td>
</tr>
<tr>
<td>Kingspan</td>
<td>19.9</td>
<td>34.7</td>
</tr>
<tr>
<td>Origin</td>
<td>17.6</td>
<td>19.5</td>
</tr>
<tr>
<td>Paddy Power</td>
<td>35.6</td>
<td>68.4</td>
</tr>
<tr>
<td>Permanent Tsb</td>
<td>10.7</td>
<td>7.7</td>
</tr>
<tr>
<td>Ryanair</td>
<td>22.3</td>
<td>45</td>
</tr>
<tr>
<td>Smurfit</td>
<td>49</td>
<td>79</td>
</tr>
<tr>
<td>Total Produce</td>
<td>21.7</td>
<td>18.9</td>
</tr>
</tbody>
</table>

1. Did not exist in 2009

Chart for Table 7: How many average salaries make up one CEO salary in 2015

- 8.6 average AIB salaries
- 12.1 average BOI salaries
- 146 average Aryzta salaries
- 23 average C&C salaries
- 87 average CRH salaries
- 23 average Dalata salaries
- 100 average DCC salaries
- 43.8 average Fyffes salaries
- 28.5 average Glanbia salaries
- 103.9 average Grafton salaries
- 14.2 average INM salaries
- 85.7 average Kerry salaries
- 34 average Kingspan salaries
- 19.5 average Origin salaries
- 68.4 average Paddy Power salaries
- 7.7 average Permanent Tsb salaries
- 45 average Ryanair salaries
- 79 average Smurfit salaries
- 18.9 average Total Produce salaries
Many of the companies used are multinationals with workers based in a number of countries. In order to place comparative data in an Irish context, it is useful to take the average workers’ pay from CSO figures and relate it to the CEO’s pay. According to the latest CSO figures, average annual earnings in 2015 were €36,519.4 As can be seen from Figure 1, it would take an average earner between 12 and 151 years to earn what the CEO in the companies researched earned in just 2015. The average earner would not have a working life long enough to earn what many CEOs earn in one year.

Figure 1: Number of years it would take an average earner to earn what the CEO, in each company, earned in 2015


The High Pay Debate beyond Ireland

In 2010, the Joseph Rowntree Foundation5 funded a High Pay Commission in the UK. This commission met over a long period and published its report in 2011. The report ‘Cheques with Balances: Why tackling High Pay is in the National Interest’6 was mainstreamed through the work of the High Pay Centre7. This Centre has succeeded in establishing a consensus of concern over the issue of Executive pay. It is clear that the status quo is no longer an option the UK. The UK Government in its recent Green Paper sets out proposals for an advisory role for worker representatives on remuneration committees, binding votes on Executive pay and the mandatory publication of pay ratios. This will inevitably spill over to Ireland through the application of the UK Corporate Governance Code8.

The Investment Association9 is the trade body representing UK investment managers. It established the Executive Remuneration Working Group in late 2015 to assess whether the current structure of remuneration, and in particular its complexity, was inhibiting company management from acting in the best long-term interests of companies and their investors. The High Pay Centre welcomed this intervention and agreed with the sentiment expressed in the Working Group’s report10 that the system for determining Executive remuneration was broken.

Europe is witnessing shareholder revolts on the pay of Executives. In recent times, Paddy Power, British Petroleum, Standard Life and Renault have had significant proportions of shareholders vote against Executive pay packages. However, the fact that these votes are ‘advisory’ means that they can be ignored with impunity. The Shareholders’ Rights Directive, currently under discussion between the European institutions, has been watered down significantly and an original proposal to make votes on pay binding has been quietly dropped.

Even as unlikely a body as the IMF stated last year that: ‘Widening income inequality is the defining challenge of our time. In advanced economies, the gap between the rich and poor is at its highest level in decades.’11

5 https://www.jrf.org.uk/
6 http://highpaycentre.org/files/Cheques_with_Balances.pdf
7 http://highpaycentre.org/
9 http://www.theinvestmentassociation.org/
The Revenue Commissioners have published an OECD report showing the development of income share between 1997 and 2012. Top incomes share declined in the crash after 2008, but a rebound ensured that the income shares of the wealthiest segment of society were higher in 2012 than they were in 2002 or 1997. The property/banking crash represented just a brief interruption in the pattern of concentration of wealth among the already wealthy. This is illustrated in Table 8.

Table 8: Percentage of market income in Ireland earned by top 10%, 1% and 0.1%

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Top 0.1%</td>
<td>2.6</td>
<td>2.7</td>
<td>3.5</td>
<td>3.3</td>
</tr>
<tr>
<td>0.9% of People</td>
<td>6.1</td>
<td>6.8</td>
<td>7.7</td>
<td>7.2</td>
</tr>
<tr>
<td>9% of People</td>
<td>25.0</td>
<td>25.1</td>
<td>26.0</td>
<td>26.3</td>
</tr>
<tr>
<td>90% of People</td>
<td>66.3</td>
<td>65.4</td>
<td>62.8</td>
<td>63.2</td>
</tr>
</tbody>
</table>

Executive pay is a key component driving up the incomes of the top ten per cent in society. In the absence of similar measures to drive up pay for the lower pay levels, inequality will inevitably result. The Bank of England’s Chief Economist, Andy Haldane wrote that: “Monies paid out to Executives are monies not being reinvested in the company, reducing investment in physical and human capital. They also drive a wedge between management and their employees: a wedge that has widened to more than 150 times median wages in the UK and more than 300 times in the US. That, in turn, erodes social capital”.

Figure 2 shows that the highest pay in Europe can be found in the UK where the average CEO’s pay is €5.6m, followed by Germany – average €4.27m, France – average €3.15m, Netherlands – average €2.91m and Belgium €2.2m. According to the Vlerick Business School’s Executive Remuneration Centre’s recent report – ‘Executive Remuneration in Europe’, five out of the ten highest paid Chief Executives across the major European countries are based in the UK.

The report also shows what the pay for Executives in these countries is made up of in relation to ‘fixed’ and ‘short/long term incentives (such as bonuses and shares) as can be seen in Figure 2.
Conclusions

1. When the proposals contained in the UK Green Paper eventually come into force they will be applied in Ireland through the UK Governance Code. Now is the time to bring increased transparency to the setting of Chief Executive pay in Ireland. This would require Irish companies to set broad parameters under which top Executive pay is set using objective criteria, including financial performance, employee welfare, consumer satisfaction, environmental protection, etc.

2. Consideration should be given to extending the mandate of the Low Pay Commission to monitor the relationship between highest and lowest pay.

3. All companies receiving public contracts for services should be required to publish a report in accordance with the UK Corporate Governance Code and the Irish annex. A universal requirement to do so would eliminate concerns regarding sensitive information. This can in part be achieved by a revision of public procurement procedure.

4. Where a substantial part of a company’s business is undertaken by agency workers or sole traders, companies should be required to report on the numbers and payments to such categories.

5. The appointment of outsiders as non-Executive directors of the boards of major companies should be actively encouraged by a combination of gender balance rules and a more activist role for investor groupings, pension funds and worker representatives.

6. Shareholder resolutions on Executive pay should have a binding rather than an advisory status, and consideration should be given to capping the relationship between Executive basic pay and bonus/LTIP elements.

7. A higher tax rate should be applied on very high incomes, over a million a year and a more aggressive posture should be taken by the Revenue Commissioners on non-basic elements of Executive remuneration.

8. The maximum number of directorships which an individual can hold should be reduced to 13, thus giving general application to the Central Bank regulations for directorships in credit institutions.

9. Where remuneration committees use a reference group of other companies in setting executive pay, these companies should be listed in the report of the remuneration committee. This is already the case in some of the companies surveyed.

Appendix 1 – Description of Companies

**Allied Irish Banks** is one of the Big Four commercial banks in Ireland. AIB offers a full range of personal and corporate banking services.

- **Headquarters:** Dublin
- **Founded:** September 1966
- **Operating Profit:** €1.327m (2015)
- **Total Employees:** 10,663

**Aryzta** is a food business based in Zurich with operations in the Americas, Europe, Asia, Australia and New Zealand. It is incorporated in Switzerland and has listings on the Swiss and Irish Stock Exchanges.

- **Headquarters:** Switzerland
- **Founded:** August 2008
- **Operating Profit:** €65.993m (2015)
- **Total Employees:** 8,000

**Bank Of Ireland** is a commercial bank operation in Ireland and one of the Big Four Irish banks.

- **Headquarters:** Dublin 1783, Dublin
- **Operating Profit:** €1.451m (2015)
- **Total Employees:** 11,302

**C&C Group PLC** is a manufacturer, marketer and distributor of alcoholic drinks, particularly cider. It has production facilities across Ireland, the UK and the US but its products are sold around the world.

- **Headquarters:** Dublin
- **Founded:** 1852, Republic of Ireland
- **Operating Profit:** €115m (2015)
- **Total Employees:** 1,805

**CRH PLC** is the parent company for an international group of diversified building materials businesses which are engaged in the manufacture and supply of a wide range of building materials and in the operation of builders’ merchanting and DIY stores.

- **Headquarters:** Dublin
- **Founded:** 1970
- **Operating Profit:** €1.3bn (2015)
- **Total Employees:** 89,000

**Dalata** is Ireland’s largest hotel operator, with a current portfolio of 41 hotels (owned, leased and managed).

- **Headquarters:** Dublin
- **Operating Profit:** €36.957m (2015)
- **Total Employees:** 3,200

**DCC PLC** is an Irish diversified investments group and holding company. DCC is organised and managed in four separate divisions, each focused on specific market sectors.

- **Headquarters:** Republic of Ireland
- **Operating Profit:** €221.7m (2015)
- **Total Employees:** 9,756

**FBD Holdings PLC** is an Irish insurance company. It is quoted on the Irish Stock Exchange and the London Stock Exchange. FBD also has financial service businesses as well as hotel and leisure property interests.

- **Headquarters:** Dublin
- **Operating Profit:** €2.315m (2015)
- **Total Employees:** 750

**CRH PLC** is the parent company for an international group of diversified building materials businesses which are engaged in the manufacture and supply of a wide range of building materials and in the operation of builders’ merchanting and DIY stores.

- **Headquarters:** Dublin
- **Operating Profit:** €1.3bn (2015)
- **Total Employees:** 89,000
Fyffes PLC is an Irish fruit and fresh produce company headquartered in Dublin, Ireland, is a fruit brand. It is most closely associated with the banana although the brand is applied to a wide range of fruits.

Headquarters: Dublin
Operating Profit: €44.512 million (2015)
Founded: 1887
Total Employees: 2,769

Kerry GROUP is a public food company headquartered in Ireland. It is quoted on the Dublin ISEQ and London stock exchanges.

Headquarters: Tralee
Operating Profit: €662.7m (2015)
Founded: 1972
Total Employees: 23,000

Kingspan Group PLC is a building materials company based in Ireland.

Headquarters: Republic of Ireland
Founded: 1990
Operating Profit: €246.8 million (2014)
Total Employees: 8,732

Origin Enterprises PLC is an Irish food and agribusiness group majority owned by Swiss/Irish food company Aryzta. It is listed on the Irish Stock Exchange.

Headquarters: Republic of Ireland
Founded: 2006
Operating Profit: €78.9m (2015)
Total Employees: 1,450

Paddy Power is an Irish bookmaker. Offline it conducts business through a chain of licensed betting shops in Ireland and the United Kingdom, and by operating Ireland’s largest telephone betting service.

Headquarters: Dublin
Founded: 1988
Operating Profit: €180 million (2015)
Total Employees: 7,000

Permanen Tsb Group Holdings PLC, formerly Irish Life and Permanent plc is a provider of personal financial services in Ireland.

Headquarters: Dublin
Founded: 1884, Dublin
Operating Profit: €61 million (2015)

Ryanair LTD. is an Irish low-cost airline headquartered in Swords, Dublin, Ireland, with its primary operational bases at Dublin and London Stansted Airports.

Headquarters: Dublin
Founded: 1985
Operating Profit: €1.043m
Total Employees: 11,500

Smurfit Kappa Group is Europe’s leading corrugated packaging company and one of the leading paper-based packaging companies in the world.

Headquarters: Dublin
Founded: December 2005
Operating Profit: €780 million (2015)
Total Employees: 45,000

Total Produce is one of the world’s largest and most accomplished fresh produce providers. Operating out of 23 countries while serving many more, Total Produce’s global infrastructure of over 120 facilities extends across Europe, India and North America.

Headquarters: Dublin
Revenue: €3,453,765,000 (2015)
Founded: 1850s
Operating Profit: €52.6m (2015)
Total Employees: 4,800

Commercial State Companies

An Post is a major commercial organisation providing a wide range of services which encompass postal, distribution and financial services.

Headquarters: Dublin
Operating Revenue: €5.2m (2015)
Founded: 1500s
Operating Profit: €52.6m (2015)
Total Employees: 9,600

RTE (Raidió Teilifís Éireann) is a semi-state company and the national public service broadcaster of Ireland. It both produces programmes and broadcasts them on television, radio and the Internet.

Headquarters: Dublin
Founded: 1926
Total Employees: 1,978

ESB (Electricity Supply Board), commonly known as the ESB, is a state owned electricity company operating in the Republic of Ireland.

Headquarters: Dublin
Founded: 1927
Operating Profit: €52M (2015)
Total Employees: 7,870

Bord na Móna is an Irish company operating six business units: Powergen, Biomass, Resource Recovery, Peat, Horticulture, and Fuels.

Headquarters: Newbridge, Co Kildare
Founded: 1946
Operating Profit: €52.425m (2015)
Total Employees: 1,438

Eirgrid PLC is the state-owned electric power transmission operator in Ireland. It is a public limited company registered under the Companies Acts.

Headquarters: Dublin
Founded: 2006
Operating Profit: €59.961 (2015)
Total Employees: 250

DAA previously Dublin Airport Authority, is a commercial semi-state airport company in Ireland. The company owns and operates Dublin Airport and Cork Airport.

Headquarters: Dublin
Founded: 1937
Operating Profit: €100.9 m (2015)
Total Employees: 3,300

Dublin Bus is a bus operator providing services in Dublin. It is a subsidiary of Córas Iompair Éireann.

Headquarters: Dublin
Founded: 1987
Operating Profit: €20.332m (2015)
Total Employees: 3,313

Iarnród Éireann, also known as Irish Rail in English, is the operator of the national railway network of Ireland. Established on 2 February 1987, it is a subsidiary of CIE.

Headquarters: Dublin
Founded: 1987
Operating Profit: €29.5m (2015)
Total Employees: 3,793

Voluntary Health Insurance Board – which trades under the brand name VHI Healthcare is the largest health insurance company in Ireland.

Headquarters: Dublin
Founded: 1957
Operating Profit: €47.9m (2015)
Total Employees: 1,132

Independent News & Media PLC (‘INM’) is a leading newspaper and media group across the island of Ireland. It manages gross assets of 187.6m. INM has market-leading newspaper positions in Ireland and Northern Ireland, with a strong and growing digital presence.

Headquarters: Dublin
Operating Profit: €38 million (2015)
Founded: 1997
Total Employees: 6,015

Grafton Group PLC is a United Kingdom & Ireland-based builders merchants business. It is listed on the London Stock Exchange, and is a constituent of the FTSE 250 Index.

Headquarters: Republic of Ireland
Operating Profit: €174.679m (2015)
Founded: 1909
Total Employees: 11,000

ICG is a shipping and transport group principally engaged in the transport of passengers, cars and freight on routes between Ireland, the United Kingdom and Continental Europe.

Headquarters: Republic of Ireland
Operating Profit: €174.679m (2015)
Net income: €96.5m (2015)
Founded: 1972
Total Employees: 2,769

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Founded: 1957
Operating Profit: €47.9m (2015)
Total Employees: 1,132
Coillte is a state-sponsored company in Ireland, based in Newtownmountkennedy. Coillte is a commercial company operating in forestry.

Headquarters: Newtownmountkennedy
Founded: 1988
Operating Profit: €78.0m (2015)
Total Employees: 897

Irish Aviation Authority Regulates the safety standards of Irish civil aviation and provides air traffic management and aeronautical communications services in Irish controlled airspace.

Headquarters: Dublin
Founded: 1993
Operating Profit: €33.6m (2015)
Total Employees: 655

Ervia is the commercial semi-state multi-utility company responsible for the delivery of Ireland’s national gas and water infrastructure and services that underpin the growth of the Irish economy.

Headquarters: Dublin
Founded: 2014 (formerly Bord Gáis Energy)
Operating Profit: €379m
Total Employees: 1,600 direct and 5,700 indirect