Event Report: ‘Market or Racket: do we need a new approach to executive pay?’

Conclusion

Paul Coombes, Chair of CCG and Director of The Investor Forum

Paul Coombes gave the concluding remarks.

Coombes said the day began with a discussion about three factors; quantum, design and process. On design and process he said there had been some very nuanced debate and two phrases from the day that had particularly captured this for him; no ‘one size fits all’, and ‘keeping all the options on the table.’

On the debate over quantum, Coombes said it was very helpful to have the facts laid out clearly. On the market versus racket debate, he felt that camp two had the better argument. Of the factors that influenced his opinion, he said the argument from private equity was very compelling in justifying pay levels being what they are. He emphasised that one should not deny that there are bad actors, a topic which came through in all the presentations.

Coombes felt that each discussion during the CCG event dramatized the tension in one way or another over the clash as to whether quantum is economically justifiable. Either way, he said that this is something perceived as socially divisive, perhaps more in Europe than in the US, as the inequality gap widens and the ‘winner takes all’ phenomenon becomes more apparent. This is a particular feature of public markets. Coombes said that perhaps the private markets will become subject to more scrutiny, but that this is certainly not the case at the moment. Coombes said a big question that comes through on this is whether the workers in the middle who are losing out economically are being helped enough and the best way to do this. In particularly he said people need to focus on appropriate transmission mechanisms that can enable people in the middle who are not flourishing to do better and transfer into new parts of the economy or cope better with where they are.

Coombes said that in looking at top executive pay, we are not necessarily focusing on the most important place in terms of how we can make society better and improve societies more. He said the undercurrent is what to do about the productivity problem. Notably in the UK and also more broadly, Coombes said we cannot get median pay levels up unless we can also get productivity to improve.

Coombes added that this type of event is what brings us great joy to do at the Centre, by bringing together top academics from around the world and top practitioners to have a debate which is rigorous and informed by the science. He said that to do this, the centre needs support and is always looking for ways of increasing resources to mount events of this nature.

Coombes thanked the Centre’s Executive Director, the marketing team, all the panellists and speakers and members of the audience for their contributions.

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