

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 277

Topic: Executive remuneration

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Senator Cameron asked:

Mr Murphy: I think that the questions you are asking—I am trying to be helpful—are actually—

Senator CAMERON: You always are, Mr Murphy.

Mr Murphy: Thank you. They are questions that I would have thought the Productivity Commission would look at—that is, social justice in terms of executive remuneration. What the government's policy has been over a number of years has been to try to get more transparency into remuneration reports. There was also an issue about whether the arrangements for incentives that companies were establishing for their executives led to excessive risk-taking, which contributed to financial crises, either in the company or the economy-wide. I think some of those issues are live issues. There is still work going on in the G20 on executive remuneration. There are still issues before the government in particular on whether there should be a clawback provision in terms of executive remuneration pay. I think Mr Kluver's work is one contribution to that broader sweep in terms of executive remuneration. But, as to that issue of social justice or equivalency in treatment between executives and employees, I think that is more a policy issue, which would be either Treasury or the Productivity Commission or someone like that.

Senator CAMERON: There are two aspects to that. One is the equity issue and the treatment issue and the other is the implications it has for the economy in terms of comparative wage justice at the executive level. It can drive wages that are not appropriate to the productivity outcome of the firm or the profitability or the share price. It can do all of that. I am just wondering whether anywhere in Treasury this question of comparative wage justice at the executive level has been looked at.

Mr Murphy: I think those are the types of things that, as I say, are not really what CAMAC is about or has the capacity—

Senator CAMERON: Let us go wider. Is it something that the Treasury—

Mr Murphy: Yes, they are issues that would go into macroeconomic policy. It goes into labour policy. It goes into various aspects of what Treasury looks at.

Senator CAMERON: Are there any comprehensible papers that you have done—for a layperson—that we could look at?

Mr Murphy: I expect there would be. I will take that on notice and talk with my colleagues.

Senator CAMERON: Can you take it on notice and let me have a look them?

Mr Murphy: I expect there would be.

Senator CAMERON: Thank you.

Answer:

Treasury has considered trends in the remuneration of executives compared to other employees, including the relationship between executive remuneration and average weekly earnings, through consideration of the Productivity Commission's report on Australia's executive remuneration

framework in 2009. In formulating advice to the Government on this issue, Treasury took account of the Productivity Commission's analysis.