

PRESS CUTTING

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Bank bonuses show world is unfair

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By Olesya Dmitracova

LONDON (Reuters) - Bonuses in financial companies are sometimes excessive but pay inequalities are inevitable, witnesses told a parliamentary panel examining pay structures in banking.

In the past year, central bankers, politicians, investors and media have poured bitter criticism on lavish bonuses, which many say have encouraged the reckless risk-taking that spurred the world's worst financial crisis in decades.

"It is not, unfortunately, a fair world, and the people that are well remunerated ... are not necessarily those that you or I would choose to remunerate," Ronnie Fox, the principal of law firm Fox, told the Treasury Committee chaired by Labour Member of Parliament John McFall on Wednesday.

The chief executive of a large bank would typically get 1 million pounds to 1.4 million pounds in salary, a bonus two to five times that and, on top of that, shares to the tune of two-and-a-half to five times salary, said Carol Arrowsmith, a partner at Deloitte.

The MPs were in a combative mood, however, with McFall telling Fox at one point he was being "patronising" and saying: "Give us a break!"

Investment bankers tend to have a much lower basic salary -- topped up by an uncapped bonus -- than retail bankers, and for senior investment bankers, the salary would make up only 10 percent of their total annual remuneration, she added.

The highest-paid people at a bank are usually investment bankers rather than members of the board. In retail banks, the hierarchy of pay is more traditional, with board members enjoying the biggest rewards, Arrowsmith said.

Fox defended the principle of performance-based pay structures used by banks. "The people that earn most have contributed most to the shareholder value," he said.

He once advised the head of human resources at an investment bank who wanted to pay a 7-million-pound bonus to an employee. "The chap made 140 million pounds for the bank," Fox said.

FUNDAMENTAL CHANGE

Banking pay structures are vastly different from those in other industries, such as manufacturing, said Charles Cotton from the Chartered Institute for Personnel and Development.

In manufacturing, a manager's bonus would equal between 10 and 20 percent of his or her salary, while senior managers and salespeople would receive a perk equivalent to 40 to 50 percent of their basic annual pay, he said.

Banks often pay very well for fear of losing their employees to a rival, some said, but not everybody agreed.

"I think you should never say you should pay more because they might get poached. People should be paid fairly," Arrowsmith said, adding that remuneration at individual banks should be "broadly competitive."

And -- perhaps unsurprisingly -- Brendan Barber, secretary-general of the Trades Union Congress, called for fundamental changes to the way bankers are remunerated.

"There is a bigger issue about growing inequality in the country," he said. "It would be a tragedy if we just saw some cosmetic changes."

(Editing by Brian Moss)