

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Estimates 22-23 October 2008

**Question: sbt 68**

**Topic: Executive Salaries (ABS)**

**Hansard Page: E98**

**Senator CAMERON asked:**

Senator CAMERON —I would like to ask about the statistics on executive salaries and what statistics you have available, or whether you plan to follow the American approach where there is much more detailed analysis and statistical evidence available on executive salaries? Can you tell me your position on that?

Mr Ewing —I would ask my colleague, Peter Harper, who is closer to our labour and employment statistics to clarify in more detail what we do.

Mr Harper —The most relevant collection is a survey we conduct about every two years called the survey of employee earnings and hours. The way that survey is designed is that we approach businesses and get them to choose a sample of their employees and provide a full range of salary and salary-related information for those employees. That enables us to get very good distributional analyses of salaries.

Senator CAMERON —I am talking about executives.

Mr Harper —Executives would be included as part of that survey and, as I was going to say, for particular types of employees, be it executives or other sorts of employees, information about the remuneration for those types of employees.

Senator CAMERON —Does that include bonuses and share options?

Mr Harper —It includes the full range of remuneration.

Senator CAMERON —Is your approach international best practice?

Mr Harper —I think it is.

Senator CAMERON —Can you check that for me?

Mr Harper —We can take that on notice and come back to you with what other countries do. I think the survey that we do is leading practice in the world in that regard.

**Answer:**

The Survey of Employee Earnings and Hours (EEH) has been conducted by the Australian Bureau of Statistics (ABS) since 1974, on an annual basis until 1996 and biennial from that time. It is extensively used by government, business and the community for informing on employee earnings and aspects of workplace relations. The EEH provides estimates of employee earnings which are based on international

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standards outlined by the International Labour Organisation and the Organisation for Economic Co-operation and Development.

The EEH survey methodology is complex, involving a two-stage sampling process whereby a sample of businesses are selected from the ABS Business Register, and then a subset of employees are selected from these selected businesses. The businesses then provide information on earnings, hours paid for, and other employment information about each of the selected employees. The strength of the EEH is that the information is sourced from the businesses' payroll, which allows for the production of high quality earnings estimates that can be classified according to a range of employee characteristics such as occupation, and employer characteristics such as industry.

Surveys which use a two-stage sample in order to collect information at the employee level are also conducted in a number of other countries, most notably by Statistics Canada and the Bureau of Labour Statistics in the USA, who are generally regarded as two of the leading statistical agencies in the world.

All employees of the selected businesses, including executives, are in scope of the EEH. As a result, the earnings of executives (included within the *Chief Executives and Managing Directors* occupation) are able to be produced from the EEH. However, there are two important factors that limit the ability of the EEH to provide comprehensive estimates of executive remuneration. These relate to the concept of earnings measured in the EEH, and the small sample of chief executives likely to be selected.

The concept of earnings collected in the EEH relates to regular (and frequent) wages and salaries in cash, including amounts salary sacrificed. Bonuses and other payments that are received quarterly or more frequently are included, however, irregular and infrequent bonuses and other payments (eg six-monthly, annual, one-off, etc) are excluded. The EEH does not capture all components of remuneration packages, in particular those negotiated at the commencement of employment (eg shares and share options), or paid out at the end of employment (eg severance packages).

As only a sample of employees is selected from the sample of businesses, the likelihood of selecting a chief executive or managing director is relatively low. Accordingly the sample of chief executives is small.