PRESS RELEASE

Pedersen & Partners
EXECUTIVE SEARCH

Average salaries of top executives worldwide increase to 1.45 million Euros

November 2nd, 2015 - The annual gross compensation for top executives in the world's largest companies averages 1.45 million Euros, an increase of 3.8% over the previous year. This compensation comprises an average base salary of 711,600 Euros and an annual bonus of 738,400 Euros. The base salaries of top executives have increased by 4.5% on average, with the variable compensation increasing by 2.7%.

These are the key findings of a global study by the Executive Search firm Pedersen & Partners, covering 1,800 top executives in 340 companies from 18 countries. The salary data was derived from the world's largest companies with an average of 133,300 employees, an average turnover of 42.7 billion Euros and an EBIT of 4.1 billion Euros.

Table 1: Top executive compensation

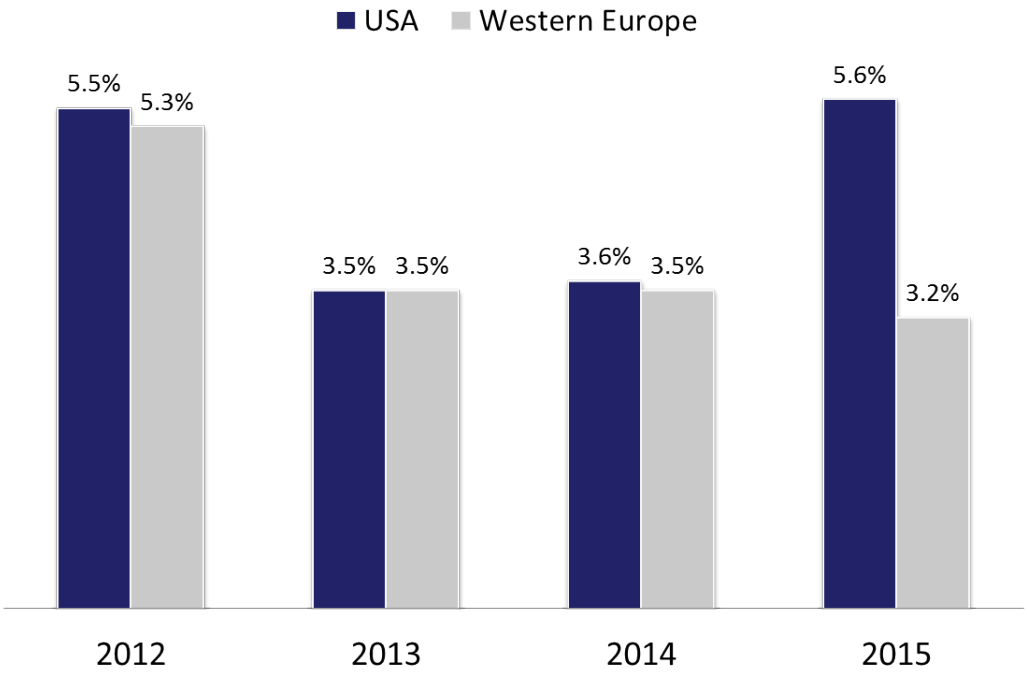
Top Executive Compensation	2015	2014	Change
Base Salary	€ 711,600	€ 681,000	+4.5 %
Bonus	€ 738,400	€ 719,000	+2.7 %
Total Cash Compensation	€ 1,450,000	€ 1,400,000	+3.8 %

Company Data	2015	2014	Change
Number of Employees	133,300	133,000	+0.2 %
Turnover	€ 42.7 Billion	€ 42 Billion	+1.6 %
EBIT	€ 4.08 Billion	€ 4.1 Billion	-0.4 %

U.S. executives receive higher increases than Western Europeans

“The stagnant economy has meant that the salaries of top executives in most Western countries are only rising moderately, usually from 3-4% per year,” says Conrad Pramboeck, Head of Compensation Consulting at Pedersen & Partners and author of the study. "U.S. companies are the great exception here, with top executive salaries increasing by an average of 5.6% compared to the previous year. There are no objective reasons for this, because company profits and employee numbers both decreased slightly.”

Table 2: Salary increase



Salaries increase with larger scope of responsibility

The scope of responsibility is the decisive factor for determining top executive compensation. Across all industries, the salaries of top executives in larger corporations are much higher than those of their counterparts in smaller companies. On average, the annual compensation of top executives increases by 650,000 Euros for every 50,000 employees.

Company profits determine the annual bonus

The short-term bonus is an important component of a top executive’s compensation package, with the target bonus usually worth around as much as the annual base salary. The bonuses of most top executives are measured against company profits, especially the EBIT. In general, declining company profits lead to substantially lower bonus payments for top executives, while increasing profits result in significantly higher bonuses.

Table 3: Company profits and bonuses

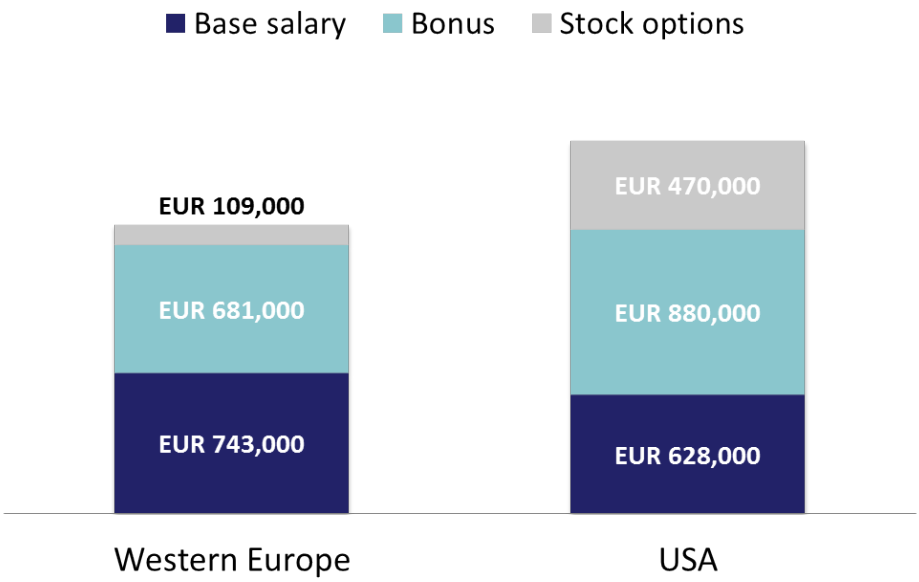
Development of EBIT	Development of Bonuses
EBIT lower than previous year	-32.9 %
EBIT increased by up to 20 %	2.7 %
EBIT increased by more than 20 %	34.7 %

International comparison

Companies from Western Europe and the U.S. offer similar compensation packages to their executives in terms of base salary and short-term bonuses. On average, the total cash compensation of top executives is between 1.4 and 1.5 million Euros in most Western European countries and in the United States.

The greatest difference in the remuneration structure is related to long-term incentives, which are usually granted as stock options. Top executives from U.S. companies received stock options valued at 470,000 Euros, while top managers from Western European companies received stock options worth only 109,000 Euros.

Table 4: International comparison: Western Europe vs USA



Globally speaking, top executive compensation is highest in the USA and Western Europe. On average, the salaries of the top executives in the largest companies in emerging countries such as China, India or South Africa are considerably lower than Western levels, but their salary increases are higher. “Currently, the salaries of top executives from Western countries are increasing by 3-5% on average, and in emerging markets by 7-10%,” Pramboeck points out.

About the author

Conrad Pramboeck is the Head of Compensation Consulting at Pedersen & Partners. Based in Vienna, Austria, he is responsible for consulting companies on all aspects of compensation, including providing companies with up-to-date market information on salary ranges and design of bonus systems across all industries and geographies. Prior to joining the firm, Mr. Pramboeck held several senior positions in international consultancy firms. He started his career with a German Consultancy firm working in management consulting and later in the Compensation Consulting business unit based in Austria. For the following seven years he worked with one of the top Austrian Executive Search firms as the Head of Compensation Consulting. He was responsible for all international compensation consulting activities and developed and maintained an international compensation database in 40 countries.

Mr. Pramboeck holds a PhD in Law from the University of Vienna. In addition to his native German, he speaks fluent English and has basic knowledge of French and Spanish.

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