

## **Executive Pay and Company Performance in Australia**

*John Shields, Michael O'Donnell  
and John O'Brien*

**Abstract:** This paper analyses the direction and strength of the relationship between senior executive remuneration and financial performance in the largest 100-150 Australian listed companies. In Australia, as elsewhere, the main vehicles for the growth in executive total remuneration have been executive "incentive" plans, both short-term cash incentives and long-term equity-based incentives. The data and analysis presented in this paper provide little support for the contention that high executive remuneration is associated with higher levels of company financial performance. Indeed, the increased emphasis on short- and long-term incentives in Australian executive remuneration packages is associated with lower rather than higher levels of return on equity, share price change and change in earnings per share. These findings seem to support the contention by Bebchuk et al. (2002) that the current high levels of executive remuneration in Australia reflect systematic rent-extraction and that the growing emphasis on executive incentives is primarily a cover for this process.

**Dr John Shields** is Senior Lecturer, University of Sydney, **Dr Michael O'Donnell** is Senior Lecturer, The Australian National University, **Dr John O'Brien** is Associate Professor, The University of New South Wales

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