Dossier

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Goodbye boss and who cares?

WHEN THE AUSTRALIAN CLOTHING conglomerate Pacific Brands laid off 1850 domestic workers earlier this year and took its manufacturing operations off-shore, there were protests in the streets to support the mainly low-paid production chain employees.

Some protesters even stripped down to the iconic underwear brand the company produced to show their support for those who earned between A$30,000 and A$35,000 a year – approximately Australia's minimum wage.

The plight of the retrenched employee is a common one globally. American automobile industry workers, thousands of retail employees in the UK, even factory workers from parts of China are the collateral damage from the global financial crisis.

At the other end of the spectrum, we've seen the high fliers from Wall Street and the major money centres of the world taking a tumble from grace.

However, there are no street protests or harrowing film footage of unemployed executives whose often high salaries and big bonuses have made them an obvious target when the cost-cutting axe is wielded.

When the bosses start to pack up their office and hand back the car keys is there much staff sympathy?

Australia's CEO Institute thinks it's time they were acknowledged and has embarked on a program to help out-of-work executives access the support mechanisms that can set them on the road to career recovery.

And, it would appear, the more they might have earned can mean the more they have to suffer in terms of financial damage.

The Institute's program, "CEOs On The Move", offers monthly meetings on sharing past experience and current job-seeking initiatives, as well as invitations to networking events and CV postings on the CEO Institute website.

"In many cases they are being hit harder than most," says the CEO Institute's chairman and CEO Ken Gunn. "With higher than average mortgages, private school fees, car leases, and so on, the loss of a high income can have a greater toll than that being faced by a less senior worker."

When the bosses pack up their office and hand back the car keys, is there much staff sympathy?

Since the program was introduced in May, Barry Westhorpe from the institute's Victorian office says they've received a huge response. As the Australian economy deals with the financial downturn, many companies have ditched leaders who can't provide strategies during tougher times. Westhorpe notes that many expatriates are finding themselves back home after their contracts weren't renewed.

He also notes that the program has received strong interest from recruitment agencies, who are now working closely with the institute to get these executives get back into the workplace.

The institute's sympathetic response, however, may not be a rising trend just yet. Governments worldwide are cracking down on executive remuneration and limiting golden handshakes. For instance, the European Union has held a forum looking at best practices for directors' pay, outlining principles for member nations to follow.

In Australia, the government introduced draft laws in June to make it harder for companies to give their executives large retrenchment packages. The Australian Productivity Commission also held inquiries into executive remuneration, to assess the regulatory framework around remuneration of directors and executives of companies regulated under the *Corporations Act*. At the time of writing, the draft report is expected to be released in late September.

The *Fair Work Act 2009* put into place for the first time in Australia a statutory redundancy pay entitlement commencing 1 January 2010. Consistent with the broader trend to constrain executive payouts, it had been expected that high-income earners would not have the benefit of the new right to redundancy pay, according to Matthew Bridges from Melbourne-based commercial law firm Hall & Wilcox. However, when the regulations were released in late June, Bridges said there was nothing excluding high-income earners from the right. As things stand, a high-earning executive who is retrenched will, somewhat paradoxically, have the same right under the legislation to receive redundancy pay based on their years of service and base rate of pay as any other retrenched worker.

Depending on the Australian commission's hearing, and the ongoing impact of the GFC, even CEOs with work may have a tougher time making their mortgage payments. As the pressure comes down on top executives, initiatives like the CEO Institute's may become increasingly popular. ■

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