



Research Paper

## Maximum Salaries in Private Sector

Prabhakar Deshpande

*Received 02 Sep, 2022; Revised 14 Sep., 2022; Accepted 16 Sep., 2022 © The author(s) 2022.  
 Published with open access at [www.questjournals.org](http://www.questjournals.org)*

**Abstract: Private Sector Maximum Salaries are 100 to 200 times average workers salaries. This will make it difficult to attract talent and intelligence to government. Private Sector Salaries must be curbed.**

I have started a company - Movies Must Make Money Pvt Ltd. You know why? India is extremely poor country. However Akshay Kumar, the top Hindi movie hero has an annual income of Rs. 400 crore, which is 40,000 times minimum wage and 1000 times the salary of Prime Minister of India. And this in an Industry where 95% of movies make losses. The only way for movies to make profits is for these movie heroes to be paid lot less.

Communism may be dead, but Karl Marx, without doubt, is the most influential economist that ever lived. Prima Facie it does appear that in Cold War Capitalism defeated Communism. However, if you read between lines you will find that the tax to GDP ratio in OECD nations increased from 5-8% of GDP before Russian Revolution in 1917, to 25-48% of GDP after 1990. Karl Marx in his masterpiece Das Capital said that “From each according to his ability to each according to his need.” The argument was that incomes should be according to need rather than ability. Now ability between individuals varies considerably. However needs - medical, nutrition and educational almost converge. Hence it is safe to say that incomes if based on needs should be similar. However, if you look at the salaries of CEOs in some nations, they are almost 100 to 300 times the average worker’s salary as per Global CEO Index

**Table 1. Annual CEO wage-country wise**

Country	CEO Salary to average worker Salary ratio	Annual CEO wage
United States	265	14.65 mn \$
India	229	1.16 mn \$
United Kingdom	201	7.95 mn \$
South Africa	180	2.21 mn \$
Netherlands	171	8.24 mn \$
Switzerland	152	8.5 mn \$
Canada	149	6.49 mn \$
Spain	143	4.89 mn \$
Germany	136	6.17 mn \$
China	127	1.87 mn \$
South Korea	66	2.43 mn \$
Mexico	62	1.2 mn \$
Sweden	60	2.7 mn \$
Singapore	56	4.6 mn \$

Source: Wikipedia

That the above salary differentials are absurdly high is very obvious.

Imagine a nation like India where 50% of the population is malnourished, and where till recently 60% of the population did not have toilets having a CEO earning \$ 1.15 million which after adjusting for Purchasing Power Parity amounts to 5 million dollars in OECD nations.

There is something deeply unethical and immoral about such pay differences. However, the pay differences in the government and public sector are not so much.

For instance in the USA, where the average worker earns 50,000 dollars a year, the head of the army earns just 250,000 dollars which is 5 times the average worker’s salary and not 250 times the average worker’s salary.

Similarly in India, average workers earn 300,000 Rs and the head of civil services earns 30,00,000 which is 10 times the average worker's salary. That is an acceptable wage difference compared to 229 in the private sector.

That is an acceptable wage difference on grounds of morality and ethics.

*Sam Pizzigati the author of The Case for Maximum Wage points to the fact that the ratio of CEO salary to average worker's salary is 8 times what it used to be in 1980. This proves that just 40 years ago the wages at the top level in the USA were not that high.*

Most nations of the world have a minimum wage law. What is needed is a maximum wage law because in an economy everybody is buying services from each other. Just as a doctor buys the services of a barber, so does a barber need to buy the services of a doctor? With increased incomes at the top range, barbers will not be able to buy the services of doctors. For instance, in the USA, health care expenditures are 20% of GDP whereas in most OECD nations health care expenditures are 10% of GDP.

Hence there is a strong case for maximum wage indexed to wages in the public sector and government. At the most, the maximum wage in the private sector should be twice the maximum wage in the public sector and government.

High salaries in the private sector will make it difficult to attract talent to government and public sector. Also, it would lead to corruption in government. Plus high salaries will make goods and services expensive.

Hence there is a case for private sector salaries to be indexed to public sector salaries.