

Businesses should reveal pay ratios and sign Charter of...

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As the gap on pay and pensions widens between directors and other staff, British business should disclose the ratio between their highest and lowest paid employees, to promote greater workplace equality and economic efficiency [according to a new report by nef](#) (the new economics foundation).

The report, ***The Ratio***, argues that inequality in the workplace, as well as being inefficient, drives inequality in society more broadly, carrying high costs. It cites research revealing, counter-intuitively, how high pay worsens performance of top executives rather than being an effective incentive.

The Ratio says that publicly listed companies should have to justify high pay inequalities, especially where these are large, such as in banking, and that there are few circumstances in which ratios above 10:1 or 20:1 can be defended on economic and social grounds.

“The evidence is in: inequality is damaging to society and high pay doesn’t improve performance at skilled work. In fact it does the opposite, becoming a distraction to the complex tasks of running a modern business. So why do our top businesses keep pushing open the gap between their highest and lowest paid employees? Greater equality of pay at work is better for everyone, something admitted even by the IMF.” said **Andrew Simms**, nef fellow and co-author of the report, ***“Transparency about pay ratios can begin to break open the cosy culture of remuneration that benefits disproportionately and counterproductively a tiny minority,”***

nef is calling for businesses to adopt a new Charter of Responsible Pay, which would include revealing the pay ratio within the company on the front of their annual reports.

The report authors believe that the Charter is a positive approach that would send signals to both investors and current and potential future staff. Businesses that are better at sharing the benefits of what they do are likely to perform better overall and be more attractive places to work.

“Sharing used to be an integral part of doing business. Even the word ‘company’ has its origin is in the sharing of bread — ‘con panis’. It is only in more recent times that business and the markets they operate in are understood as activities where the winner takes all,” said **Ed Mayo**, Secretary General of Co-operatives UK.

And I wholeheartedly agree.