

# Executive excess

By Ben Turok

South Africa is the world champion once again! This time it is for executive pay.

According to *Executive Salaries in South Africa*, by Kaylan Massie, Debbie Collier and Ann Crotty (Jacana), “executive pay levels in South Africa appear to be in excess of, and indeed out of kilter with, internationally competitive rates”. They are double those of Belgium, and France and most of Africa, and about a third more than the Netherlands and the UK. Only the United States pays its executives more.

Executive pay usually has three parts: salary and allowances, short-term incentives, and long-term incentives. These may include stock options, phantom shares and performance shares, and deferred bonus plans. The average cash-and-benefits package of the 50 CEOs studied in the book was almost R13.1 million. Adding share incentives brings it up to R49 million – a significant increase since 2006. Mining executives are among the best paid. Executive officers at state-owned enterprises tend to follow the private-sector lead.

What makes this such a farce is that the executives engage in strategies that maximise the short-term share price while impairing the value of the company in the long term. Indeed, some CEOs are so focused on enhancing the impression of success that they use a variety of short-term mechanisms, such as raising the share price, to raise the profile of the company and increase their own rewards. A bank, for example, will increase unprotected lending just to increase the number of customers and turnover, even if this increases the risk. Increased profits and dividends are often paid at the expense of bigger investment, thus curbing the long-term growth of the company.

Increased salaries and benefits do not necessarily signify rewards for building the business. Goldfield’s CEO received a 43 percent increase, despite a significant decline in share price, profit and dividends in 2012. Sasol’s CEO is said to have received incentives that could be worth R89 million. In many cases, the shareholders have no idea of the scale of the total package until the incentives come into play some years later.

This is a hard pill to swallow when income inequality has worsened in South Africa since 1994 and may be the highest in the world. In addition, unemployment is at an all-time high. Are we surprised that workers are prone to strike for above-inflation rate wage increases? They have many mouths to feed. If wage demands seem to be unreasonable, one must take account of the number of unemployed dependants each worker supports.

Our social grant system grows steadily, while employment levels fall. This unsustainable formula leads to the view that a few million people have to support the larger number who do not earn wages – or that an even smaller number of rich pay large taxes to sustain the majority.

The only viable conclusion is that we have to create many more jobs and find ways of ensuring that companies invest in productive labour-generating activities rather than syphoning off surpluses in executive pay. If companies won’t do that, the state can always impose increased taxes. We need a national discussion on how the country’s wealth is being extracted and for what purpose. Conventional wisdom about the “untouchable” status of business has clearly not helped us.

## In memory of John Daniel

Our history has many instances of courageous individuals who were prepared to break with reactionary communities to join the mainstream of opposition to apartheid. John Daniel was one of those. He served two terms as president of the National Union of South African Students at a time when that organisation was outspoken in its condemnation of racial discrimination in universities. After he was inevitably forced to leave the country, he won fellowships to pursue his Master’s and PhD studies in the United States. He subsequently taught at the universities of Botswana, Lesotho and Swaziland, and became active in the Association of African Political Scientists. I met him at several conferences across Africa.

In due course, John returned to South Africa and taught at Rhodes University and then at the University of Durban-Westville, where he ran a dynamic political science department that included such scholars as Adam Habib. That was where we renewed our friendship. John was anxious to link political theories with developments in the country and asked me to give lectures on the principles of development

theory and the new ANC government’s Reconstruction and Development Programme (RDP).

John later moved to the Human Sciences Research Council (HSRC), where he and Roger Southall initiated the *State of the Nation* series of books, which drew together in-depth essays covering the broad spectrum of social sciences. Many were critical and bold, marking a new honest appraisal of our performance as a government and country.

When I was working on my own book, *From the Freedom Charter to Polokwane: The Evolution of ANC Economic Policy*, John and Roger rescued me from a very messy text. They spent a day with me at home, going through the manuscript and finding a way to make it publishable. I am indebted to both of them.

In recent years, John suffered greatly from ill health and was only able to work part-time. We miss him already, and offer our condolences to Cathy and their three children. An important radical scholar has left us.

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