

SA needs UK-style high pay panel: Godsell

Business leader Bobby Godsell has suggested SA establish an independent commission into executive pay. He said it was excessive and lacked transparency.

Speaking on Thursday at a panel discussion in Cape Town alongside Economic Development Minister Ebrahim Patel, Congress of South African Trade Unions general secretary Zwelinzima Vavi and Deborah Hargreaves, chairwoman of the UK High Pay Commission, Godsell said he applauded the report of the UK commission and endorsed its recommendations.

"I think we need a similar kind of independent commission. Maybe we need to get auspices for such a discussion," said Godsell.

The UK commission is an independent body established to research executive pay. Among its recommendations are that executives be paid basic salaries with only one additional performance-related element; that the top 10 executive salaries of each company should be published; that executive remuneration committees have an employee representative; that shareholders cast "forward-looking" advisory votes on executive salaries, which will be binding for three years; and that fund managers and institutional investors disclose how they vote on remuneration.

Endorses aims, but...

Godsell said while he endorsed all the objectives and sentiments behind the recommendations, he differed on some of the practicalities on how to achieve them.

It would not be realistic to fix executive pay for three years if, for instance, performance was linked to the company share price.

It was also unrealistic to elect a single employee to sit on a remuneration committee, he said.

Patel and Vavi drew attention to SA's income disparities, quoting from a Statistics SA household survey. Patel said that in 2010 the top 10% of earners took away 101 times the earnings of the bottom 10%. "From a values point of view, it is unsustainable. From an economic angle, such levels of inequality produced dysfunctionality."

Vavi said the bottom 50% of people lived on 8% of the national income; 71% of African female-headed households lived on R800 a month, and 59% earned nothing.

What about a 'low-pay' commission?

Godsell said: "Perhaps SA also needs a low-pay commission in the sense that we need as a society to think about what a household needs to sustain a minimum, decent existence. I don't know what that number is but ... the point is to have a debate about that number with the understanding it is aspirational."

The debate about income inequality comes against a call by Patel about 18 months ago for curbs on executive pay and wage restraint by workers earning more than R3000. "We have asked for an incomes

accord. There has been growing recognition among the constituents that we need to come up with a proposal," Patel said.

Responding to the accord notion, Vavi said labour had responded to the idea in a "lukewarm fashion" because it feared there was no way to get business to keep its side of the bargain. "If unions were to sign, we are willing to talk wage moderation, we fear employers will enforce that through the collective bargaining process," he said.

"But we do not have the same ability to enforce discipline where it matters most."

Source: *Business Day* via I-Net Bridge

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