

SA has among widest pay gaps: report

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EACH of the seven highest-paid CEOs in JSE-listed companies earned more than 300 times what the average South African did last year, according to a report by impact investing specialist Mergence Investment Managers.

The growing pay divide is one of the main factors in the worst mining strike in SA's history and the report entrenches the notion that South African CEOs are being paid according to western world standards, but the salaries of their workers remain stuck in the third world.

And the trend is getting worse — the gap has increased from just

under 120 times in 2009 to more than 140 times in 2013.

Retailer Shoprite was found to have the highest gap between total CEO compensation and the average wage per employee of 725 times.

It joins three other JSE-listed companies with a gap of more than 200 times — food products company AVI, Aquarius Platinum and miner Anglo American.

The research, which used a broad cross-section of data from company reports, World Bank statistics and official labour data, places remuneration of SA's executives in the top five globally, and with the widest gap for any emerging market country.

The US remains at the top with average CEO compensation at 164.4

times more than average wages. SA is fifth at 73.1 times. The countries ahead of SA on the list are Hong Kong, Germany and the UK.

Congress of South African Trade Unions spokesman Patrick Craven called the widening levels of income inequality "outrageous". He said this went a long way to explain the "great deal of anger" among workers and their determination to fight for higher wages.

"We believe the situation is becoming totally unsustainable and that we are becoming a less egalitarian society."

Anglo American Platinum CEO Chris Griffith provoked criticism recently when he said his remuneration of R17.6m — which is 257 times

more than his lowest-paid employees — was fair and he was worth it. His mine workers have been on strike for 17 weeks demanding a R12,500 basic minimum wage. Mr Griffith was forced to apologise after the criticism went viral.

The research shows the largest CEO pay package among the top 100 companies on the JSE is at BHP Billiton at R148m, with Anglo American second at R102m and British American Tobacco at R98m.

Portfolio manager Bradley Preston, who did the research, said a big frustration was lack of consistency of reporting across companies. He had determined the trends based on available resources and stayed consistent across the analysis.

He called for extended disclosure of executive remuneration, especially when it came to targets as "these were not sufficiently disclosed".

He said in 95% of cases, some form of variable pay was made by the big companies. But based on a sample of 54% of the larger companies in SA, resolutions were approved 99% of the time by shareholders, meaning they were being rubber stamped by shareholders, or their proxies.

This was why the wage gaps should be disclosed in annual reports and remuneration policies should be put to a binding shareholder vote.

At the moment, while best practice was to put remuneration policy to the vote, this was not binding. pickworthe@bdfm.co.za