

Executive pay packets likely to shed some fat

SA firms giving small increases or none at all to bosses

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SA's executives can expect to take home leaner salary packages this financial year in light of the current market turmoil, say human capital analysts.

"Companies are adopting a conservative approach in the present climate," Madge Gibson, a partner at executive search firm Jack Hammer Executive Headhunters, said on Friday. Many companies had implemented small increases, no increases or pay-freeze policies.

But those policies were not intended to demotivate staff. "They are necessary to minimise job losses and longevity for the company."

Gibson said many retrenchments had taken place at executive level. "There have been a few at senior management level in the financial services sector."

The average company executive earns about 58 times more than low-income earners. This is the highest differential between the two over the past 12 years, when executives were

earning 37 times more than low-income earners, according to research by human resources consultancy P-E Corporate Services.

The difference in earnings is even greater when executives' total packages are considered, including their share options and performance-based bonuses.

Average increases for executives were expected to drop by at least one to two percentage points, the consultancy said.

A survey of household expenditure carried out by Statistics SA last year disclosed that SA's Gini coefficient was 0,72. The Gini coefficient is an indicator of statistical dispersion used as a measure of inequality of income distribution.

Martin Westcott, MD of P-E Corporate Services, said the results were shocking in that after more than a decade of democracy 80% of the population accounted for 41% of SA's income, and a minority of just 9% accounted for 45% of the income. In SA, the lowest paid workers are earning about R1 700 a month.

For the first time in 29 years,

salary increases at all levels had dropped below 7%, said P-E Corporate Services. Although it looked like CPIX (consumer inflation excluding mortgage costs) had peaked and was on its way down, it was difficult for employers to decide on pay after such a sharp jump in inflation last year, Westcott said.

Sandra Burmeister, CEO of Landalahni Recruitment Group, said increases in executives' salaries were being frozen across a number of industries, particularly the mining and financial services sectors.

"Where executives are sitting on six tiers of bonus schemes not linked to share prices, then companies are getting rid of these people by way of voluntary retrenchments," she said.

Such schemes would include sign-on incentives, retention bonuses and performance bonuses. "There is no reason for companies to continue to fork out for spiralling executive remuneration," Burmeister said, and across-the-board increases would be dropped in favour of performance-based increases.

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