

Patrick Craven, COSATU National Spokesperson's, paper to the SARA Conference, 30 October 2009

Embargoed until 14h15, Friday 30 October 2009

Is the pay gap between executives and workers justifiable?

Thank you for inviting me to talk on such an important topic. The short answer to your question - Is the pay gap between executives and workers justifiable? - as I am sure you are expecting me to say, is NO.

Chinese leader Deng Xiaoping once said: "A country is just like a house. If you close the window, you get no fresh air, and also no flies. But if you open the window fresh air comes in and also some flies."

In both China and South Africa, we have seen a similar phenomenon. Two countries which went through a liberation struggle which opened the windows in 1949 and 1994 respectively, to allow in more democracy and equality, have both ended up with greater inequality than ever.

In both countries a disturbing materialist culture has blown in through the open windows, a culture imported from within the business sector, which unfortunately has also spread into our public service, which praises and rewards those who accumulate *and display* the most wealth and despises those who 'fail'.

It is a philosophy of the survival of the fittest and weakest to the wall, where the principle of 'dog-eats-dog' and 'me-first' applies. Whilst workers' universal slogan is "*an injury to one is the injury to all*" the capitalist slogan is the opposite - "*an injury to one is an opportunity to the other*".

While of course the majority of business men and women - and same applies to our political leadership - obey the law and do not get involved in corruption, this culture has led to the obscene levels of salaries, bonuses and perks for top executives, which has led to South Africa becoming the most unequal society on earth.

A 2007 survey showed that on average, South African managers were earning more than those in the UK, France, New Zealand and Canada. South Africa's senior managers earned an average disposable income of R700, 000 a year, while Britain's managers earned around R600, 000. If you take account of the lower cost of living in South Africa, the difference in real terms is even greater.

And they are just the average! In the last financial year Brett and Mark Levy, of Blue Label Telecoms, were South Africa's top-earning executives, taking home R50.4 million and R49.5 million respectively.

In the financial sector, First Rand's chief executive, Paul Harris, made R27.8-million, Sanlam chief executive Johan van Zyl R27.1-million, former Absa chief executive Steve Booyesen R18.2-million and Standard Bank chief executive Jaco Maree R14.1-million.

My opponents in this debate therefore need to justify why South Africa should have such unparalleled levels of inequality. They may argue that these individuals deserve these obscene salaries and perks, because they have earned them through hard work, which has created wealth for their shareholders who took a risk by investing their money.

But in South Africa these bonuses are paid to the top managers regardless of how hard they worked or the performance of the companies they are managing. The best example is Eskom, which has increased its CEO's salary by 26.7% despite its manifest failure to deliver an efficient and affordable service.

Yet these same companies which pay out these first-world salaries to their CEOs expect their employees to accept third-world wages. Workers - and they are after all the people who actually create the companies' wealth - earn way below workers in the UK, France, New Zealand and Canada.

More and more of these companies are casualising their workforces and using the services of labour brokers to dodge their moral and legal obligations to give their workers the benefits, job security and minimum wages they are entitled to, yet still complain about unions making 'excessive' wage claims and being an obstacle to them making even bigger profits.

It is as a direct result of this attitude to remuneration that wages have consistently declined as a proportion of GDP, from over 50% in 1998 to under 40% in 2005, while profits steadily rose in the same period.

I believe that this yawning gulf between the richest and poorest in our society is an untenable position which threatens to erode the moral and ethics of our national democratic revolution.

I am convinced that the wave of service delivery-related protests we have experienced recently are in part a response to the levels of inequality in our society. Some of you may not see the link but how do we explain that elsewhere in Africa there is far greater poverty, yet we do not see the same amount of social unrest.

The reason I suspect is that poverty in these countries is more widespread and general. People in surrounding communities are seen to suffer from the same poverty and lack of service delivery and it is thus accepted reluctantly as a fact of life.

On the other hand communities like Alexandra and Diepsloot, are next door to Sandton and Fourways, communities which live in a different world entirely. Arguments about a lack of resources for service delivery carry no weight among people who are living in shacks, with no running water, electricity and sewerage, but see people with seemingly limitless resources living only a few kilometres away.

The situation is made even worse when their own local representatives move into the wealthy suburbs and adopt a capitalist lifestyle. While most councillors and mayors continue to do wonderful work in support of the goals of revolution, often under difficult conditions, the recent community protests are in part a revolt against

people they elected to serve them as councillors and mayors, who become corrupt, move out of the community, live a life of affluence at the people's expense and do nothing to help those they have left behind.

I end with a quotation from a speech made just this morning by our General Secretary, Zwelinzima Vavi, to the BUSA Anti-corruption Business Forum, which applies equally to the debate about inequality and the culture of self-enrichment.

"Our country is in danger! As more and more join this race to self-enrichment, the more the needs of workers and the poor take a back seat. Individualism takes root. Soon we will be en-route to Zimbabwe and other failed revolutions elsewhere in the world.

"This is not what OR Tambo sacrificed thirty years of his life in exile for. This is not what Nelson Mandela spent 27 years of his life in prison for. This is an insult to all of our heroes and heroines. We must stop this cancer before it is too late. We must raise our fingers now before we reach a time when no one will be able to raise a finger without it being chopped off."

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