

South African Multinational Corporations in Africa

Bargaining with Multinationals

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WHY USE THIS GUIDE?

When entering bargaining processes, information relating to company revenue, profits and directors' pay can assist negotiators in securing employees' wage demands. Directors are employed by a company in the same way as any other employee, be it on managerial or entry level. There is thus no reason why the remuneration approach applied to directors should differ from that applied to other employees. This guide gives a step-by-step approach to assist Global Union Federations (GUFs) and their affiliates in utilising company information when preparing for bargaining processes.



YOUR Summarised Checklist



on Bargaining with Multinationals

What appears below is a **quick, easy-to-use checklist** to refer to as the process is followed. More detail on each step appears later in the publication. Company information can become a valuable bargaining tool for GUFs and their affiliates through applying these steps:

STEP 1

Look at what directors are being paid

- STEP 1A** | Access information on directors' remuneration
- STEP 1B** | Look at director remuneration trends
- STEP 1C** | Interrogate directors' bonuses
- STEP 1D** | Keep an eye out for entering and retirement packages

**STEP
2****Look at company revenue and profits; don't get sidelined by claims of lowered profits**

- STEP 2A** | Access information on company revenue and profits
- STEP 2B** | Do not get sidelined by claims of decreased growth rates
- STEP 2C** | Question how the remuneration increases of directors relate to the fortunes of the company

” The wage gap is the average CEO remuneration divided by an entry-level worker's wage.

**STEP
3****Collect information on workers' wages**

- STEP 3A** | Collect information on workers' remuneration
- STEP 3B** | Share information on workers' wages

**STEP
4****Build your bargaining case - compare percentage increases in wages**

- STEP 4A** | Compare salary increases
- STEP 4B** | Compare total remuneration (including bonuses) increases
- STEP 4C** | Compare actual rand-value increases in wages

**STEP
5****Build your bargaining case - reveal the wage gap**

- STEP 5A** | Calculate the wage gap

ADDITIONAL STEP

Stay ahead of expansion strategies and ensure union presence across operations

Abbreviations

CEO	Chief Executive Officer
FES-TUCC	Friedrich Ebert Stiftung Trade Union Competence Centre For Sub-Saharan Africa
GUF	Global Union Federation
HR	Human Resources
JSE	Johannesburg Stock Exchange
LRS	Labour Research Service
LTI	Long-Term Incentive
MNC	Multinational Corporation
PBT	Profit Before Tax
STI	Short-Term Incentives

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“What are the limits on the amounts (as a percentage of salary) that directors can receive in bonuses and how different are these from the limits for workers?”

Answer this question and many more by using this guide

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Introduction

In 2016 Sibanye Gold Chief Executive Officer (CEO), Neal John Froneman, received a total remuneration package (including long-term incentives) of R104 727 000. Bidvest paid Brian Joffe R104 389 000 and Shoprite paid their CEO, Whitey Basson, R100 082 000.

What did the workers get paid?

When entering bargaining processes, information relating to company revenue, profits and directors' pay can assist negotiators in securing the employee wage demands. Directors are employed by a company in the same way as any other employee, be it on managerial or entry level. There is thus no reason why remuneration approach applied to directors should differ from those of that applied to other employees.

If a company has been awarding its CEO handsome annual pay increases, it cannot defend an argument that workers' demands for basic salary increases are not affordable. The case of Massmart in South Africa showed that while their CEO received a 27% increase (R3 493 000) in his total remuneration package in 2016, workers in 2017 had to go on strike to secure the 8.5% (R750) increase they were demanding.

South African Multinational Corporations (MNCs) operating in Africa do not have to disclose pay ratios between directors and workers (Massie, 2017). To make matters worse, companies

often hide the true remuneration of directors behind big bonuses, such as long-term incentives (LTIs), while underreporting on the remuneration of workers. Companies often only report on the number of people they employ and report remuneration of all employees as a single lump sum.

Within such an approach there is no differentiation between different jobs. All jobs are not equal however, and a part-time position, for example, cannot be counted as the equivalent of a full-time position. Through such underreporting a situation emerges in which companies get away with hiding, amongst other issues, the true wage gap between directors and workers.

This guide proves how a MNC Chief Executive Officer (CEO) can earn as much as 1 763 times more than an entry-level worker and, because of the manner in which companies report on remuneration, such comparisons are not transparent. In the absence of Global Union Federations (GUFs) and their affiliates, gathering information on employee remuneration and wage gaps will remain hidden.

Information sharing between unions is thus highlighted as critical in the battle to achieve fair remuneration for workers.

It is within this context that the guide takes a step-by-step approach to assisting Global Union Federations (GUFs) and their affiliates in how to utilise company information when preparing for the bargaining process. The retail sector is applied as a case study. Secondly, the critical role of GUFs and their affiliates, as well as national federations, in collecting and disseminating accurate information relating to

” MNC Chief Executive Officers (CEOs) can earn as much as 1 763 times more than entry-level workers

employee remuneration, is stressed. Union members are uniquely placed to collect information from both workers and Human Resource (HR) departments. They are thus pivotal in revealing the true wage gap and in building solidarity by sharing information across borders. Consequently, towards revealing the real wage gap, this guide advocates for more intelligent reporting on employees, and encourages unions to do the same.

Background and approach

During 2017, the Labour Research Service (LRS), with the support of the Friedrich-Ebert-Stiftung Trade Union Competence Centre (FES-TUCC), developed the SOUTH AFRICAN MULTINATIONAL CORPORATIONS IN AFRICA: TRENDS IN 2016 report.

The report was based on the LRS South African MNC online tool. Through this tool, support is provided to national federations as well as global and national unions, to build alliances for cross-border campaigns, and to support the efforts of workers in transforming the governance and industrial relations practices of South African MNCs in which they organise.

This is accomplished by making available financial and operational information of the 91 SA MNCs included on the online tool¹. These 91 JSE-listed companies, from 14 sectors, were reviewed as part of the SA MNC 2016 Database. This guide represents a summarised version of the SOUTH AFRICAN MULTINATIONAL CORPORATIONS IN AFRICA: TRENDS IN 2016 report.

¹ The data has been extracted from the most recently published Annual Reports and Annual Financial Statements as of June 2017 and therefore includes year ends from the end of February 2016 to the end of December 2016. Likewise, with the year ends in February and March 2016, the pay packages disclosed would have been set over two years ago in February and March 2015.

**NOTE:**

While the LRS SA MNC Database features information from companies within multiple sectors, this guide is structured specifically around the RETAIL SECTOR (as a case study) to provide a broad step-by-step approach on how company information can be utilised in bargaining preparations and processes.

Where applicable, examples of remuneration approaches across other sectors are provided to build on the retail sector example.

For detailed information on companies operating within other sectors, the following resources are available:

- 1 The LRS SA MNC Database as an online tool, available from the LRS and FES-TUCC websites at <http://www.lrs.org.za/mnc> and <http://www.lrs.org.za/mnc/?set=info&fes> and
- 2 MNC Trend Reports (including 14 sectoral fact sheets) can be downloaded from <http://www.lrs.org.za/>

FORMAT

- **Step 1** provides guidelines on how information relating to director remuneration can be collected, as well as how this should be analysed.
- **Step 2** locates company remuneration approaches within broader company operations by interpreting company revenues and profits.
- **Step 3** speaks to the role of GUFs and their affiliates in collecting and sharing information relating to workers' wages and conditions of employment.
- **Steps 4 and 5** bring together the information collected in the previous steps and describe how this information can best be utilised to strengthen bargaining processes and outcomes, while increasing demands for accountability.
- Lastly, an **additional step** relating to the geographical expansion strategies of MNCs is added, to ensure target organisations stay ahead of such strategies and ensure their involvement in all operations.

” This guide provides steps on how information relating to director remuneration can be collected, as well as how this should be analysed.

**STEP
1**

Look at what directors are being paid

The first step in utilising company information in bargaining preparations is to look at what directors are being paid.

One of the key differences between the remuneration of directors and that of workers is that the largest component of the former is located in additional benefits. Apart from benefits such as medical aid, car allowances, pension contributions and other expenses, a large part of a director's remuneration is 'performance pay'. This covers both annual performance and short-term incentives (STIs), in the form of bonuses, and also the paying out of LTIs.

LTIs can constitute a large part of directors' remuneration packages. These are, most commonly, paid through share options, but increasingly also through other plan types like performance share plans and share matching plans. Bonuses too, are increasingly being used as long-term retention plans where a portion of the bonus earned is deferred for three years and possibly also matched in value at that point, with or without further performance conditions attached. While this may be true, such payments are not always clearly stipulated in the sections that communicate on directors' remuneration within company annual reports. Such reporting approaches could prohibit members of the public and union members from accessing the full remuneration package of directors.

STEP 1 A | Access information on directors' remuneration

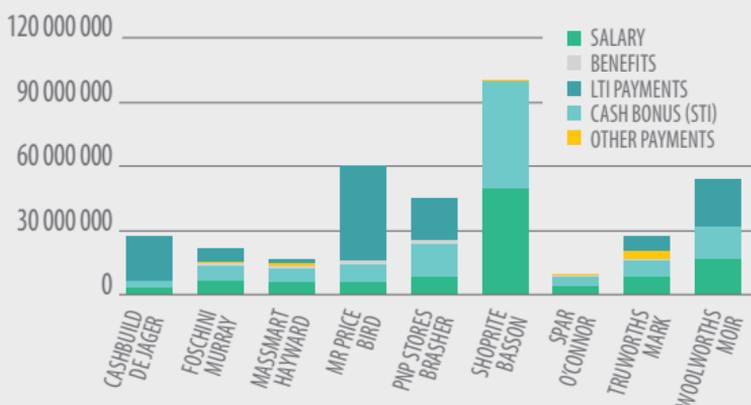
Company annual reports are the main source of information on directors' remuneration. In addition, online tools such as the LRS SA MNC Database provide a summarised overview of such information extracted from company annual reports. Such information is, however, not always published in the annual reports and should be requested from company management well in advance of negotiations. This will allow sufficient time for them to be properly analysed. If these cannot be obtained, use the latest available figures. If the company states that these are out of date, then put on record that more up-to-date figures were requested and denied.

” Directors' remuneration is not always published in the annual reports and should be requested from company management well in advance of negotiations.

FACT SHEET 1: DIRECTOR REMUNERATION - RETAIL SECTOR

Fact Sheet 1 provides an overview of director remuneration trends of MNCs within the RETAIL SECTOR, as well as a detailed breakdown of CEO remuneration in the 2015/16 period^{2,3}. The information was retrieved from the LRS SA MNC Database, based on the relevant company annual reports.

RETAIL SECTOR CEO REMUNERATION (ZAR) 2016



The highest executive remuneration (excluding LTIs) across all sectors can be found in the retail sector. In 2016, the Shoprite CEO, Whitey Basson, received a remuneration package of R100 082 000. This was based on a R50 000 000 cash bonus in addition to his R49 656 000 basic salary. Towards the end of 2016, it became apparent that Whitey Basson was in fact retiring from his position. Within the retail sector a substantial LTI payment was further made to the Mr Price CEO, Stuart Bird. His LTI payment for 2016 was nearly R45 000 000.

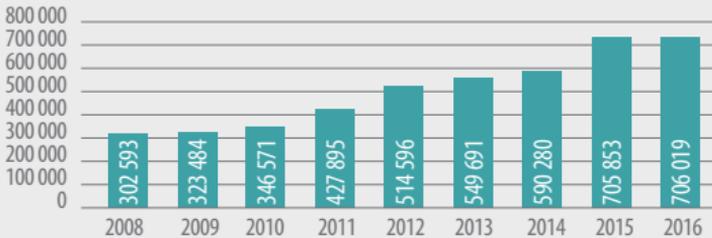
Retail sector non-executive directors: 0% average increase in year-on-year remuneration growth rate between 2015 and 2016.

Retail sector executive directors: 11% average increase in year-on-year remuneration growth rate between 2015 and 2016.

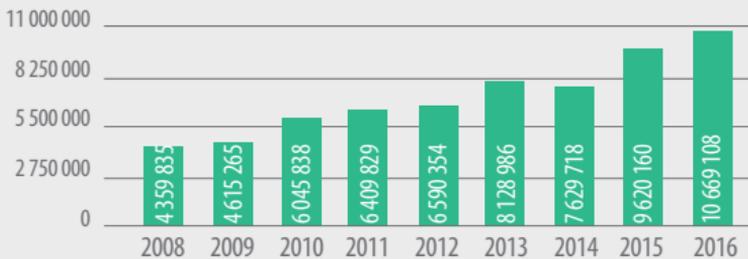
² In some cases, company profit and directors' fees are not disclosed in South African Rand. In these cases, the annual average exchange rate for the financial year in question has been calculated from the currency converter website. These of course vary depending on the financial year-end.

³ Remuneration is considered including and excluding LTIs. This is done although LTIs are not exercised to the same extent each year and could, therefore, distort the true nature of remuneration packages and trends.

AVERAGE NON-EXECUTIVE REMUNERATION (ZAR): EXCL LTI



AVERAGE EXECUTIVE REMUNERATION (ZAR): EXCL LTI



When considering remuneration trends across the retail sector, it can clearly be seen that there has been a steady increase in executive and non-executive remuneration between 2008 and 2016.

STEP 1 B | Look at directors' remuneration trends

Looking beyond one year's remuneration figures can be a powerful negotiating tool. Salary plus bonuses, benefits and other payments (excluding LTIs) indicate how much the company has spent on director positions during the year. This may vary from year to year. The totals may increase massively in one year on the back of a good bonus and then

seem to decrease when bonuses are less generous. Negative percentages should be seen in this light, as well as viewing the totals those percentages represent. Figures can also be compared to earlier years.

In this retail example, we analysed directors' fees for 2015/16, in order to identify trends and to note bonuses, benefits and LTI payment levels. However, to make the best comparison, unions need to know the salary increases that directors will be getting for the same year for which they are negotiating i.e. the year going forward.

STEP 1C | Interrogate directors' bonuses

Although not considered annual income, the gains made by directors when exercising LTIs should be analysed. As shown above, these can be more than substantial and should be highlighted in negotiations if companies argue from a position that all employees, including directors, are suffering a loss. The following questions should be asked regarding directors' bonuses:

- What percentage of salary do they represent? Do they double or even triple the directors' annual income?
- What are the limits on the amounts (as a percentage of salary) that directors can receive in bonuses and how different are these from the limits for workers?
- If directors can receive such high percentage bonuses, can workers also receive substantial rewards for the year's work?
- What were the performance criteria for those bonuses and how have the directors met those goals?

Information on the highest paid directors in different sectors is valuable in bargaining processes, as well as in campaign development. Sectors in which directors are being paid exceptionally high salaries should be interrogated and publicly noted. Fact Sheet 2 below provides a revealing glimpse into the highest-paid CEOs within the MNC Database during the 2015/16 period. It is especially interesting that the Steinhoff CEO, Markus

” Steinhoff CEO, Markus Steinhoff, was awarded the highest salary (excluding LTIs) across all the sectors in the period running up to the accounting irregularities exposed in 2017

Steinhoff, was awarded the highest salary (excluding LTIs) across all the sectors in the period running up to the accounting irregularities exposed in 2017 (Rose, 2017).

FACT SHEET 2:

NOTEWORTHY 2016 REMUNERATION FACTS ACROSS SECTORS

As previously indicated the initial research study was based on an analysis of 91 MNCs operating across 14 economic sectors. Table 1 provides a summary of the findings relating to the highest CEO remuneration packages across these 14 sectors.

Table 1: Highest total remuneration overview

	Highest Remuneration (excl LTI)	Amount (ZAR)	Highest LTI	Amount (ZAR)	Highest Total Remuneration (incl LTI)	Amount (ZAR)
Mining	BHP Billiton, Mackenzie	44 500 000	Sibanye Gold, Froneman	91 758 000	Sibanye Gold, Froneman	104 727 000
Diversified Holdings	Steinhoff International, Jooste	93 750 000	Bidvest, Joffe	68 231 000	Bidvest, Joffe	104 389 000
Retail	Shoprite, Basson	100 082 000	Mr Price, Bird	44 847 000	Shoprite, Basson	100 082 000
Industrial	Sasol, Constable	42 037 000	Sasol, Constable	42 037 000	Sasol, Constable	84 074 000
Food and Beverage	SABMiller, Clark	49 557 143	SABMiller, Clark	34 342 857	SABMiller, Clark	83 900 000
Paper and Packaging	Mondi Group, Hathorn	41 356 186	Mondi Group, Hathorn	36 166 329	Mondi Group, Hathorn	77 522 514
Technology and Telecommunications	MTN Group, Nhleko	68 191 000	Vodacom Group Limited, Aziz Joosub	13 709 536	MTN Group, Nhleko	68 191 000
Training & Health Sectors	Mediclinic, Lavater	38 140 000	Adcorp Holdings limited, Pike	19 200 000	Mediclinic, Lavater	57 340 000
Banking and Financial Services	Investec, Koseff	46 448 000	FirstRand Bank, Nxasana	28 504 000	FirstRand Bank, Burger	53 387 000
Transport	Super Group, Mountford	12 698 463	Super Group, Mountford	13 674 000	Super Group, Mountford	26 372 463
Hospitality & Media Sectors	Naspers, Dijk	23 900 000	Sun International, Stephens	14 309 055	Sun International, Stephens	26 286 003
Construction	Murray & Roberts, Laas	12 303 800	Murray & Roberts, Laas	2 376 192	Murray & Roberts, Laas	14 679 992

Source: 2017 SA MNC Database

FACT SHEET 2: (CONTINUED)

NOTEWORTHY 2016 REMUNERATION FACTS ACROSS SECTORS

When considering the broader research findings on CEO remuneration, the three highest paying sectors are mining, diversified holdings and retail:

- Sibanye Gold paid their CEO, Neal John Froneman, a total remuneration package (including LTIs) of R104 727 000.
- Bidvest paid their CEO, Brian Joffe, R104 389 000.
- Shoprite paid their CEO, Whitey Basson, R100 082 000.

Other noteworthy remuneration facts include the following:

- The Steinhoff International CEO, Markus Jooste, boasted the second highest remuneration package (excluding LTIs) across the entire research. In total his remuneration package amounted to R93 750 000 which comprised a basic salary of R45 883 333.
- The only remuneration package (excluding LTIs) higher than that of Markus Jooste was that of the Shoprite CEO, Whitey Basson. Basson, however, received an STI, whereas the majority of Markus Jooste's remuneration was located in a basic salary.
- Within the construction sector, the lowest overall remuneration packages were reported. Companies such as Basil Read stated that they did not have any LTI plans in place during 2016. This being said, it was noted that STIs featured quite high within the remuneration packages of CEOs.

In addition, there are other observable remuneration trends relating to exit and entry incentives for directors. The R50 000 000 cash bonus awarded to the Shoprite CEO was paid the year before his retirement. In addition to such payments, it was reported in 2017 that Shoprite bought back R1.75 billion worth of shares from the former CEO (Cohen and Kew, 2017). Based on such transactions, Whitey Basson entered his retirement more comfortable than most Shoprite workers could ever dream of.

Similar trends observed in the broader research included the following:

- Despite only being in his position for nine months during 2016, the FirstRand bank CEO, Johan Burger, received an LTI of R28 504 000 and total remuneration (including LTIs) of R53 387 000 – which is the highest of the companies reviewed within the banking sector.
- The previous FirstRand bank CEO, Sizwe Nxasama, received an LTI of R34 116 000 based on three months' worth of work.
- The unbundling that took place in Bidvest during 2016 saw the previous CEO, Brian Joffe, retire on 23 May 2016 and Lindsay Peter Ralphs appointed as the new CEO. Brian Joffe received an LTI of R68 231 000 and Lindsay Peter Ralphs, who only exercised the position for a month, received an LTI of R30 483 000.

STEP 1 D | Keep an eye out for entering and retirement packages

Disproportional director payments are especially evident in cases where CEOs are about to vacate their positions or when they have just started a new position. It was found that entering CEOs can be awarded LTIs of more than R30 000 000 when only in a position for as long as a month. Such behaviour should be noted and questions need to be raised as to why similar benefits are not made available to employees below director level.

Unions will find there is often little observable and comparable logic within the remuneration approaches of MNCs. Questions must be raised as to why the remuneration packages of CEOs are structured in the way that they are. In addition, remuneration approaches should be aligned to that of workers. Across companies, minimum wages are located within a small wage bracket whereas this is by no means the case within directors' remuneration; why does the same logic not apply at director level? Steps 3, 4 and 5 deliberate these dynamics in more detail and provide guidance on how workers' remuneration can be brought in line with directors' pay.

STEP
2

Look at company revenue and profits; don't get sidelined by claims of lowered profits

A decrease in revenue or profits is often cited by companies as a reason why wage and labour-related demands cannot be met. A company could, for example, state that in 2016 they experienced a 5% decrease in revenue. While such a number might reflect as negative, it does not mean that there was an actual loss. It rather indicates that growth was slower than the previous year but that growth still took place. Understanding such financial increases and losses can assist unions in establishing to what extent claims of lowered revenue and profit are in fact true.

STEP
2A

Access information on company revenue and profits

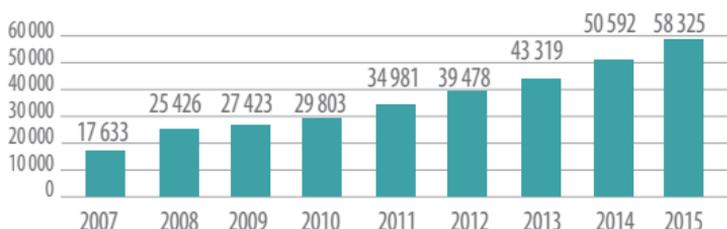
The main sources of directors' remuneration information are company annual reports and financial statements. Such information is, however, not always published and should be requested from company management well in advance of negotiations. If these cannot be obtained, use the latest available figures. If the company states that these are out of date, then put on record that more up-to-date figures were requested and denied.

FACT SHEET 3: REVENUE AND PROFIT - RETAIL SECTOR

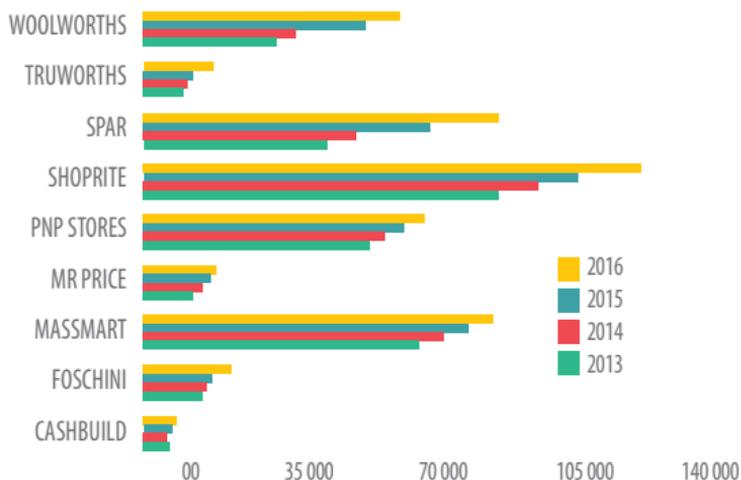
The SA MNC Database makes it possible to compare the changes in revenue and profit of companies over multiple years. An example of such trends is illustrated for the retail sector in this Fact Sheet.

REVENUE - RETAIL SECTOR

AVERAGE REVENUE 2008 - 2016 (R'MIL): RETAIL



MNC REVENUE 2013 - 2016 (R'MIL): RETAIL



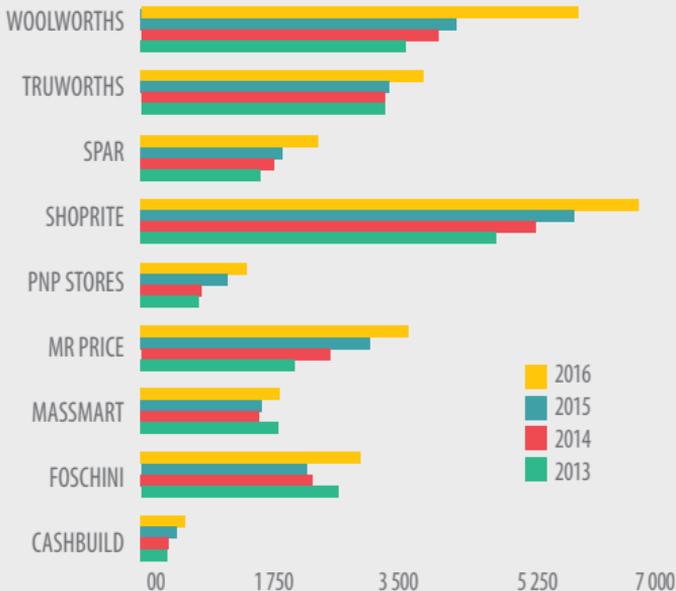
Revenue across the retail sector reflects a positive picture of growth across all companies. Between 2015 and 2016 alone there was a 15% average increase.

PROFIT BEFORE TAX (PBT) - RETAIL SECTOR

AVERAGE PBT 2008 - 2016 (R'MIL): RETAIL



MNC PBT 2013 - 2016 (R'MIL): RETAIL



PBT in the retail sector shows a similar trend to that of the revenue illustrated to the left. A 22% PBT year-on-year average growth rate was experienced between 2015 and 2016.

While the retail sector has shown steady increases in year-on-year revenue and profit growth rates, some sectors experienced similar decreases. While this may be true, it has to be emphasised that such decreases still translate into positive revenue and profit margins. The table below illustrates the year-on-year growth in revenue and profit to executive director remuneration changes across all sectors.

Table 2: Revenue and profit year-on-year growth rates compared to executive director remuneration changes

2015-2016	Change in Revenue	Change in Profit	Change in ED Salary	Change in ED Remuneration
Mining	3%	-83%	4%	22%
Construction	-14%	24%	-10%	14%
Food and Beverage	11%	8%	-6%	-11%
Industrial	2%	-35%	13%	25%
Paper and Packaging	3%	23%	22%	16%
Transport	19%	55%	-24%	-9%
Banking and Financial Services	22%	7%	15%	-4%
Diversified Holdings	8%	5%	-18%	-6%
Training and Health	11%	-9%	29%	-15%
Hospitality and Media	14%	-4%	33%	10%
Retail	15%	22%	2%	11%
Technology and Telecommunications	3%	-51%	21%	49%

Source: 2017 SA MNC Database

Looking beyond the retail sector, with the exception of the construction sector, it becomes evident that revenue across the sectors increased between 2015 and 2016. Despite the negative year-on-year growth rate in the construction sector, revenue was still positive. The revenue in 2016 was 14% less than that accumulated in 2015.

In sectors such as the food and beverages sector; banking and financial services

” While making more than R2 trillion in revenue, Glencore made a R7.8 billion loss in 2016.

sector; training and health sector; and retail sector, both revenue and profit have been increasing positively with no companies experiencing any losses. In a sector such as mining, which is subject to international commodity prices, there has been more volatility with regard to profits in particular. The case of Glencore Xstrata illustrates to what extent revenue and profit can deviate. While making more than R2 trillion in revenue, Glencore made a R7.8 billion loss in 2016. A negative gross profit margin occurs when costs exceed revenue. Possible reasons for a company to experience a negative gross profit margin include raw material cost increases, technology disruption and macroeconomic shock. Negative gross profit margins can thus be improved once the disruptions cease.

Across all the sectors and companies that form part of the survey, an average annual year-on-year revenue growth rate of 7% was calculated between 2015 and 2016. The average year-on-year PBT growth rate was found to be -15%. While this number may reflect negatively, it still represents positive profit levels. No loss was experienced – growth simply took place at a slower rate than the previous year.


**STEP
2B**

Do not get sidelined by claims of decreased growth rates

A negative year-on-year growth rate does not mean a decrease in revenue or profit. Rather, it means that the amount with which the revenue or profit increased from the previous year, decreased.

When considering company revenue and profit it is necessary to assess how the increases and decreases relate to directors' remuneration. From Table 2 above it is evident that the fortunes of the directors within the sample companies do not appear to be intimately tied to the fortunes of the companies they manage. Although the analyses identified above are done on a sectoral level, it clearly illustrates a lack of coherence. The mining sector and technology and telecommunications sectors prove that there is no correlation between a decrease in year-on-year profits and directors' remuneration. Both have in fact resulted in an increase in the executive directors' remuneration packages. The industrial sector and the retail sectors are arguably more balanced in terms of comparative increases but, as Table 2 is based on aggregates, it is not to say that all companies within the sector follow suit. Across the sectors, the dominant projection lacks alignment between year-on-year growth in revenue and profit, compared to remuneration.

On a company level, it was further seen that a company such BHP Billiton, which operated at a loss during 2016, paid their CEO the highest remuneration (excluding LTIs) within the mining sector

at R44 500 000. In addition, the CEO also received an LTI of R39 885 714. This clearly illustrates how a loss in profit does not affect directors' remuneration. Sasol is another example of a company that showed a decrease in revenue between 2014 and 2016, as well as a sharp decrease in profits between 2015 and 2016. Despite this, the company awarded its CEO, David Constable, a total remuneration package (including LTIs) of R84 074 000. This was despite media critique of him being 'SA's worst CEO' for the billions the company lost under him (News24, 2016). He has since vacated the position.

STEP 2C

Question how the directors' remuneration increases relate to the fortunes of the company

Decreasing revenue is often used as a reason why companies cannot allow remuneration increases for workers. Such arguments cannot be defended when company behaviour shows that, regardless of revenue and profit levels, directors are remunerated handsomely. It was seen that even in cases where the company lost billions under a CEO, the CEO received a remuneration package of more than R84 000 000.

The following questions should always be asked:

- When company profits fall, can we expect to see the same in directors' bonuses?
- Will directors' salaries be affected by a bad year?
- Do workers receive the benefits of company profits in a good year?



STEP
2C

Question how the remuneration increases of directors relate to the fortunes of the company (continued)

- If the company is showing a good profit for the year, is this reflected in the directors' bonuses? If so, should it not also be reflected in the workers' income?
- If the profit is down, have the directors still taken substantial rewards? If so, this should be explained, particularly if they are argue for lower wage increases for workers.

” If profits are down and directors have still taken substantial rewards, this should be explained, particularly if they argue for lower wage increases for workers.

STEP
3

Collect information on workers' wages

During the research, it became evident that, compared to the attention given to directors and their remuneration packages, employees received very little attention. There is neither a standardised method used for categorising nor for counting workers in companies. This results in a profusion and confusion of labels which tell us very little about the actual people doing the jobs that add to the company's value. The issue of labour brokers and outsourced workers is a key part of this problem as often they, the lowest paid workers with the worst conditions, are kept "off the books" of the company. It becomes difficult to determine if this is in keeping with good corporate governance and how their pay and conditions compare to fully employed workers, including management. It is also difficult to determine how many workers there are, and how these numbers change.

We argue that the number of workers in a company and their form and location of employment is vital company information, particularly in a country that is concerned with job creation, decent work and a living wage. And yet this remains one of the most poorly reported areas of company figures; there is very little information on forms of employment, worker numbers at different locations and turnover in each of these categories. Where this is disclosed, it is seldom done so for operations



outside of South Africa. If jobs are decreasing, is it because they are being increasingly outsourced and therefore worker numbers are being kept off the books, or are numbers literally being reduced with workers having to perform more and more distinct "jobs" in order to bring down wage costs and increase "productivity"? None of this can be calculated without accurate figures.

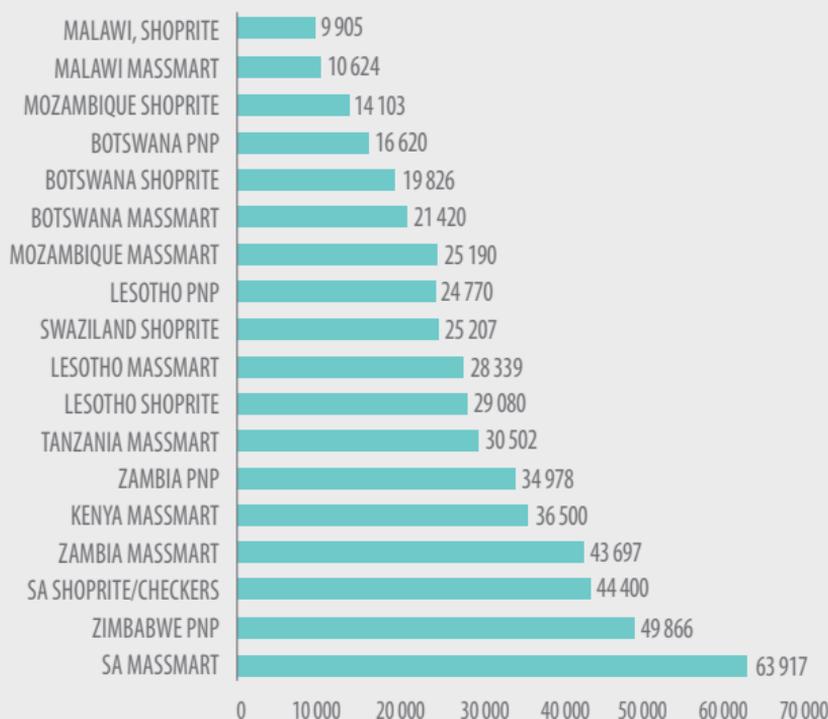
STEP 3A | Collect information on workers' remuneration

The existing reporting methodologies of companies are limited in how they report on different groups of employees. In addition, remuneration of employees beyond director level is neglected to an alarming extent. Remuneration of employees is given as one lump sum in which no distinctions are made between different skills levels, gender groups etc. It can thus be said that in contrast to information on directors' remuneration, revenue and profit, company annual reports are not a reliable source of information regarding employee remuneration. It is, therefore, necessary to obtain information on workers' pay directly from workers, bargaining processes or through HR Departments. In this regard, unions play a crucial role as they are uniquely placed to collect such information.

FACT SHEET 4: RETAIL SECTOR ENTRY-LEVEL WAGES

Fact Sheet 4 provides information retrieved from the Country Reports submitted by unions during different UNI AFRICA Retail Shop Steward Alliance Meetings in 2017.

ENTRY LEVEL RETAIL WAGES (ZAR) PER ANNUM (2016)



The average annual income for an entry-level worker within the retail sector in Southern Africa is R28 506. This ranges from R9 905 in Malawi to R63 917 in South Africa.

The remuneration figures collected by unions make it possible to see how companies operating within the same sector will reward their workers differently. In certain situations, the same company may even remunerate their workers in one country as much as R50 000 more per annum than in another.

STEP 3B | Share information on workers' wages

If unions have access to information on workers' wages and conditions of employment, it is important that such information is shared between unions through structures such as GUFs and support organisations such as the LRS. Such sharing of information supports the development of alliances for cross-border campaigns towards improved working conditions, as well as advocating for more intelligent reporting on employees. It should be emphasised that all jobs are not equal and reporting needs to be done accordingly. In addition, information sharing over multiple years makes it possible to calculate annual increases and remuneration trends.

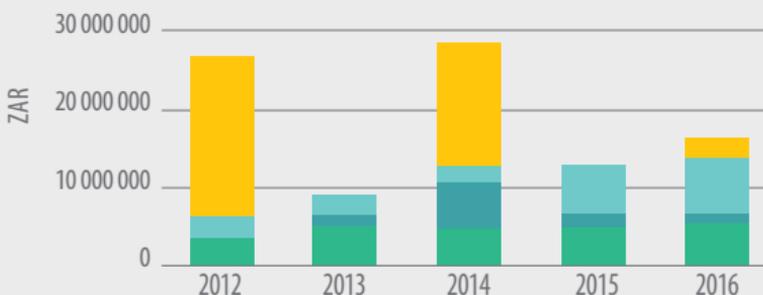
The employee remuneration figures shown in this section would not have been possible without the active participation of unions. Step 4 illustrates how these figures are fundamental to drawing comparisons and calculating the true wage gap between directors and workers.

STEP
4

Build your bargaining case - compare percentage increases in wages

Once information on directors' remuneration has been collected and analysed (Step 1), it is possible to compare their annual increases to that of workers (Step 3) or the demands of unions going into the bargaining processes. As an example, Fact Sheet 5 illustrates the remuneration of the Massmart CEO, Guy Hayward, between 2012 and 2016.

FACT SHEET 5: MASSMART CEO REMUNERATION: GUY HAYWARD (2012-2016)



	2012	2013	2014	2015	2016
LTI Payment	R19 891 000	0	R15 788 000	0	R2444 316
Benefits	R2 891 000	R2 550 000	R2 135 000	R6 107 000	R6 953 000
Cash Bonus	0	R1 304 000	R5 916 000	R1 508 000	R1 335 000
Salary (& Allowances)	R3 899 000	R5 215 000	R4 829 000	R5 175 000	R5 551 000

The total salary package paid to the Massmart CEO was R16 283 000 in 2016. This represents a 7% salary increase and 8% remuneration increase. In 2016 he received a R2 444 316 LTI and, as a result, his total package increased by 27%.

When considering the remuneration of the Massmart CEO, it can clearly be seen how easily workers can be deceived regarding the real annual increases of directors. The increases in total remuneration (including all STIs and LTIs) were found to be 20% higher than the 7% increase indicated for the CEO's basic salary. Taking into consideration the 8.5% wage demands of Makro workers in South Africa in 2017, a misunderstanding of the total wage increases of the company CEO could have worked against them. The company could have insisted that they only gave their CEO a 7% increase in the previous year when in fact he was rewarded a total remuneration increase of 27%.



STEP
4A

Compare salary increases

First look at the percentage increase in salary; salaries are the most comparable to workers' wages and most likely to see a steady rise year-on-year. If directors' salaries have increased by a greater percentage than that of workers, that is a strong position from which to bargain as it shows that the guaranteed pay of the directors is increasing at the higher rate.

Workers do not receive LTIs similar to directors and it is therefore necessary to compare the total remuneration of directors in addition to their salary increases.

STEP 4B | Compare total remuneration (including bonuses) increases

If the salary does not show a high increase, look at the percentage increase in remuneration, in other words, the increase in directors' full annual packages including salary, bonuses, benefits and the like. During negotiations, a high increase here can be used instead of the salary increase. It also indicates that the directors received substantial bonuses during the year.

In the case of Massmart, workers in South Africa demanded an 8.5% increase or R750 increase in Rand-value. When comparing this demand to the R2 444 316 increase the CEO was rewarded, it places such salary increases into perspective and provides negotiators with bargaining power.

STEP 4C | Compare the actual Rand-value increases in wages

If both salary and remuneration increases for executives are low for the year, then look at the actual Rand figures for those increases as these will show how much these increases mean in real terms, even if the percentages are not high. A 10% increase on a director's salary is a lot more money than a 12% increase on the average worker's wage.

STEP
5Build your bargaining case -
reveal the wage gap

The wage gap is the average CEO remuneration divided by an entry-level worker's wage. The wage gap figure is useful because it gives a real sense of the difference in income between the high paid executives and the workers. A director's remuneration figure may be high but perspective is gained on just how high it is when it is compared to the income of other employees – the average workers – in the company. Then it becomes clear that the same principles of pay are not applied across the board and bargaining cases can be strengthened.

STEP
5A

Calculate the wage gap

Divide the monthly/annual salary of a director (or average of directors) by the monthly/annual salary of a worker (or average of workers).

WAGE GAP = SALARY OF A DIRECTOR divided
by SALARY OF A WORKER

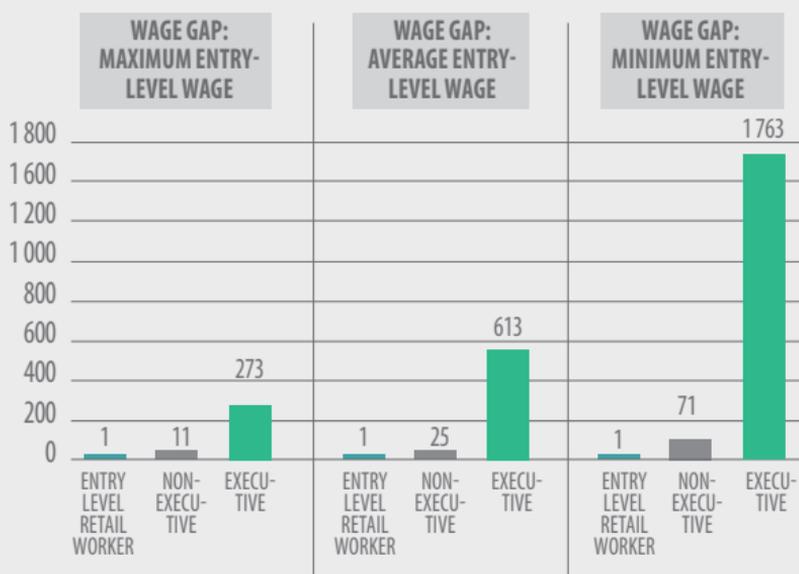


$$\frac{\text{Salary of a director}}{\text{Salary of a worker}} = \text{WAGE GAP}$$

FACT SHEET 6: IDENTIFYING THE WAGE GAP - RETAIL EXAMPLE

The average annual income for an **entry-level worker** within the retail sector in Southern Africa amounts to **R28 506**. This ranges from R9 905 in Malawi to R63 917 in South Africa.

The average annual income for a **non-executive director** is **R706 019**, while an **Executive Director** in the retail sector will on average earn **R17 467 403**. The latter is including LTIs.



Compared to the average minimum entry-level salary in the retail sector, a **Non-Executive Director** earns **25 times** more than that of a worker and an **Executive Director** **613** more. It has been seen that wages outside of South Africa are lower than inside the country and therefore the average salary of an Executive Director can be as high as **1 763 times** more than that of an entry-level worker.

In the case of retail, research shows that the largest wage gap exists outside of the home country of the MNC – as high as 1 763 times more than the salary of an entry-level worker. This again emphasises the role of GUFs in revealing such cross-border labour disparities. Only through sharing information in a retail network was it possible to determine that the same company pays much lower wages in a different setting. While

” In South Africa, unemployment and poverty has grown in the last 20 years while real wages remain stagnant in the context of declining job security.

this may be true, this should not undermine the struggle of workers in the home country for improved wages and conditions, as a wage gap of 273 times is hardly acceptable.

In South Africa, unemployment and poverty has grown in the last 20 years while real wages remain stagnant in the context of declining job security. In other words, South African workers may have much in common with workers in the region, especially those working for the same companies, and that cooperation is needed to address these worsening conditions.

While the wage gap information was based only on the retail sector, it provides sufficient proof that companies hide great injustices through underreporting on their employees. This guide argues that not enough is being done to reveal the real wage gap between companies. There is a need, within unions and GUFs, to collect accurate information on worker remuneration to continuously highlight the remuneration gap and, in the process, advocate for more intelligent reporting on employees.

ADDITIONAL STEP:

Stay ahead of expansion strategies and ensure union across operations

In addition to the steps regarding remuneration approaches, a supplementary step relates to the expansion strategies of companies. Africa is increasingly playing host to a far more diverse and competitive group of countries and companies, and this has implications for the representativeness of workers. As companies set up to drive more deeply into Africa, it is essential that labour rights, good corporate governance and social responsibility move with them. GUFs need to be aware of operational approaches for them to remain ahead of expansion strategies and establish their presence.

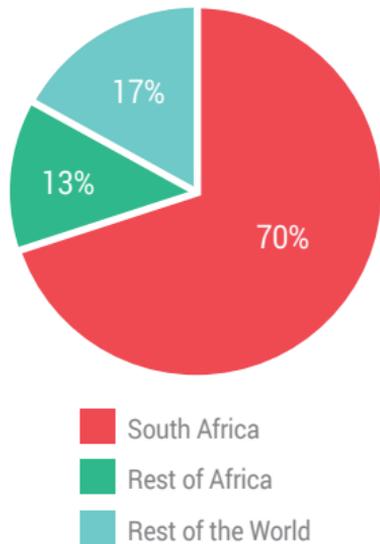
Brand Africa 100® ranks the top 100 African and non-African brands across the African continent. In the recent "Brand Africa 100 table" South Africa had six of its companies listed among the most valuable brands on the continent. MTN, Shoprite, Tiger Brands, DSTV/Multichoice, Pick n Pay and Sasko all ranged between the 47th and 82nd positions.

While this may be true, reporting on geographical operations and expansion strategies vary between companies. Where some MNCs provide a detailed account of the sales and profits generated within their countries of operations, others disclose limited information on their operations outside of South Africa.

For the purpose of a geographical overview, 33 companies were sampled to develop insights into MNCs' current operations, as well as possible future expansion strategies. **These are some of the main findings:**

1. Within the sampled companies, 70% of their sales were reported to be in South Africa, 13% in the rest of Africa and 17% in the rest of the world.
2. Companies which had a portion of their revenue generated outside of South Africa saw an increase in sales. This could in part be due to the currency fluctuations, although companies such as Shoprite showed an increase of more than 5% across Africa.
3. Outside of South Africa, the countries which hosted the highest number of the sampled MNCs are Zambia, Swaziland, Namibia, Mozambique, Lesotho and Botswana.
4. During the research, it became apparent that companies often indicate that they operate in a particular country without specifying their actual number

Figure 1:
Geographical Sales Distribution



of operations. From those companies that did specify their numbers of operations, it can be seen that Namibia has a particularly high number, followed by Zambia, Botswana and Angola. These are all countries in close proximity to South Africa.

5. Looking forward, the expansion strategies noted in the sampled companies' Annual Reports indicated Zambia, Nigeria and Ghana being viewed as opportunities for growth.
6. Other countries in which expansion was noted are Zimbabwe, Uganda, Tanzania, South Africa, Rwanda, Namibia, Kenya, Ethiopia, Ivory Coast, Democratic Republic of Congo, Botswana and Angola.

It must be noted that the findings represent a sampled number of companies. However, it does indicate expanding interest outside of South Africa.

As competition across the African continent increases, it is essential that the actions and strategies of these companies are monitored so that they can be challenged and engaged in promoting decent working conditions and enhancing rather than endangering the sustainable development of the continent. Unions and GUFs need to keep track of expansion strategies through, among others, company annual reports, engagements with management and current news to ensure they have a presence and can represent workers.

Conclusion

This guide provides a step-by-step approach to assist GUFs and their affiliates in utilising company information and strengthen their bargaining processes. It also stresses, however, that unions need to play an active role in information collection and dissemination, in order to optimise bargaining processes and outcomes.

If unions are in a position to compare workers' wages to higher level remuneration approaches within companies, management can be held accountable for workers' wage increases and conditions of employment. The reality is, however, that information relating to workers cannot be obtained through the existing reporting mechanisms of companies, and as this guide proves, such a lack of transparency provides an opportunity to hide, among other issues, the true wage gap within companies.

GUFs and their affiliates thus have a pivotal role to play in accessing information from primary sources like workers and HR departments. As well as advocating for more intelligent reporting, such forced transparency and accountability will improve bargaining outcomes and draw attention to how MNCs underreport on employees. It can thus be concluded that information collection and sharing between unions is critical in the battle to achieve fair remuneration for workers.

LRS ONLINE TOOLS:

Online tools are instruments which provide information to all.

This enables everyone involved in discussions on companies, economics and development to better share a level of knowledge, leading to richer and more useful social dialogue. Unions are invited to make use of the Labour Research Service's online support services at <http://www.lrs.org.za/mnc/>, <http://www.fes-tucc.org/databases/> and <http://www.lrs.org.za/agreed>.

The SA MNC Database includes the information discussed in this chapter, as well as additional individual company information that unions can utilise. The Agreed website is an additional online tool developed for the sharing of Collective Bargaining Agreements between unions. See links above.

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“Knowledge is too important to be left in the hands of the bosses.”

Together the LRS and FES TUCC provide strategic support to Global Union Federations and their affiliates towards sharing information, building cross-border alliances and engaging multinational corporations.

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