

Why don't CEOs ever take a knock?

In a country riddled with poverty and growing inequality - and with unofficial unemployment rates nearing 50% - it is astounding that income differentials continue to grow, at the expense of jobs. These jobs are much needed to stimulate economic growth. The question that needs to be asked is: is this good for the economy?

In the USA, the rate of new jobs is used as an important economic indicator. The theory goes that the more jobs there are, the more consumer demand increases. This, of course, translates into a higher growth rate of the local economy.

In SA, we are encouraged to be more efficient, productive and competitive and to recognise that we operate in a global economy which demands speed and efficiency. But what does this mean? For many CEOs it means simply cutting back on jobs at the lower end, while increasing the rewards at the top.

The argument goes that if CEO's were not rewarded in this way that vital talent would be lost. While this may seem realistic if one considers the present global nature of capitalism, it is also naïve in that it deals only with one aspect of the system - the global aspect - and ignores the development of the local economy.

Just how many jobs have been lost over the past 10 years? The answer depends on who you talk to, whose statistics are correct and on exactly what constitutes "jobs".

When CEOs and directors of corporations decide to reward themselves with handsome packages - so often at the expense of workers and the wellbeing of society - moral issues arise. While capitalism may not be a moral system, it nevertheless needs to be challenged to manage itself in a way that is seen to be just and which promotes the common good.

Capitalism as an ideology believes that if individuals fend for themselves, and are industrious, the benefits will trickle down, create jobs and so spread benefits. This rather crude definition says much about modern-day business practices based on social Darwinism and a misused "survival of the fittest" mentality. This lie has been perpetuated to support all kinds of greed at the expense of ordinary people.

The reason why CEOs earn such exorbitant salaries and benefits is supposedly because they have cut costs and increased profits. But if these profits have been made at the expense of jobs and the wellbeing of society, they are not sustainable. The following questions arise: is it the CEOs who make these profits? Does overall consumer demand weaken as more and more people lose their jobs in South Africa?

The answer to the former, surely, has to be no and as to the latter, yes. Distorting income inequalities further and by enriching only a few has serious implications for the entire economy. When bonuses of tens of millions of Rand are paid out, followed swiftly by restructuring and job losses, one has to ask if this is moral and ethical.

Which brings us to another question: Just why does the USA place so much importance on jobs? The answer is simple: doing so increases consumer demand and stimulates economic activity. And no, I am not supporting the insecure nature of a lot of these jobs. Rather, I am arguing for sustainable growth.

It is shortsighted for SA businesses to retrench workers, believing that they will access global markets but at the same time not caring about the social and economic consequences back home. If we want to attract foreign investment we must offer an attractive destination, and an attractive destination demands social stability, not rising crime and poverty, the direct results of unemployment.

Workers are often asked to accept inflation rate wage adjustments in order to “quell” inflation, presently at about 6%. Why are there no controls over wages at the higher level? And why is it permissible to make profits of 150%, often at the expense of people’s livelihoods? What about price control, not only of goods and services, but bank charges, credit charges, basic services and so on? Surely all of this needs some control or else the free market system will be its own worst enemy as the consequences of its actions turn inward and destroy the system as a whole. Who would benefit then?

Many businesses talk about sustainable development and place even more emphasis on economic sustainability, but this is often limited to the confines of the economic wisdom of economies of scale. Sure, it is hard to compete when your competitors are cutting costs or paying lower wages than you are. But must it be workers who always lose their jobs? Why not trim excessive benefits at the top? Instead of lumping labour and executive wages together, let’s separate them off and see exactly who is getting what. We might then begin to see that the biggest problem to improved cost efficiency is the wages paid to top management.

Sustainability is not just about economic performance, but about social and environmental issues. It is definitely not about philanthropy and good deeds born out of guilt. It is about building sustainable communities and livelihoods, access to economic life and development.

Business interests need to be balanced out with those of society. When corporations take decisions to reward top executives and retrench lower-order jobs, the benefits are skewed in favour of those at the top. And while there might be short-term benefits for the corporation, the long-term effects on communities lead to poverty, desperation, increased crime and often permanent unemployment.

All businesses rely on the public good for survival and are given a social license to operate, but when the benefits only accrue to one segment of the population it is a recipe for social disintegration.

Businesses need to view jobs as a central empowerment issue. They need to see employment as crucial for their own survival and as contributing to social stability. We need to seek a balance between the needs of the community and society at large and those of the business entity.

The challenge for South Africa is to create sustainable jobs and to expand employment opportunities, which is a socially responsible way of doing business. Technological innovations that limit the number of jobs - especially when other alternatives have not been discussed - leave much to be desired.

CEOs who reward themselves at the expense of others either have no moral conscience or do not care about the wellbeing of their fellow citizens. It is not just the system but the individual that needs to be held accountable.

So let's get this sustainability debate in context and recognise workers, communities and society as a whole, and use equitable distribution as a business performance indicator. Then we will be setting ourselves firmly on the right path.

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