

# Unit 4 Pay

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# Because I'm worth it



## Keynotes

CEOs and top senior executives are sometimes referred to as '**fat cats**' because of the enormous **pay packages** and **rewards** they are offered when joining a company. These may include details of salary, **pension** and, frequently, even the possibility of a '**golden parachute**' or very generous **severance deal**, which is the sum of money they are guaranteed when they leave the company. Pay deals are negotiated by **remuneration committees** (**compensation committees** in the US) and are voted on by shareholders.



**The new millionaires**

Silicon Valley, San Francisco's capital of the hi-tech industry, produces dozens of new millionaires every day. Listen to two of them talk about life and complete the table below.

Brad Jefferson	Anne Lee Chang	
		
_____	Age _____	_____
_____	Position _____	_____
_____	Car _____	_____
_____	Salary _____	_____
_____	Hours worked _____	_____

**Speaking**

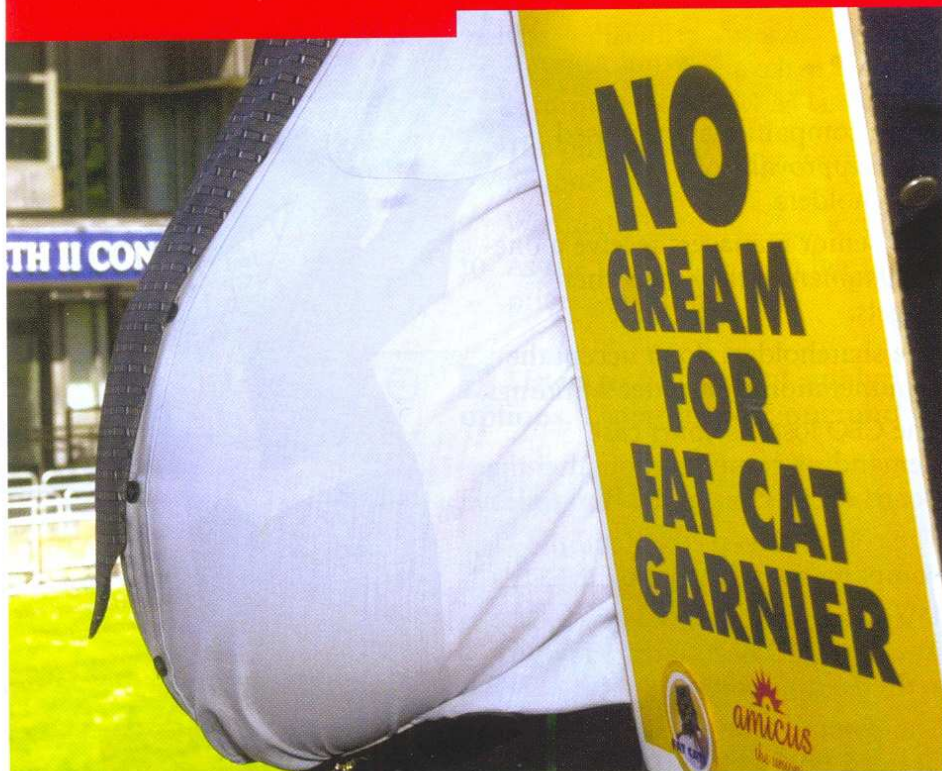
Do you think anyone should earn so much money? Why? / Why not?

**Reading****Executive pay**

**1** Read the text on the opposite page about bosses who perform badly but earn huge salaries. Do you think all pay should be based on performance?

**2** Read the text again and choose the best answer for each question.

- 1 Who refused to approve GSK's remuneration committee's report?
  - a the board of directors
  - b the shareholders
  - c the chief executive
- 2 The company is now in a difficult position because
  - a it had already agreed to the new pay packages.
  - b it has to decide whether to approve the report or not.
  - c Jean-Pierre Garnier will take legal action.
- 3 What annoyed shareholders most about Garnier's pay package?
  - a It didn't reward his performance.
  - b His annual salary was too high.
  - c There was no link to performance.
- 4 Badly performing executives are sometimes paid large sums to
  - a encourage them to perform better.
  - b persuade them to leave the company.
  - c stop them from going to competitors.
- 5 The change in public mood will mean that in future
  - a salaries for chief executives will be lower.
  - b it will be harder to recruit chief executives.
  - c all executive pay will be linked to performance.



## Executive pay

## The rewards of failure

The trouble with the GlaxoSmithKline pay package was its reward for failure

When the public mood changes, the realisation can take time to sink in. Behaviour that was once acceptable can overnight come to be seen as outrageous. The board of GlaxoSmithKline, a big pharmaceutical company, has found itself at the sharp end of such a mood change. Its shareholders voted to reject the company's remuneration committee report, which would have paid Jean-Pierre Garnier, its Chief Executive, \$35m if he lost his job and treated him and his wife as three years older than they actually are for the purpose of increasing their pensions.

The vote is purely advisory, with no binding force. But it leaves the company in a sort of legal limbo. More importantly, it leaves boardrooms everywhere in a difficult position. The message of shareholder discontent with large executive pay packages and poor corporate performance has never been so clear.

Company bosses have been slow to understand the new mood of outrage among shareholders. Shareholders have for years accepted that "fat cat" bosses paid themselves more or less whatever they liked. So it is uncomfortable to face criticism. But behind the criticism is a strong feeling that many chief executives are living according to quite a different set of rules from everyone else.

Although the value of most large companies has fallen considerably over the last few years, bosses have continued to pay themselves more. The value of their pensions has increased and they have struck lavish deals in the form of "golden parachute" severance deals to cushion their fall if they leave. Some of the aspects of Mr Garnier's package that most irritated the shareholders were ones that appeared to reward not superior performance but simply being there. Lots of bosses have such components in their pay.

### Glossary

*outrageous* totally unacceptable

*in limbo* undefined, unclear

*lavish* large and generous

Of course, companies may set up deals with bosses they no longer want in order to encourage them to go quickly and without a legal fight. But a generous advance promise to reward failure is no way to encourage success. Like the "guaranteed bonus" and the lifetime free dental treatment, it offers chief executives a one-way bet.

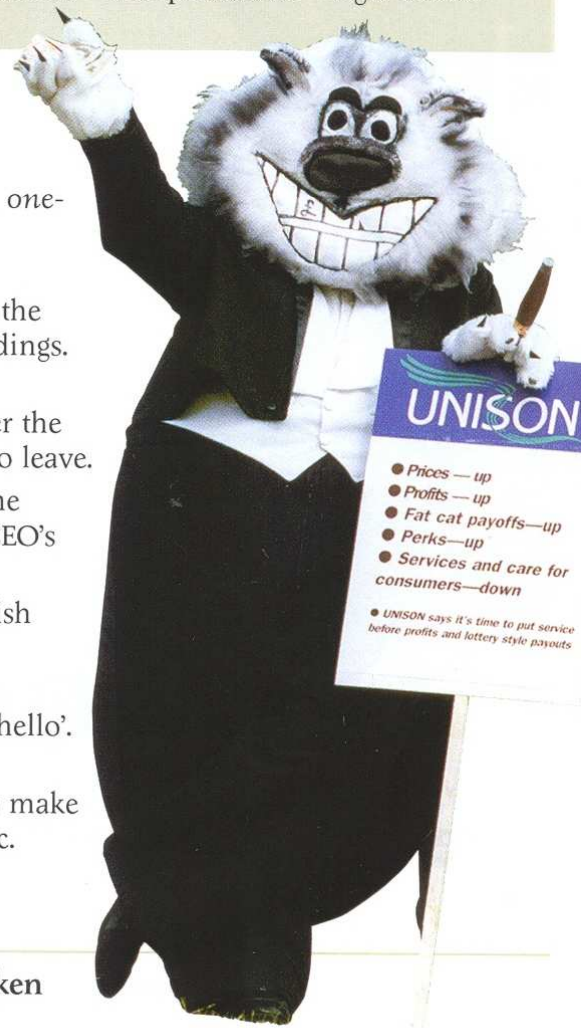
If the GSK vote makes companies cautious about such deals, that is welcome. The market for chief executives is far from perfect. There is no rate for the job, positions are often quietly filled rather than openly advertised and boardroom search committees rarely ask, "Could we get someone equally good even if we paid a bit less?" If the board now has to defend its compensation decisions publicly, it may be easier to say "We'd love to give you a golden parachute but the shareholders would make a fuss." More fuss, please, from shareholders. It's their company, after all ■

**Speaking** How much say should shareholders have in executive pay deals?

**Vocabulary 1** Replace the *italicised* words below with words and phrases from the box.

pension reject criticism advise compensation legal action  
bonus make a fuss

- 1 Large companies are not used to *disapproval* from shareholders.
- 2 Our senior managers receive a *one-off payment* if they meet their targets.
- 3 The shareholders *don't accept* the remuneration committee's findings.
- 4 The CEO lost his *court case* demanding compensation after the board of directors asked him to leave.
- 5 The consultants *recommend* the company not to increase the CEO's pay.
- 6 The new CEO negotiated a lavish *retirement package*.
- 7 The *remuneration* committee decided not to offer a 'golden hello'.
- 8 The newspapers always *cause outrage* when large companies make their executive pay deals public.



### Multi-part verbs

**Vocabulary 2** Study these multi-part verbs taken from the text.

**Type 1: without an object**

When the public mood changes, the realisation can take time to **sink in**.

**Type 2: with an object**

Of course, companies may **set up deals** with bosses they no longer want in order to encourage them to go quickly and without a legal fight.

Complete the sentences with the correct form of multi-part verbs from the box. Which verbs need an object?

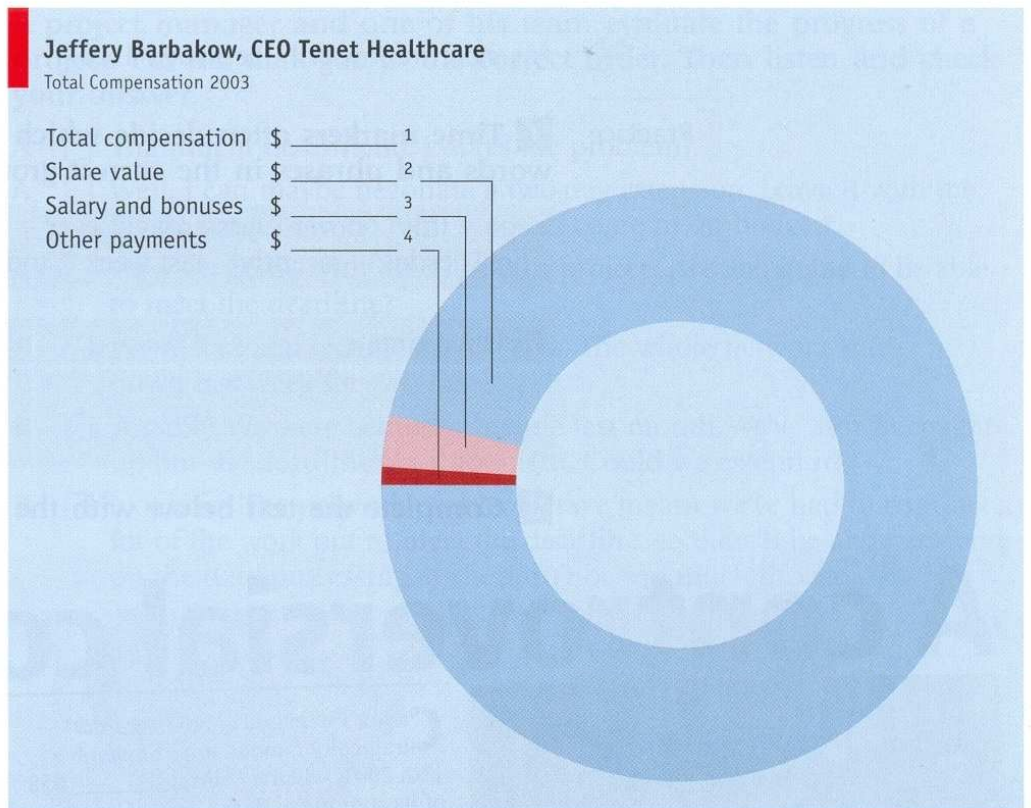
point out set up look after call on buy up step down  
get ahead go under break down call off

- 1 If we hadn't bought up so many companies we wouldn't be so short of cash. (*type 2*)
- 2 The shareholders feel that he should really \_\_\_\_\_ because of the mess the finances are in.
- 3 We had to \_\_\_\_\_ the meeting because the export manager missed his plane.
- 4 Our sales executive will \_\_\_\_\_ you next week to show you our new range of products.

- 5 Could you please \_\_\_\_\_ the new recruit, she doesn't know where anything is.
- 6 Negotiations \_\_\_\_\_ after an hour because they just couldn't find a compromise.
- 7 If turnover is as low as last year we'll probably \_\_\_\_\_.
- 8 The only way to \_\_\_\_\_ in this company is to work harder than anyone else.
- 9 We finally \_\_\_\_\_ a subsidiary in Spain last year.
- 10 As she \_\_\_\_\_ in her presentation, competition is rising and prices are falling.

**Listening 1** 🎧

**1** Listen to a financial analyst talk about salaries and share options. Listen to part one and complete the information below.



**2** In part two she talks about evaluating and rewarding performance. Listen and answer the questions.

- 1 What were stock options intended to do?
- 2 How can market changes affect stock options?
- 3 How do some managers exploit this situation?
- 4 How are employees generally evaluated?
- 5 Would this work for managers?
- 6 How can we measure CEO performance?

**Speaking**

Work in pairs. Student A turn to page 138. Student B turn to page 140. Ask and answer questions to complete the information about CEOs awarded large severance deals after ruining companies.

## Present perfect and past simple

Study the examples of the present perfect and past tenses taken from the text on page 35 and answer the questions below.

- a Company bosses **have been** slow to understand the new mood of outrage among shareholders.
- b ... a big pharmaceutical company, **has found** itself at the sharp end of such a mood change.
- c ... poor corporate performance **has never been** so clear.
- d Its shareholders voted to reject the company's remuneration committee report ....

- 1 Which sentences refer to recent or unfinished time? Which tense is used?
- 2 Which sentence refers to finished time? Which tense is used?



For more information, see page 158.

### Practice

- 1 Time markers often decide which tense to use. Put the following words and phrases in the correct groups below.

ago this never yesterday ever the last few since in 2005  
on Tuesday recently last week today yet already for 8 April

finished time	recent / unfinished time

- 2 Complete the text below with the appropriate tense of the verbs.

# A controversial court case



Cantor Fitzgerald (<sup>1</sup>be) **has been** tragically famous since September 11th 2001, when it (<sup>2</sup>lose) \_\_\_\_\_ 658 of its staff in the World Trade Center. Recently, it (<sup>3</sup>appear) \_\_\_\_\_ back in the news in Britain because one of its staff (<sup>4</sup>take) \_\_\_\_\_ it to court for breach of contract. Steven Honkulak (<sup>5</sup>be) \_\_\_\_\_ the managing director of interest rates derivatives, which is a highly stressful job but he (<sup>6</sup>earn) \_\_\_\_\_ £400,000 plus bonuses.

However, his boss, Lee Amaitis, who (<sup>7</sup>work) \_\_\_\_\_ with the company for many years is a very tough and aggressive man. Mr Honkulak claims that Mr

Amaitis, regularly (<sup>8</sup>threaten) \_\_\_\_\_ to dismiss him and (<sup>9</sup>cause) \_\_\_\_\_ him so much stress that he (<sup>10</sup>start) \_\_\_\_\_ to drink and take medication. He finally (<sup>11</sup>leave) \_\_\_\_\_ the company and (<sup>12</sup>ask) \_\_\_\_\_ for £1m compensation. The company defended itself by saying 'Mr Amaitis (<sup>13</sup>contribute) \_\_\_\_\_ to the success of this company with his vision and hard work. Mr Honkulak, however (<sup>14</sup>want) \_\_\_\_\_ the rewards of the senior position but his weaknesses made him unable to cope with the job.' The judge awarded Mr Honkulak £1m, saying that there are limits beyond which no employer should go.

### Speaking

- 1 Do you think Mr Honkulak deserved to receive £1m compensation? Why? / Why not?

- 2 Work in pairs. What recent events and developments have there been in your country? Think about the following.

- politics
- the economy
- celebrity life
- sport
- fashion

## Career skills

### Evaluating performance

Performance is usually evaluated by looking at past objectives and deciding whether they have been met. If they have not been met, the person being evaluated can give reasons why and new objectives can be fixed. Below are some expressions you might hear during an evaluation session.

*We had real problems with ...*

*There's been a slight overspend on the ...*

*We were behind schedule but we managed to catch up.*

*We've come in under budget.*

*It hasn't been easy but we managed to hit our deadline in the end.*

*The deadline's too tight. We're not going to meet it.*

## Listening 2

A project manager and one of his team evaluate the progress of a project. Put the dialogue in the correct order. Then listen and check your answer.

- A  That might be difficult. What's the problem?
- A  Well, I can maybe negotiate a two-day extension. Leave it with me, I'll see what I can do. Will you still come in on budget?
- A  How's it going with the Titanium project? Are you going to be able to meet the deadline?
- B  We've had real technical problems. The whole network shut down last week for two days.
- B  Possibly. We were behind schedule last month. We've almost caught up but the deadline's still too tight. Could we extend it?
- B  Not now. The network problems have meant we've had to contract a lot of the work out to meet the deadline, so there'll be an overspend on the data processing. It shouldn't be too much though.



## Speaking

Work in pairs. Find out about a recent deadline your partner had to meet. Did they meet it? If so, what helped them meet it? If not, what went wrong and what lesson did they learn from it?

## Culture at work

### Fixed objectives or flexibility?

Objectives-focused cultures clearly define objectives and detail roles and tasks in writing. Flexible cultures build relationships first and let goals develop with the relationship. What is common in your culture? How might this difference cause misunderstanding in multicultural teams?