

Unit 4 Pay



Vocabulary: Executive pay
Language: Present perfect and past simple
Career skills: Evaluating performance
Writing: Job advertisement

Reading

1 Read the magazine extracts about the pay of top executives. Underline the words and phrases related to their remuneration.

Charles Conaway, the chief executive of Kmart, a US discount retailer, left the company in March 2002 after just 21 months in the job and two months after the company had filed for Chapter-11 bankruptcy. A company loan of \$5m, granted as part of Mr Conaway's pay package, was 'forgiven' upon his departure.

The spotlight rarely falls on the basic salaries of top executives because these do not tend to rise at such a dramatic rate. In 2002, the median base salary of the CEOs of the S&P 500 companies was \$925,000. The median total compensation for that year, on the other hand, was \$3.65m.

The bosses of American Airlines were revealed to have placed \$41m in a pension fund for themselves that was fully protected should the company go into Chapter-11 bankruptcy. This self-appointed perk remained hidden until after negotiations with the airline's unions aimed at securing wage concessions of up to \$2 billion had ended a few months later.

Trevor Fetter, Mr Barbakow's successor at Tenet Healthcare, was granted two shares in the company for every one that he purchased, up to a limit of 200,000. Many such awards of shares are in the form of 'restricted stock', which the executive is not allowed to sell for a specific period.

2 Now find the following numbers in the extracts above. What does each number refer to?

- 1 \$925,000 *the median (average) base salary of the CEOs*
- 2 \$3.65m
- 3 200,000
- 4 \$41m
- 5 21 months
- 6 \$5m

Vocabulary

1 Match the words with the definitions.

- | | |
|-----------------|---|
| 1 golden hello | a right to buy/sell specific shares |
| 2 bonus | b large sum paid to a new employee |
| 3 pension | c highly paid executive |
| 4 stock option | d money given when a contract is officially ended |
| 5 fat cat | e extra money paid, usually as a reward |
| 6 remuneration | f payment made to retired people |
| 7 severance pay | g pay in the form of salary and extra benefits |

2 Complete the article with the correct options a–d.

The Economist

Business

Fat cats feeding

Executive pay

So-called 'golden parachutes', i.e. large pay-offs even when top executives ¹ *fail*, have become a main focus this year in the debate over executive pay. The Corporate Library, an organisation set up to protect the rights of shareholders in America, believes that the average departing CEO in that country receives a severance ² worth \$16.5m.

In May this year, shareholders at the annual general meeting of GlaxoSmithKline (GSK) protested against the amount promised to its boss, Jean-Pierre Garnier, if he were forced to leave the company prematurely. Since one of the more

likely reasons for such a departure would be poor ³, the \$35.7m farewell gift was seen to be excessive.

Under new rules allowing shareholders to ⁴ each year on British firms' plans related to executive ⁵ GSK's owners gave it the thumbs down, which sent a shock through ⁶ Britain. Yet it did not actually change Mr Garnier's package. The decision is only advisory.

Sir Christopher Hogg, the chairman of GSK, points out that the company was already undertaking a review of its ⁷ policy. That review is still going on and Sir

Christopher says whatever the result, "we will be seeking shareholders' ⁸ at the AGM in 2004." He has written to the Association of British Insurers to say that "the board has registered shareholders' particular sensitivity to payments on termination."

British union leaders want shareholders' votes on executive pay to be made binding. And they want shareholders to register more concern about this ⁹. Despite all the ¹⁰ made over Mr Garnier, GSK remains the only company in Britain this year whose financial report failed to meet with its shareholders' approval.

- | | | | |
|------------------|---------------|---------------|-----------------|
| 1 a lose | b fail | c trip | d miss |
| 2 a account | b package | c option | d dividend |
| 3 a acting | b operation | c performance | d behaviour |
| 4 a vote | b choose | c elect | d propose |
| 5 a income | b turnover | c proceeds | d compensation |
| 6 a financial | b executive | c corporate | d official |
| 7 a remuneration | b reward | c refund | d repayment |
| 8 a admiration | b endorsement | c sponsorship | d justification |
| 9 a theme | b factor | c argument | d issue |
| 10 a protest | b quarrel | c doubt | d fuss |

Listening  T6

1 How would you decide what remuneration to offer a new CEO? Listen to part of a business school seminar about CEOs' pay and complete the sentences.

- 1 Decisions about the salary level of a new CEO are often made by ...
a selection committee and recruitment consultant.
- 2 The new CEO's salary is decided in the following way: ...
- 3 The risk of this kind of approach is that ...
- 4 A recent report revealed that ...
- 5 The remuneration packages of CEOs might become more acceptable if ...

2 Check that you understand the following words about executive selection. Then listen again. Which three words or phrases are not in the tapescript?

trend	industry	average	pay package
remuneration	salary	consultant	peer
procedure	turnover	tenure	vacancy
choice	appointment	<u>golden parachute</u>	contract
scandal	position	benchmarking	compensation
employee	shareholder	committee	share option
golden hello	selection	comparison	

Writing

Look at the notes in response to Harry's request and write the advert. Then compare your answer with the suggested answer on page 92.

Please could you write a very brief job advert for the Area Sales Manager position to send to Jane at TER Recruitment (the online recruitment agency that we use). Mention the following:

- base salary — *better than average!*
- bonus — *depending on how well you do*
- pension — *good*
- anything else you think is important.

Thanks

Harry

*working conditions?
location?
how to apply?*

Language check

1 Complete the sentences using multi-part verbs with *in*, *up*, *down* and *off*. Which of the multi-part verbs take an object?

- 1 I'm still shocked. The realisation hasn't sunk in yet.
- 2 The CEO has stepped _____ from his position due to the company's recent poor performance.
- 3 We've been working for weeks to set _____ a deal with a former competitor.
- 4 Unfortunately, the negotiations broke _____ after just a few hours.
- 5 Shall we call _____ the meeting as it no longer has any purpose?
- 6 One of my colleagues hasn't turned _____ for work in ages.

2 Put the words in the correct order to make sentences evaluating the performance of a project.

- 1 deadline / the / too / was / tight *The deadline was too tight.*
- 2 has / not / as / it / been / expected / easy / as
- 3 month / final / up / we / catch / managed / the / in / to
- 4 into / have / they / run / a / problem
- 5 deadline / sure / not / the / I / am / I / will / meet
- 6 throughout / we / behind / project / the / schedule / were

3 Complete the sentences with the correct form (present perfect or past simple) of the verbs in brackets.

The Economist

Business

Cause for scandal?

Executive pay

In August Pierre Bilger, a former Chief Executive of Alstom, (¹decide) decided to hand back the €4.1m severance package granted to him in March when he (²step) _____ down from the troubled French engineering group. He said he (³not / want) _____ to be cause for scandal among the 100,000 Alstom employees he (⁴direct) _____ before the company was rescued by the French government.

Mr Bilger's example (⁵be / not / yet) _____ followed by his compatriot Jean-Marie Messier, the former boss of Vivendi Universal. Mr Messier is still fighting to keep the €20.5m severance package due to him after the company (⁶sack) _____ him.

Yet golden parachutes and severance pay are only one part of executive compensation. Share options (⁷already / come) _____ under close investigation. The amounts which companies (⁸award) _____ through share options in recent years are far higher than

those paid out by golden parachutes or by any other mechanism. Even in 2001, after the stockmarket bubble (⁹burst) _____, the value of stock options granted to the CEOs of the companies on Standard & Poor's 500 Stock Index (¹⁰rise) _____ by 43.6% in a year when the total returns from those companies (¹¹fall) _____ by almost 12%.

Stock options (¹²lead to) _____ angry reactions from both shareholders and the general public. Last year, for example, Jeffrey Barbakow, the Chief Executive of Tenet Healthcare, a hospital management business in California, (¹³receive) _____ \$111m from exercising his stock options in a year when the company's share price (¹⁴drop) _____ by nearly 60%. After a group of shareholders led by a Florida doctor (¹⁵threaten) _____ to remove him, Mr Barbakow (¹⁶resign) _____ last May.