

EXECUTIVE PAY SERMON: HOW MUCH IS ENOUGH?

HIGH HOLIDAYS

VICTORIA 5767

Research in Motion's co-CEO, Jim Balsillie, was the highest paid Canadian executive last year, taking home \$54 million dollars -- 53 and a half million of which was in stock options.

That's a little less than the highest-paid CEO in Canada in 2005:

Hank Swartout of Precision Drilling Trust, who pulled in more than \$78 million.

That year, Hunter Harrison of Canadian National Railway, earned \$56 million and change.

Tony Comper retired from Bank of Montreal in 2007 with unexercised stock options worth \$53.2-million plus a further \$25.4-million worth of shares, share units and incentive-plan gains for a total of \$79-million.

To put this in perspective, let's go back to the beginning of our secular year. January 2nd to be precise.

By the time many Canadians had had their morning coffee and

settled into another year of work, Canada's best-paid CEOs had already earned what the rest of us spent all of 2007 trying to make.

The news was worse for the minimum wage worker.

The CEO's had already made what minimum wage workers make in a year by noon of New Year's Day.

Minimum wage in Canada, by the way, is between 7 and 8 dollars and fifty cents an hour

No matter how you look at it, the disparity between the top 100 CEOs and the rest of us is stunning. As a group, they make, in one year as much as the entire city of Brandon, Manitoba -- population 44,000, workforce 27,000.

Now most Canadians would agree that someone in a leadership position at a large corporation works hard and must deliver -- so it's only fair that they get paid more than the lowest worker on the assembly line.

Maybe even 10 times as much.

But, in fact, CEO's get paid 240 times as much.

Now, if you think things have always been the same, in fact, in 1998, the average top 100 CEO' made a mere 104 times the earnings of the average Canadian.

So the gap has more than doubled.

Well, you might say, What business is this of ours?

Perhaps, more importantly, is this a Jewish question?

And finally, what can we do about the situation?

Consider that Harvey Golub, who oversaw the layoffs of 3,300 workers from American Express a number of years ago, was compensated \$33.4 million

- that's about \$10,000 for each layoff.

In other words, laid off workers literally pay the price for executives' salaries.

Institutional investors --

particularly in the United States -- think corporate compensation is their business.

They are raising tough questions about the corporate-governance practices that result in CEO pay moving so far out of line.

They're questioning the doubtful relationship between CEOs' pay and their job performance. They are questioning the practice

of using stock prices and other factors over which a CEO has no control as a measure of performance in the first place.

But outrageously high pay for CEOs also raises important questions about how we value work in our society;

how we justify the excessive pay of the CEO

against the incomes of even middle-class families

that have seen no real increase in 30 years;

how we can justify minimum wages so low

that in every jurisdiction in Canada,

working full-time for a full year can't get a family out of poverty.

It's one thing to ask whether our top 100 CEOs are really worth

that much. It's quite another to ask ourselves,

are workers at the low end of the pay scale truly worth that little?

And whether this is any of our business is tied directly to

whether or not this is a Jewish question.

And I believe this is, absolutely, a Jewish question.

The Torah mandates that there shall be no needy among you.

In industrialized countries, it is widely accepted

that anyone with paid employment should be able to earn

a decent living and support a family.

But for some Canadians, having at least one employed person in the family is no guarantee against low income.

As I mentioned, the minimum wage in Canada is, at most, 8.50 an hour.

The following statistics tell the story of the working poor:

- ❖ In 2001, about 50% of low-income Canadians had at least one earner in the family.
- ❖ Between 1996 and 2001, one out of ten persons who was able to work was a low-income worker.
- ❖ The work effort of low-income workers is significant. However, their work conditions are much less favourable than those of workers who do not have a low family income

Canadians often believe in the superiority of the Canadian social safety net over the American. However, research from the 2004 Daily Bread Food Bank Annual Survey of Food Bank Clients brings this belief into question. The data shows that, for the first time, the percentage of food bank clients in the Greater Toronto Area, for example, with at least one person in the household working,

is rapidly closing in on the equivalent figure of the United States:
33-36% in Toronto versus 37-39% in the US.

Ched Myers, an American theologian, interprets the Torah as mandating restraint in the area of economics. As an example, he points to the passage in the book of Exodus that deals with the distribution of manna in the desert.

Moses explains to the Israelites as follows:

”This is the bread that God is giving you to eat.

Here is what God commands: Each person should collect according to what he needs.’

Thus the Israelites did ... Those who had collected much, had not gathered too much, those who had gathered little, had enough: each one had collected what he could eat.”

This Ched Myers, explains, forms the basis of equitable distribution, in other words, everyone should have enough and no one should be entitled to excessive amounts.

Moses says further in Exodus: *“No one can keep any in reserve until the next day.’ Some did not listen to Moses and kept some in reserve.*

Worms penetrated it and it became rotten.”

This says Myers, indicates that wealth should circulate,
not accumulate.

The prophets of Israel, too, focused on matters of economic justice at
a time when economic disparity increased.

Isaiah rails against the landed elite who has been made wealthy by
the labor of the ordinary Israelite: “*It is you who have devoured the
vineyard, crushing and grinding the face of the poor.*”

Jeremiah, also decries the disparity between rich and poor,
predicting punishment for the king who builds himself a spacious
palace, paneled with cedar, while workers are forced
to forego their wage.

And listen to Amos calling the notables of the society to account:

”They lie on ivory beds,

Lolling on their couches,

Feasting on lambs from the flock

And on calves from the stalls ...

They drink straight from the wine bowls

And anoint themselves from the choicest oils --

But they are not concerned about the ruin of Joseph.

Assuredly, right soon

They shall head the column of exiles;

They shall loll no more at festive meals.”

“I loathe, I spurn your festivals,

I am not appeased by your solemn assemblies...

Spare me the sound of your hymns,

And let me not hear the music of your lutes.

But let justice well up like water,

Righteousness as a mighty stream.”

The Talmud, in ruling on the relationship between master and servant says that the servant: "must be equal to you in food and drink.

You should not eat refined bread and he eat coarse bread,

you drink old wine and he drink new wine,

you sleep on a mattress and he on straw."

The Talmud concludes that one who procures a servant acquires a master for himself!

Applied to the workplace, the excessive disparity

between CEO and average worker would clearly violate this principle.

There's no single response, to the questions raised by excessive executive pay.

But there are some simple and straightforward things we can do to shift the balance in the right direction.

As a society:

- We could base our minimum-wage policies on the reasonable proposition that someone working full-time for a full year should be able to lift his or her family out of poverty.
- We could tax stock-option income at the same rate as the wages the rest of us earn, instead of half the rate.
- We could tax all income the same way, ending the special treatment of windfall capital gains.

As individuals, we can also take action as shareholders since most of us own stocks or have pension plans invested

Rabbi Mordechai Liebling believes that traditional Jewish values are a mandate for shareholder activism.

"We need to understand that when we buy stocks we are owners as well investors.

Jewish law is very clear that owners have the responsibility

to do whatever is in their power to prevent their assets from doing harm."

In keeping with these values,

Rabbi Liebling has organized

the Jewish Shareholder Engagement Network (or JSEN)

which includes institutions with a collective worth of more than \$1.3 billion. JSEN is joining the national campaign for corporate reform.

This is the first effort to organize Jewish institutions to become shareholder activists.

They are adding to the efforts of the more than 270 Protestant and Catholic organizations that are part of the Interfaith Center for Corporate Responsibility.

The tenets of this new organization are encapsulated by the words of Supreme Court Justice Louis Brandeis:

"There is no such thing to my mind ...

as an innocent stockholder. He may be innocent in fact, but socially he cannot be held innocent.

He accepts the benefits of the system.

It is his business and his obligation to see

that those who represent him carry out a policy which is consistent with public welfare."

The JSEN recommends that members vote for shareholder resolutions on executive compensation, transparency of corporate political participation, global warming, the HIV/AIDS pandemic in Africa, prescription drug affordability and equal employment opportunity.

In fact, the Ontario Teachers Pension Plan took just this kind of action couple of years ago.

The Pension Plan, one of Canada's largest institutional investors, withheld votes for Precision Drilling Trust's board of directors to protest a decision to pay CEO Hank Swartout \$12.6 million when the company converted to an income trust last year.

Teachers called the payment "unacceptable" since Swartout continued to lead Precision after the conversion. Swartout, as I mentioned earlier, earned more than \$78 million when cash, bonuses, options exercised and value of new options granted are tallied.

The teachers' circular noted: "*Teachers cannot support a board which does not represent the interests of who elected them to the board. Therefore we withhold our vote from all nominees.*"

Perhaps the most important way we can influence excessive corporate compensation is by encouraging our community to seriously consider the question of How Much Is Enough?

We might present as heroes those who make a rational decision that they don't need more.

Take, for example, John Mackey, the CEO of Whole Foods.

He has capped the salary of the highest paid employee to 19 times what the average employee makes.

Now remember that CEO's in Canada make 240 times what the average worker makes.

In the US it's more like 430 times the average worker's salary.

In addition, the top 16 executives at Whole Foods

receive only 7 % of the stock options,

while most companies in the US, anyway,

offer their top 5 executives 75% of the company's stock options.

Mackey also recently announced the following startling news to his employees:

“The tremendous success of Whole Foods Market has provided me with far more money than I ever dreamed I'd have and far more than is necessary for either my financial security or personal happiness.... I am now 53 years old and I have reached a place in my life where I no longer want to work for money, but simply for the joy of the work itself and to better answer the call to service that I feel so clearly in my own heart.

Beginning on January 1, 2007, my salary will be reduced to \$1, and I will no longer take any other cash compensation....

The intention of the board of directors is for Whole Foods Market to donate all of the future stock options I would be eligible to receive to our two company foundations.

One other important item to communicate to you is, in light of my decision to forego any future [pay], our board of directors has decided that Whole Foods Market will contribute \$100,000 annually to a new Global Team Member Emergency Fund.

*This money will be distributed to team members
throughout the company based on need....*

*The first \$100,000 will be deposited on January 1, 2007,
and requests will be considered after that date.*

With much love,

. Princeton economist and *New York Times* columnist Paul Krugman has argued that the growing gap between rich and poor in countries like Canada and the US has a haunting parallel with countries across Latin America, where for decades dramatic wealth inequality so fractured societies that revolution from below was a constant threat. It still is. "This, ultimately, is the most pressing issue we face as a society today," Krugman wrote.