



UNIVERSITY *of the*
WESTERN CAPE

Balancing the Scales: An Investigation into Vice Chancellor Pay Disparities in South African Public Universities

By
Dr Queen Ntombikayise Ambe
RAEI Workshop - October 11 2024





STRUCTURE OF PRESENTATION



1

COMPLIANCE REQUIREMENTS

2

THE DEBATE

3

DEVELOPMENT OF HYPOTHESIS (ASSUMPTIONS)

4

ENQUIRY ON VC PAY DISPARITIES

5

COUNCIL ON HIGHER EDUCATION FINDINGS

6

CHALLENGES ENCOUNTERED BY CHE

7

CHE RECOMMENDATIONS FOR THE MINISTER, THE
DHET & UNIVERSITY COUNCILOR'S

8

ADDRESSING THE ISSUE OF VC's PAY DISPARITIES



COMPLIANCE REQUIREMENTS

- In South Africa, public universities foster intellectual growth, advance research, and promote social justice.
- Vice Chancellors (VCs) are responsible for steering their universities through academic, financial, and administrative challenges.
- However, disparities in the salaries of VCs across public universities have raised concerns about fairness, equity, and the broader socio-economic implications within the higher education system.
- **What are the compliance requirements on VC's remuneration?**





COMPLIANCE REQUIREMENTS

The Companies Act Amendment Bill of South Africa 2024. - Key Provisions of the Amendment Bill: Remuneration Transparency and Accountability:

- The 2024 Bill introduced one of the most critical reforms related to executive remuneration.
- Sections 30A and 30B of the Bill require public and state-owned companies to prepare a comprehensive **remuneration policy**.

King IV Principle 14 on Remuneration Governance

Principle 14 indicates that: “The governing body should ensure that the organisation remunerates **fairly, responsibly and transparently** to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.” This should be read together with principles 3 and 6



COMPLIANCE REQUIREMENTS

- The Higher Education (Act 101 of 1997)
- 2014 DHET Regulation for Reporting by PHEIs (**Pages 21-22**)
- 2009 Policy Framework for the Remuneration of Senior Managers in Public Higher Education Institutions
- 2006 HESA Guidelines for the Governance, Management and Disclosure of Institutional Remuneration in the Higher Education Sector South Africa



THE DEBATE

Perceived excessive
executive compensation
by the public

The lack of a clear
connection between
executive remuneration
and individual or
institutional
performance is a
pressing issue.

There is little evidence
that high pay promotes
high performance.

The influence of
'Asymmetric
benchmarking
behaviour' on salaries is
significant, driving
increases in VC salaries
as lower-paying
institutions strive to
keep up with higher-
paying ones.

Regulations requiring
greater transparency
and disclosure of
remuneration also
ironically fuel increases.





UNIVERSITY of the
WESTERN CAPE

THE DEBATE

VC salaries are increasingly benchmarked against the wider corporate sector.

Reporting on remuneration is not always clear and consistent, and sometimes it is merely an exercise in compliance rather than real accountability.

Remuneration committees do not always have requisite training or expertise.

Regulatory mechanisms – e.g. formal legislation, policies, tax incentives or penalties, and improved governance – are becoming common.





DEVELOPMENT OF HYPOTHESIS

ASSUMPTION 1

(i) Institutional wealth and resources / financial standing of the universities:

- Historically advantaged institutions possess more enormous financial reserves, robust alumni networks, and greater access to third-stream income (such as endowments and private sector partnerships). These resources are perceived to allow them to offer more competitive salaries to attract and retain top talent
- Conversely, historically disadvantaged universities are perceived as under more constrained financial circumstances. Their reliance on government subsidies and limited private-sector partnerships restricts their ability to offer similarly competitive compensation packages.
- **H1: VCs of smaller or rural universities earn significantly less than their counterparts at wealthier institutions.**





ASSUMPTION 2

(ii) University Size and Complexity:

- The size and complexity of a university also play a significant role in determining VC salaries.
- Larger universities with higher student enrollments, multiple campuses, and extensive research operations require VCs to manage a more demanding workload.
- As a result, they are often compensated at higher levels.

H2: Universities serving tens of thousands of students across multiple campuses typically offer higher salaries to their VCs than smaller institutions.



ASSUMPTION 3

(iii) Market Competition for Talent:

- South African universities must compete with institutions from other countries for top-tier academic and administrative talent.
- This competition has driven up VC salaries, particularly at institutions seeking to enhance their global rankings and reputations.

H3: High-performing universities with good international rankings pay their VCs more than less-performing ones.



DEVELOPMENT OF HYPOTHESIS

ASSUMPTION 4

(iv) Historical Legacies and Inequality:

- Universities that were historically advantaged have retained a privileged position, with access to better infrastructure, resources, and networks.
- This has allowed them to offer higher salaries to their VCs while historically disadvantaged institutions struggle to compete financially.
- These disparities in VC pay mirror broader societal inequalities, particularly in terms of race and geography, as historically black universities often have fewer resources and serve more impoverished communities.

H4: VCs of historically advantaged universities earn more than those of historically disadvantaged institutions



ENQUIRY ON VC PAY DISPARITIES

The urgency of the situation is underscored by the numerous calls for the remuneration regulation of V.C. due to the perceived high remuneration levels earned by university executives in S.A.

The potential impact of the lack of a mechanism to regulate remuneration to V.C.s is a cause for concern, often leading to calls for government intervention if universities fail to develop and implement self-regulation.

The policy and public debate on regulating V.C.'s remuneration has been heightened by controversies on the perception that senior executives of underperforming universities in South Africa earn more than their counterparts in more performing universities and even more than those at leading world-recognised universities



ENQUIRY ON VC PAY DISPARITIES

On 17 October 2019, the Higher Education, Science, and Technology Portfolio Committee of the S.A. Parliament called for the Minister to establish a commission of inquiry to ensure universities' accountability for prudent financial management.

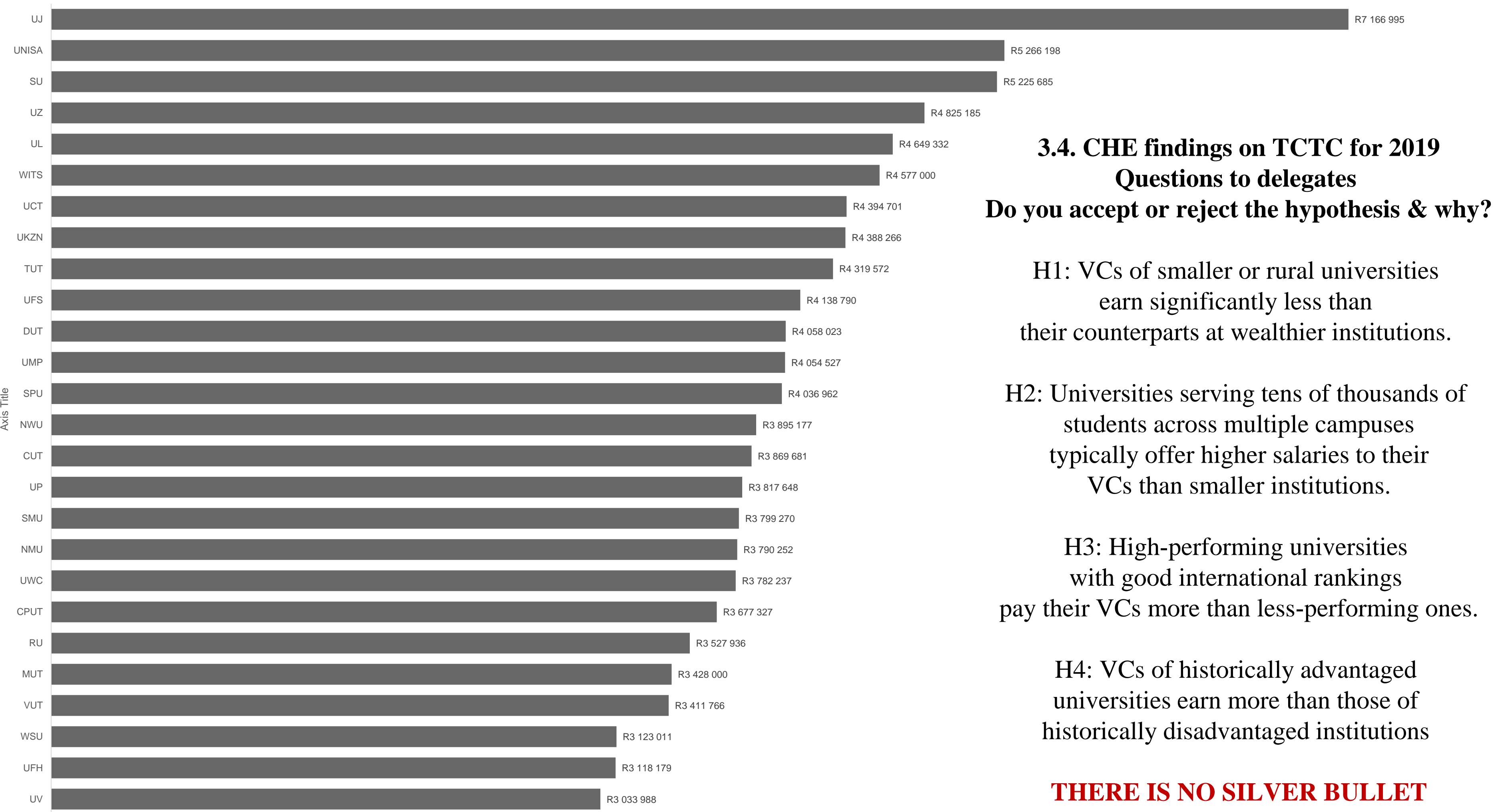
Specifically, this addressed concerns about the perceived high levels of remuneration paid to V.C.s and other university executives, which are not commensurate with their institutions' performance (Macupe, 2019).

The DHET Minister requested the Council of Higher Education (CHE) to champion the enquiry on VC's remuneration of public universities.

A briefing of Minister Blade Nzimande to Members of Parliament on 20 June 2020 indicated that only seven of the twenty-six S.A. universities had responded positively to its V.C.s remuneration inquiry (Felix, 2020).

The CHE presented its report to the Portfolio Committee on Higher Education and Training on the 24th of February 2024.

However, the official formal report has yet to be released.



3.4. CHE findings on TCTC for 2019

Questions to delegates

Do you accept or reject the hypothesis & why?

H1: VCs of smaller or rural universities earn significantly less than their counterparts at wealthier institutions.

H2: Universities serving tens of thousands of students across multiple campuses typically offer higher salaries to their VCs than smaller institutions.

H3: High-performing universities with good international rankings pay their VCs more than less-performing ones.

H4: VCs of historically advantaged universities earn more than those of historically disadvantaged institutions

THERE IS NO SILVER BULLET



ENQUIRY ON VC PAY DISPARITIES

3.5. CHE findings on executive remuneration vis-à-vis other staff

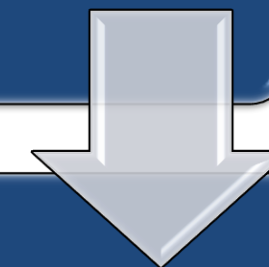
VCs receive in 2019, on average :

- 1.4 times more than P2 senior executives;
- 1.7 times more than P3 senior executives;
- **2.2 times more than P4 senior professors;**
- **2.3 times more than P5 professors;**
- **4.1 times more than P8 lecturers;**
- **6.6 times more than P9 junior lecturers;**
- 2.3 times more than P4 senior directors;
- 6.2 times more than P8-P10 senior administrators;
- 8.5 times more than P11-P12 administrators; and
- 12.3 times more than P13-P16 general workers.

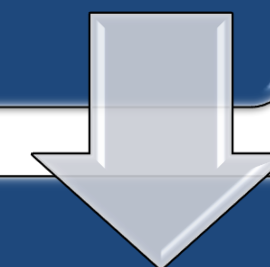
Thus, the CHE report to Parliament concluded that the remuneration of executive and other senior staff (P5 and above) is much more closely aligned with that of VCs than that of different academic and professional staff.



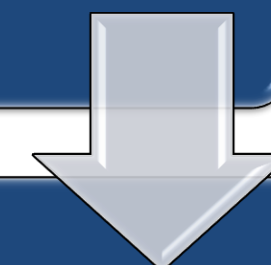
VCs' and senior executives' generous remuneration packages and spiralling above-inflation increases have been facilitated by weak institutional governance and accounting practices, including decisions made by limited numbers of university Councilors based on selective and sometimes problematic assumptions.



Large executive remuneration and the practices which abet them, where these exist, cannot be defended morally or economically.



While not all university executives are overpaid, and some institutions are managing executive remuneration well, the university sector's efforts at self-regulation over the past 15 years have been limited and inconsequential.



The lack of regulation, both internal and external, regarding executive remuneration threatens to undermine institutional autonomy.



COUNCIL ON HIGHER EDUCATION FINDINGS

The substantial inconsistencies, extreme variations and increasing divergences in executive remuneration, at once within and between institutions and within and between Peromnes levels, suggest that internal and external guidelines and policies are inadequate and insufficiently monitored.

Given these conclusions, the report recommends greater external and institutional oversight, more regular scrutiny, improved institutional governance, accounting, and reporting practices, and strengthened and more developed policy frameworks regarding executive remuneration.

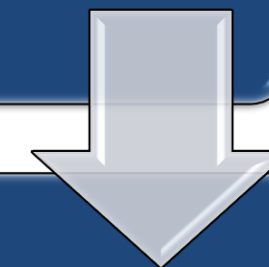
At most universities, VCs' and senior executives' remuneration packages are decided by a relatively small group of individuals as a Remuneration Committee whose deliberations are not always disclosed to the full Council.

Remuneration decisions are guided mainly by (a) formal institutional policies and (b) salary benchmarking data usually supplied by RemChannel.

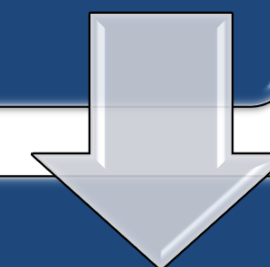


COUNCIL ON HIGHER EDUCATION FINDINGS

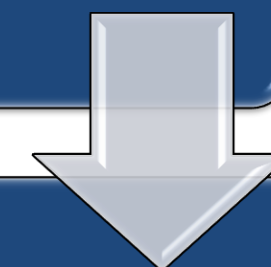
Most universities believe that their VC and executives are paid less than their counterparts at other universities.



Common reasons for paying some senior executives more than others are these executives' experience, scarcity and previous earnings.



Most but not all VCs sign annual performance agreements and are formally performance evaluated.



At more than a third of universities, the Chairperson of Council singlehandedly conducts the performance evaluation of the Vice-Chancellor.



COUNCIL ON HIGHER EDUCATION FINDINGS

Almost all universities think that executive remuneration should reflect institutional performance and that VCs and executives should be rewarded for exceptional and disciplined for substandard performance.

Few university Chairpersons considered that there was, or should be, any direct connection between VCs' TCTC and higher education transformation.

One-third of Chairpersons thought that VC and senior executive salaries should be benchmarked against those of the CEOs and executives of private companies.

Many universities felt that 'guidelines' would sufficiently promote better institutional governance of executive remuneration.

Most universities were concerned that executive remuneration could become like a runaway train; around a third felt this scenario might already be a reality.



CHALLENGES ENCOUNTERED BY CHE

An enquiry seeking data and information on every component of the remuneration of individual university executives over some 15 years faced several challenges:

Some universities had not kept, lost, could not retrieve, or withheld vital records (including minutes of Council meetings and remuneration data).

A lack of institutional memory was proffered as a reason not to answer certain questions.

Considerable delays were caused by some universities having to make extensive corrections to submitted data that the enquiry found—and which the institutions belatedly admitted—to be incorrect.

Instances of poor institutional governance and management and lax financial practices were unearthed at several institutions. These often involved large financial payments to executives, sometimes repeatedly and over a period of several years, without such payments following established financial and accounting processes and channels. As a result, many of these payments could not be adequately explained or accounted for.



CHE RECOMMENDATIONS FOR THE MINISTER AND THE DHET

The reporting of executive remuneration in university Annual Reports must be made more detailed, comprehensive, comparable, and standardised;

DHET monitoring of such reporting must be enhanced;

The auditor-general should be requested to oversee the external auditing companies employed by each university, as is the practice for other public entities in the sector;

Guidelines and policy frameworks should be developed and strengthened to cap executive remuneration, specifying ratios between peromnes levels and other employment categories concerning remuneration, limiting annual increases for executives and subjecting all executive incentives to 'clawback';

Private salary benchmarking companies should be encouraged to assist the government's efforts to improve oversight of executive remuneration;

Further research should be conducted to (a) investigate, utilising national cohort study and other data, all possible relationships between university executive compensation and institutional performance and (b) investigate university Council members' payments, roles, activities, expertise, qualifications and experience about overseeing executive remuneration.



- Institutional governance and accounting practices must be improved, including making changes to the composition of university Councils and Council sub-committees concerning the length of service of Council members, the number and duration of membership of Council members serving on sub-committees and their qualifications, experience and expertise, and eligibility criteria for nomination and election to Council positions, as well as improving financial record keeping and minuting of decisions and enhancing individual Councillor induction, development and training; all Council sub-committee decisions related to any aspect of executive remuneration should be fully minuted, archived and reported to both the whole Council and the DHET; all university Council members, including Council Chairpersons, should be subjected to annual performance evaluations.
- Executive remuneration should be directly and explicitly linked to higher education transformation, development, and sustainability imperatives.
- The remuneration of all university staff (and not just executive staff) should be linked to performance and subjected to performance appraisal.



UNIVERSITY of the
WESTERN CAPE

ADDRESSING THE ISSUE OF VC's PAY DISPARITIES

Addressing the disparities in VC pay will require a multi-faceted approach.

- One potential solution is introducing greater transparency and regulation around executive salaries at public universities.
- Universities have considerable autonomy in setting VC pay, with limited oversight from government bodies. By establishing more standardised salary guidelines, the government could significantly reduce the most extreme disparities, ensuring that public funds are allocated more equitably across institutions.
- Another approach could involve linking VC pay to performance metrics aligning with national priorities, such as improving access for historically marginalised groups, enhancing student outcomes, and driving research contributing to social and economic development.
- By aligning salary structures with broader transformation goals, universities could ensure that leadership remuneration is tied to progress in addressing systemic inequalities.



UNIVERSITY *of the*
WESTERN CAPE

Thank You.

Questions?