MEDIA SUMMARY
January-May 2010

Pay Check: Are top earners really worth it?

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Bursting a balloon

Using the myth of talent as a smokescreen for corporate plunder

Apr 21st 2010 | From *The Economist* online

Pay Check: Are Top Earners Really Worth It? By David Bolchover. *Coptic Publishing*

IN THESE times, the overpaid fat-cat in the corner office makes a barn door of a target. Particularly in the financial services sector, where even at those companies bailed out by the taxpayer, senior executives have been quick to return to obscene bonuses, often coupled with poor performance. To add insult, such behaviour is justified by the alleged need to "let the markets decide" or to ensure that talent is "justly rewarded".

Typically, sanctimoniousness at the top comes with a veiled threat to pack up and head abroad if the government even thinks about reining them in. Understandable, then, that many feel fury at such a sense of entitlement and enrichment, and that sensible discussion tends to evaporate in a flare of mass indignation.

Understandable but ultimately unsustainable. Such populist anger risks taking down innocent entrepreneurs and financial firms as the blunt instrument of regulation is wielded. More reasoned debate about the issue of excessive executive pay is needed. This is David Bolchover's ambition in his highly readable and punchy polemic.

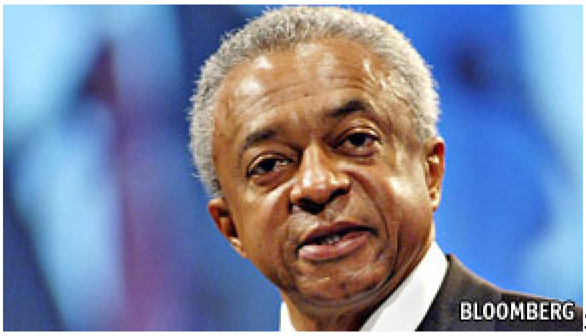
At the outset, Mr Bolchover, who worked for many years in the insurance industry before becoming a journalist, lays it out: he wishes to drag the debate "away from the traditional, over-familiar ding-dong, with one side harping on about greed and inequality, and the other accusing us of naivety for even daring to question the workings of the market." He succeeds, to an extent. But it is the latter argument he turns his guns on; believers in the first line of argument are likely to warm to his stance, even though Mr Bolchover himself is a passionate free-marketer, who warns against "[throwing] out the free market baby with the dirty bathwater of excessive pay". This is not "Das Kapital", but an argument for the saving of capitalism.

No talent required

There is no envy and little I-told-you-so. Simply put, Mr Bolchover's case is that the ideas that it takes "talent" to rise high in the world of financial services, and that "excessive" pay is simply a just (and market-generated) way to reward and retain that talent, are two parts of one giant con. Piece by piece, Mr Bolchover demolishes these precepts.

Excessive pay, he argues, is not only unjust but harmful. In particular, it sends out the perverse message that riches come more easily, and more certainly, to those who are skilled at playing workplace politics, rather than to those who work hard and genuinely achieve. Hence the ambitious are inevitably attracted to the parasitic world of financial services, rather than following the path of his true heroes—the entrepreneurs.

His argument draws on analogies with sports and entertainment stars—“real talent” whose abilities are laid bare by the simple fact of their very clear, and very measurable performances. His obsession with sports talent, in particular, can become somewhat tiring—one can almost smell the testosterone. Still, each to his own: ballet dancers would make an odd foil for corporate machismo. And the analogy with entrepreneurship is well-drawn.



Stan O'Neal, lucky fellow

Not that he is denying the existence of talented financial executives. It is just that talent (except, perhaps, for office politics) is unnecessary. Luck, he argues, plays a far more important role, as in the case of Stan O’Neal, late of Merrill Lynch: “He just happened to be the incumbent, the head of a company that was performing, more or less, as it would have done with a different leader…He was not a hero, and he was not a dunce. He was just there.”

In his scorn for “talent” in financial-services management, Mr Bolchover is occasionally too dismissive of the qualities required to be a good manager. His belief, for example, that the existence of many top managers who have been promoted from within their companies is proof of his thesis (the implication being that their rises have come via time-serving rather than proving themselves in the marketplace) is wide of the mark. After all, sometimes outsiders who have come in at the top, and failed to understand a particular corporate culture, have done untold harm. And he perhaps overstates his attack on the “talent ideology” by dressing it up as a conspiracy. True, there are many vested interests out there, and using talent as an excuse for excess is a worthy balloon to puncture. But the failure of regulation that allowed such a situation to balloon in the first place must never be forgotten.

These are small quibbles. “Pay Check” is a bold and impassioned book, rich in wry humour, thoughtfully argued throughout, with a thesis usually well backed with data and examples—although it occasionally relies a little too much on assertion. In making his case for “the myth of talent as a smokescreen for corporate plunder”, Mr Bolchover almost achieves the impossible—making one feel a little sorry for the benighted CEOs that he lobs his bombs at. But his argument that such parasitism is a force for wide-ranging economic malignity is highly persuasive and, if not the whole picture, at least the starting-point for a worthy and necessary discussion about the nature of “talent”. If this was his ambition, he has certainly achieved it.

Financial Times (January 28th 2010)
Review by Stefan Stern

The review

The complicated argument over the value of top talent

Pay Check
Are Top Earners Really Worth It?
By David Bolchover
Coptic Publishing
£11.99, $19.99

Don't get mad, get even. Good advice for those who find their exasperation at excessive pay packages bursting out of control. Shouting abuse at bankers might not do much to persuade remuneration committees to reduce the salary bill at the top. A calmer and more reasonable discussion could achieve more.

In the opening pages of this slim new book, David Bolchover says he is keen to steer a middle way between the outrage of the envious and the disdain of those who see nothing much wrong with the current situation.

That he does not manage to remain so coolly neutral shows how difficult this subject is. Bolchover is at pains to deny that he wants to "harp on about greed and inequality", as he puts it. But in his damning criticism of current pay practices he reveals a barely controlled outrage that is clearly deeply felt.

Bolchover rehearses some familiar criticisms of the way top pay is handled. He does so crisply and with good use of data. Many of the handgrenades he throws hit their targets.

He is withering about the clichéd term "talent", which is used to justify excessive pay. But he goes a little far in calling this an ideology. Surely nothing so carefully worked out as an ideology informs the statements that get made on retaining top talent?

He detects a conspiracy where perhaps nothing so planned exists. Still, it is a provocative argument: "The originators and upholders of the talent ideology ignored the near impossibility of measuring individual contribution in large corporations," he writes, "and then hoped the rest of us would be intimidated by this near impossibility into remaining silent."

Bolchover denies that a true market for capable executives is in operation. This marketplace is "based on entirely subjective assessments which render it corruptible", he says.

This is a bit of an exaggeration. The really hard part for recruiters – the reason why this market is undeniably imperfect – is in spotting the difference between the genuinely skilled and those who just talk a good game.

The author worries, rightly, about the impact excessive pay has on those about to enter the workforce. He fears this signals to young people that "wealth simply gets given to those who manoeuvre themselves into the right place at the right time. A dynamic society needs people to aspire to wealth through their inventiveness and conscientiousness, not through their wiliness in climbing the greasy corporate pole."

Bolchover is right to question to what extent any individual can take credit for a team's or a company's success. "Perhaps it is not MBAs from top business schools that create banking revenue," he writes, "but banking revenue which promotes the perception that MBAs from top business schools are commercially valuable."

Following Phil Rosenzweig, a professor at IMD, he suggests luck has more to do with success and failure than we like to admit.

Consider Stan O'Neal, the former Merrill Lynch boss. "He just happened to be the incumbent, the head of a company that was performing, more or less, as it would have done with a different leader, selected from a large pool of equally qualified candidates from both within Merrill Lynch and outside the company," Bolchover writes. "He was not a hero, and he was not a dunce. He was just there."

Reality check: Bolchover hits out at high executive pay

Bolchover's assault on talent goes too far. He is dismissive of the "rainmaker", a person who has a reputation for pulling off deals. But such people undeniably exist, and by and large earn their money.

And when Bolchover says "a significant number of people have the ability to be a CEO of a major company", he is surely wrong.

The arguments over top pay will continue and this book is a useful, if flawed, addition to the debate. This complicated problem defies simple solutions. As the former Shell boss Jeroen van der Veer conceded after stepping down: "You have to realise: if I had been paid 50 per cent more, I would not have done it better. If I had been paid 50 per cent less, then I would not have done it worse."

Stefan Stern

The Sun (Jan 23rd 2010)
"The Sun Says…" page 6
Article by Derek Brown

AS ANGER ERUPTS OVER GOLDMAN SACHS..

WHY CHERYL'S WORTH MORE THAN A BANKER

BANKERS Goldman Sachs sparked fury by revealing their staff got paid £10BILLION last year.

Their 32,500 workers worldwide, including 5,000 in the UK, got on average £307,000.

The news comes after a banking crisis brought the world to its knees and the industry vowed to restrain bonuses.

Here financial author **DAVID BOLCHOVER** argues top entrepreneurs, sports stars and other celebs *do* earn their riches but fatcat bankers *do not*.

He says: "People are right to get angry about Goldman Sachs giving staff on average £307,000. It can't be justified.

Talent

"Some people also get angry about Man United star Wayne Rooney's £120,000 a week. But he is a rare talent. When he scores a spectacular goal we know the only way we can do this is in our dreams.

"So what is it bankers do that others couldn't? Sure, they can sell. But lots of great salespeople in other industries are nowhere near as well paid. Bankers also need to understand complex financial products. But would

By DEREK BROWN

millions of university graduates, with degrees in astrophysics or Chinese, find that impossible?

"Top executives outside banking also get paid far too much. Who says they make the difference for their companies? Maybe it was just a booming economy or the famous company name.

"If Rooney *(below)* is worth his money, the value of tennis's Andy Murray is even more obvious as he is an individual sportsman whereas Rooney depends on his team.

"And Cheryl Cole *(left)* earned about £7million over the last two years. Some unknowns might sing as well as her, even look as good and be as good an X Factor judge.

"But she is the one who is famous and she is so marketable precisely because of her celebrity. No one else can be her. Unlike bankers, she is irreplaceable.

"But I think *real* business people are worth every penny. IKEA founder Ingvar Kamprad, Europe's richest man, is entitled to his £14billion. Like other great entrepreneurs, he stood on his own two feet and took risks. Good luck to his sort. They started their own companies and created jobs.

"*I wouldn't hold your breath for those bankers to try the same.*"

● **David Bolchover's book Pay Check: Are Top Earners Really Worth It? is published by Coptic, priced £11.99.**

SALARY TOP TEN

HERE is David Bolchover's list of top earners based on those who deserve their pay though risk-taking, talent, hard work or star quality.

DESERVING

1 Warren Buffett – investor, wealth £25billion

2 Ingvar Kamprad – IKEA founder, £14billion

3 Philip Green – store boss, £4billion

4 Andy Murray – tennis player, £2million a year

5 Cheryl Cole – singer, £7million a year

6 Wayne Rooney – footballer, £120,000 a week

UNDESERVING

7 Joe Duckworth – Newham Council boss, £240,000 a year

8 Mark Thompson – BBC Director General, £834,000 a year

9 Lloyd Blankfein – Goldman Sachs boss, £45million a year

10 Fred Goodwin – RBS boss, was on £4million a year

GQ magazine (June issue 2010)
Column by Johann Hari

ANOTHER VOICE

NEW COLUMN!

JOHANN HARI

Fraudsters in chief

The economic crash proves the super-CEO 'talent ideology' is as false as the boom it was built on. Now it's time for an executive pay check

We are emerging now from a long dream-boom, built on a mess of financial trickery rather than on producing anything worthwhile. In the Nineties and the noughties we didn't become more efficient or more productive – we simply became better at being conned. All the "triumphs of deregulation" bragged about by market fundamentalists from Ronald Reagan to Tony Blair were built on a nitroglycerin-base of credit default swaps and subprime mortgages. The profits went almost entirely to the richest one per cent, while the bill after the burst goes to all of us.

It will take years to drive out all the delusions that cropped up in the mirage years. Even now, the bank lobbyists are fighting against re-regulating their sector – with the money we gave them in the bail-out. A few addled market fundamentalists are still singing their old tunes, warning that regulation will lead to "disaster", as if the disaster hasn't already happened in the system they midwifed into the world.

But under the cover of this row, more bad ideas are trying to crawl out of the rubble unnoticed. One of the most dramatic changes in the fake years was the transformation in pay for people at the top. In 1980, the average CEO in America and the UK took 42 times the average worker's wage. By 2000, it was 531 times. Did CEOs become 12 times more effective? Or was this another trick of the boom-light?

THE ANSWER – AND THE SOLUTION – LIES in an excellent book by the business writer David Bolchover called *Pay Check: Are Top Earners Really Worth It?* (*Coptic, £11.99*). It contains a stark contrast. In 2008, the CEO of the world's largest and most successful bank earned £150,000. His name is Jiang Jianqing, and he runs the Industrial and Commerce Bank of China. By contrast, the head of the most unsuccessful investment bank earned £22m. His name is Richard Fuld, and he ran Lehman Brothers.

How does the CEO class in Britain and America justify the gap? It has constructed what Bolchover calls the "talent ideology". It goes like this: just as Rio Ferdinand is one of a handful of men who can kick a ball with great skill, just as Angelina Jolie is one of a handful of women who can pack out the multiplexes, so there is a handful of people who can be CEOs of large companies. They determine whether corporations rise and fall. They carry billions on their backs. For great talent, you must pay great cash.

But is it true? If you look at the biggest surges in CEO pay, they bare almost no relation to their "talent" at all. You can prove it on a graph. To pick one example: CEO pay at the top of the global investment banks soared when the global economy was booming. Then, when the global economy sank, their pay dipped a little (although never even close to the level it had been before the boom). In truth, as Bolchover explains, "Whether he had talent or not was irrelevant. He just happened to be the head of a company that was performing, more or less, as it would have done with a different leader... He was not a hero [or] a dunce. He was just there." It's like paying the captain of a ship a massive bonus when the tide comes in, and then dipping it a tiny amount when the tide goes out, while he brags about his "genius" at every turn.

The same principle runs across many industries. The CEOs of oil companies can rake in half a billion dollars a year when the oil price is high – but how is that their achievement? Conversely, after the crash, CEOs who could not have shown less talent – who oversaw the destruction of their companies – walked away with fortunes. No: "talent" was always a cover for seizing the most they could get. In practice, these men were setting their own wages, with little supervision from shareholders. Imagine you could go into work tomorrow and do the same. Wouldn't you be earning more than you are today – or than you deserve? I hereby demand that *GQ* pay me £40,000 for this column, now, with a £20,000 bonus for meeting my deadline and an extra £10,000 for not torching their offices.

Yes, there is a real talent in being a CEO – but it is not especially rare. Bolchover argues that there are a dozen people in the hierarchy of any large company who would be as plausible a CEO as anybody who gets the job, and dozens of contenders who could be poached from a competitor, and hundreds in other fields.

Of course, the very same people who told us the market would deal efficiently with subprime mortgages and credit default swaps are throwing up their hands and saying that the market will deal efficiently with CEO pay. But it doesn't, and it won't.

THERE IS A BETTER WAY. BOLCHOVER suggests when a company has narrowed its CEO selection down to six good candidates, it should ask everyone on the short list to name the lowest wage and bonus package they are prepared to work for. The one who comes in with the lowest bid should get the job. (There would be a reasonable floor to make sure independently rich people didn't fill them all by offering to work for £1.)

Plenty of extremely able people would be happy to run a major corporation for a fraction of the current pay: the prime minister earns £130,000 a year, and there's no shortage of candidates. Only government regulation could make this happen. Suddenly, instead of the endless puffing up of CEO pay, it would start to fall to reasonable levels. It would be hugely popular: a poll for the *Financial Times* found 80 per cent of us think business leaders are overpaid.

It would be a sign – at last – of a return to sobriety after the crazed, confected amphetamine rush of the boom-dream.

JOHANN HARI IS A COLUMNIST FOR THE INDEPENDENT AND CONTRIBUTING WRITER FOR SLATE MAGAZINE.

Won't get Fuld again: **Richard Fuld faces protesters, having overseen the collapse of Lehman Brothers - for a fee of £22m a year**

ILLUSTRATION RICHARD PHIPPS

Sunday Times (7th Feb 2010)
Appointments
Book extract

BOOK EXTRACT

High pay and a myth of talent

In this edited extract from Pay Check: Are Top Earners Really Worth It?, David Bolchover sees a conspiracy.

A whole army of vested interests has combined to exaggerate the value of an individual's performance to a company. They include chief executives, senior executives, pay consultants who are hired by senior executives, management consultants who sell their services to senior executives, and institutional shareholders whose own executives are usually highly paid.

These vested interests have constructed and jealously guarded an entire ideology of "talent", a self-serving distortion of the real meaning of the word. This ideology holds, without anywhere near sufficient evidence, that the individual value of senior executives is extremely precious.

Their case has not been robustly challenged, partly because it is just as difficult to counter the ideology as it should be to construct it in the first place. The originators and the upholders of the talent ideology ignored the near-impossibility of measuring individual contribution in large companies, and then hoped that the rest of us would be intimidated by this difficulty into staying silent. They assumed, correctly, that we would simply defer to our betters even if we sensed that there was something rotten going on.

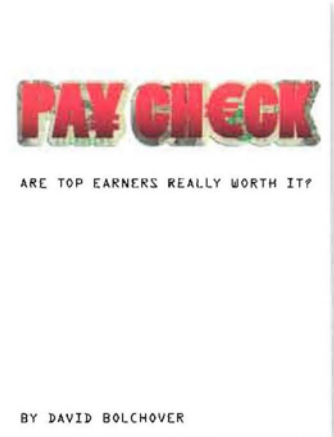
The "pay marketplace" that commentators refer to is, in reality, based on entirely subjective assessments that render it corruptible. In the case of the senior corporate executive (and many junior staff in the financial sector), such corruption is now prevalent.

Pay Check: Are Top Earners Really Worth It? (Coptic) is available post-free for £11.99 from Books First on 0845 271 2135

Management Today (March 1st 2010)
Book Review

Money, money, money, in the rich man's world

A 'talent ideology' causes CEOs to be over-rewarded, says this author. **Katharine Turner** finds truths amid his paranoia



Pay Check: Are top earners really worth it?
David Bolchover
Coptic Publishing £11.99

When, in the mid-1990s, the CEO of a FTSE-20 firm was told I advised on executive remuneration, he joked: 'Ah, there is not enough of it about.' David Bolchover, by contrast, argues that there is too much of it about – at least for top earners in the private sector who aren't founders of the business.

His thesis runs broadly like this. The basis for an executive pay marketplace is 'flimsy conjecture'. 'Unjustified high pay' and 'effortless wealth' exist because of the vested interests of CEOs, senior execs, pay consultants, academics, management consultants and shareholders, all of whom foster a belief in 'the talent ideology'.

CEOs, he argues, are not a scarce resource. Tell that to the nominations committees at M&S and ITV. And their performance is neither measurable nor attributable. CEOs merely 'administer well established concerns', so the reward for doing so is irrationally high.

Bolchover concedes there might be some justification for high levels of pay where revenues are sufficient, performance is measurable and substantively positive, and if the abilities required of a chief executive are rare. Sports coaches deserve high pay, he says, and are better at their jobs than CEOs. And he feels the same way about film actors. Perhaps he prefers football and the movies to business.

This book is a quick read and, like many narratives on executive pay, full of passion. And although Bolchover reflects the disquiet of many about executive pay, sometimes he loses both his footing and the reader. He sees conspiracy where there is none. Repeated references to the 'talent ideology' (one that 'a whole army of vested interests' has 'constructed and jealously guarded') make him look paranoid. He can't bring himself to accept that there's a genuine competitive market for CEOs.

He predicts social instability and also that 'massive risk-free pot(s) of gold' serve to lure potential entrepreneurs away from their calling. He focuses on the pay of captains of industry at listed companies but ignores other areas of the economy, such as law or other services firms and private equity.

Bolchover is not altogether destructive. He's keen to suggest remedies, even if these make up a mere couple of pages of his book. He thinks the answer lies in transparency and accountability, already well established in the UK and in many other economies.

He supports the idea that companies should disclose the ratio between the lowest and highest-paid workers – something that the National Association of Pension Funds suggested some years ago but which was (rightly) not adopted, on the grounds that any ratios lead to unfair and unhelpful cross-company and industry comparisons. And his wish for the annual election of remuneration committee members is foreshadowed in the Financial Reporting Council's draft of the UK corporate governance code. He also believes that the lowest bidder for any CEO vacancy should be hired. Shortlisted candidates should be asked to state the minimum they'll accept, and the lowest bidder wins. If only chief executives could be identified and priced like bags of sugar…

Bolchover may not not believe it, but remuneration committees, while keen to recruit the best person for the job, have no wish to pay more than is necessary. They apply their best judgment in assessing how much is enough. Non-execs generally say that their task is the hardest of all the board committees. Their job, and the scrutiny under which they carry it out, becomes tougher every year.

But aspects of Bolchover's *cri de coeur* should not be dismissed. We may not be heading for the 'disastrous self-combustion' he predicts, but he raises serious questions. Are we paying our captains of industry too much? Is it helpful that a focus on the income of top earners is aimed at executives of listed companies, rather than more broadly? Has the quest for performance-related pay led to so much complexity that boards have lost sight of how much they're spending on total realised pay? Should the appropriateness of executive pay be tested by means other than by reference to what other firms do?

There are more serious threats to the stability of the global economy than the level of CEOs' pay. Though flawed, Bolchover's critique is a useful reminder for remuneration committees to start asking: how much is too much?

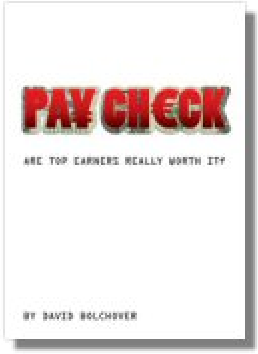
Katharine Turner leads Towers Watson's executive compensation practice in the UK

Institute for Policy Studies, Washington,
Too Much magazine, May 2010

IN REVIEW

A Home Run of a Smash Against CEO Excess

David Bolchover, **Pay Check: Are Top Earners Really Worth It?** Coptic Publishing, 2010. 150 pp.



David Bolchover, a widely published business writer, likes sports. He follows sports all over the world. He can wax knowledgeably about American football, European soccer, and Indian cricket.

Bolchover puts all this expertise to good and witty use in this spirited new book, an engaging attack on the enormous treasure that has, for three decades now, been cascading into corporate executive pockets.

What has sports to do with these lavish rewards? Maybe everything. The case for our CEO pay status quo, as Bolchover rather convincingly details, rests on the assumption that top executives, just like sports stars, possess an irreplaceably rare talent that enterprises must reward prodigiously — or face sure doom.

The best way to shatter the sheer nonsense of this "talent" defense? We need only compare our corporate world with the world of sports.

In sports, we can readily rate individual performance and how well that performance contributes to team success. In large companies, by contrast, we face "the near-impossibility of measuring individual contribution." A firm, Bolchover notes, may perform well "despite its leadership, not because of it."

This contrast between sports and business, *Pay Check* suggests, can help explain why we never hear sports figures make the case that they "deserve what they earn because they need to be properly motivated, or because they work exceptionally hard, or because they work under pressure, or because their reputation is at constant risk."

CEOs, on the other hand, regurgitate arguments like these on a quite regular basis. Why don't sports stars? They don't suffer, says Bolchover, "from the same deep-seated insecurity borne out of a lack of clear measurability of personal value." Sports stars simply have no need for "tortured justifications." Unlike CEOs, they have talents "both clearly valuable and extremely difficult to replace."

Bolchover gets at the same point with a fascinating discussion of *Faking It*, a popular British TV show now broadcast worldwide. In *Faking It*, the show's producers take a volunteer from one walk of life, give that volunteer a four-week crash course in another field, and then have the volunteer compete against three veterans from that new field before a panel of expert judges.

These judges are supposed to identify which of the four competitors is "faking it." But, sure enough, they routinely fail. Bolchover, building on this history, asks us to imagine a *Faking It*-style exercise with sports stars and CEOs.

"If a fit, very tall, young man who played some basketball in his spare time was asked to play for the Los Angeles Lakers," the author asks, "do you think he would be more or less able to 'fake it' once he stepped onto the basketball court than would an intelligent, well-educated, 52-year-old white male asked to perform the role of a chief executive?"

Similar insightful — and delightful — analogies appear throughout the pages of *Pay Check*. Bolchover takes on, at one point, the financial industry claim that "rain-making" bankers who have brought in $20 million in new business surely deserve at least a few million of those dollars in bonus.

"What does 'brought in' mean?" Bolchover wonders. "Can we attribute that revenue specifically to one person? Would that banker have 'brought in' $20 million of revenue if he had been working on his own, or for a company relatively unknown in the marketplace?"

And since when, *Pay Check* adds, do we pay people more money because they deal with great sums of money?

"Nobody seems to be suggesting," Bolchover quips, "that cashiers in high street banks get paid large amounts of money because they handle it all day, or that successful shoe salesmen get given a mountain of shoes."

Bolchover's antennae, unfortunately, fail him on questions broader than the reasonableness of executive pay. He remains convinced that some people — sports stars and especially entrepreneurs who start their own companies — truly do deserve to become "extremely rich." Their riches, he believes, can even be "very healthy" for a society. All evidence, of course, points to the exact opposite.

Bolchover quite rightfully dubs corporate executive pay "an elaborately constructed theft, the results of which are hugely damaging to society as a whole." But we can say, and should say, the same for all grand concentrations of private wealth, in sports or anywhere else.

So take this book with a grain of salt. You don't have to swallow it whole. Just learn from — and enjoy — the delicious demolition of corporate executive pay you'll find in these pages.

Los Angeles Times ***(April 4th 2010)***
Damning criticism of executive pay (Book review derived from FT review)
http://articles.latimes.com/2010/apr/04/business/la-fi-books4-2010apr04

The Times (January 21st, 2010)
Do bankers' bonuses really work?
As banks prepare to pay out their annual bonuses, we look at what some see as the unacceptable face of capitalism
Sathnam Sanghera

This is a lesson that David Bolchover, a former City insurance broker who has written a new book called Paycheck: Are Top Earners Really Worth It? says the City should absorb. “In almost 15 years as CEO of Lehman Brothers before the company went bust, Richard Fuld took home almost $500 million,” he says.
“In contrast, the head of the world’s largest bank, in China, which remained highly profitable through the financial crisis in 2008, earned less than $250,000 that year. What is so special about Western bank chiefs to justify such exorbitant salaries? Nothing.”

The Daily Mail (January 26th 2010)
Goldman Sachs 'exercises restraint' by capping pay and bonuses at £1million
Becky Barrow and James Chapman

David Bolchover, 43, a former City worker and author of the new book Pay Check: Are Top Earners Really Worth It?, dismissed the claims. He said: 'It just proves how out of touch they are with reality when they use the word 'restraint' in the context of £1million.'
For most people, the partners' pay packages are still astonishing.
Someone who works from the age of 18 to 65 earning Britain's average salary, currently around £24,200, would make a total of £1.4million before tax.
The bank has around 400 partners, and they are all paid the same basic salary of around £370,000. Despite the cap, this still means they can get a maximum bonus of £630,000, a sum which is modest only in the world of banking.

The JC (March 11th 2010)
http://www.thejc.com/node/29259

BNets (February 2nd, 2010)
Talent Myth Merits Little Currency in Business

IFA Online (January 22nd 2010)
Rooney deserves higher pay than fund managers

Insurance Times (January 21st 2010)
Book says bonuses fail

Human Resources Magazine *(January 2010)*
Value is ignored in decisions about pay -

Business and Leadership (March 24th 2010)
The talent myth
http://www.businessandleadership.com/news/article/21078/leadership/the-talent-myth

Opinion pieces by David Bolchover

The Guardian (Feb 25th 2010)
Comment is Free
Why bankers aren't Cristiano Ronaldo: Exorbitant bonuses won't go away until the principal justification for them, rare 'talent', is exposed as the sham it really is. Comments (216)
Oped by David Bolchover
http://www.guardian.co.uk/commentisfree/2010/feb/25/bankers-bonuses-talent-argument

HUFFINGTON POST (March 28th 2010)
WHY HIGH PAY IS BAD FOR CAPITALISM
Oped by David Bolchover
http://www.huffingtonpost.com/david-bolchover/why-high-pay-is-bad-for-c_b_516385.html

TELEVISION

Sky News
January 23rd 2010
(Debate)

BBC Breakfast TV
January 25th 2010
(Interview)

BBC Newsnight
February 9th 2010
(Documentary report)
http://www.bbc.co.uk/iplayer/newsnight

RADIO

Radio 4, Today Programme
January 25th 2010
(Interview)
http://news.bbc.co.uk/today/hi/listen_again/newsid_8478000/8478351.stm

Radio 5 Live, Wake up to Money
January 25th 2010
(Interview)
http://www.bbc.co.uk/programmes/b00q945n

BBC World Service
January 25th 2010
(Interview)

BBC Radio 4 PM
May 17th 2010 Eddie Mair (36th minute)
(Debate)
http://www.bbc.co.uk/programmes/b006qskw

BBC Scotland
January 25th 2010
(Interview)

Colourful Radio
10th Feb 2010
(Interview)

BBC regional radio coverage
Feb 22nd 2010
(Interviews)
YORK LIVE pres:RUSSELL WALKER
KENT LIVE pres:ANDY
NORTHAMPTON LIVE pres:Bernie
DERBY LIVE pres:Aleena
GUERNSEY LIVE pres:Kay
CUMBRIA LIVE pres:ian
SRY+SSX LIVE pres:Danny
H&W REC pres:Tony
DEVON REC pres:shep and jo
MERSEYSIDE REC pres:Simon

LEADING BLOGS

The Times,
COMMENT CENTRAL,
DANNY FINKELSTEIN
February 01, 2010

Blankfein's bonus

Anyone wondering what to make of Lloyd Blankfein's huge bonus, might find a new book - out later this month - worth reading.
The author of Pay Check, the always interesting David Bolchover, argues that large salaries are often the result of what he calls the "talent myth".
The main justification for high pay is the extraordinary ability of those being remunerated. A few top football players are paid vast salaries because every sports fan wants to watch them and no one wants to watch someone who isn't quite as good as them.
Is this true of finance as well?
Bolchover very much doubts it, and so do I.
Banking friends of mine say that if staff are not worth a particular wage, they would not be paid it. But this suggests that employers cannot make systematic pricing errors across an industry.
And we know, after the banking crisis, that that isn't true.
Posted by Daniel Finkelstein on February 01, 2010

The myth of 'talent'
Jan 26, 2010

Merryn Somerset Webb

I'm reading a great little book by David Bolchover. It's called *Pay Check* and asks the simple question "Are top earners really worth it?"

No, it didn't take me long to come up with the answer either.

But the interesting thing here is not that they aren't worth it. It's why they think they are, and how they get away with their ludicrously large paycheques when we all know they aren't. It all comes down to the "talent myth," says Bolchover.

Consider the case of Lionel Messi (a very good Argentinian football player, apparently). His individual performance and impact are very measurable: we know how many goals he scores and how many he helps to score. We can see his skill in action. So we know he is a rare talent and that if his current club doesn't pay him a fortune, someone else will. According to the theory, the same is true of top CEOs: they have a rare talent and must therefore be paid a fortune – 531 times the average blue collar worker's pay in the US at the moment.

But there's a problem here. We can't measure a CEO's talent as we can that of Mr Messi. We can't know if any one CEO has a rare talent - or any talent at all. Every big company has tens of thousands of employees contributing to success or failure. Indeed, many companies perform well despite poor leadership, helped along by buoyant economies, market positions put in place by predecessors, or excellent middle managers.

The fact that we can't measure this talent doesn't mean it doesn't ever exist. But it does make the case much harder to prove. It seems very, very likely that there are actually a substantial number of people knocking about just as capable of doing each CEO's job as the CEO in place.

But if that's the case, then what's going on with the paycheques? The truth, says Bolschover, is that senior executives have made use of the difficulties of measuring corporate performance "to further their own financial agenda," constructing and "jealously guarding" an ideology of talent that allows them to keep getting grossly overpaid.

This is irritating. But it is also dangerous. It makes the rest of us angry, particularly in hard times. It stifles entrepreneurship – why take risks when you can get rich without doing so? And it encourages the culture of entitlement: to make us do things that cost us effort we need to see entrepreneurs, not corporate big wigs, buying new yachts.

But there's another problem too. Our tolerance of the talent myth is costing us all money every day. It is costing us as shareholders. Every penny paid to an over-egoed top man and his team is a penny that isn't paid into our dividends. But it also costs us as taxpayers, thanks to the fact that the talent myth has spilled over into the public sector. How often have you heard councils justify paying their heads £200k on the basis that if they didn't, said council head would defect to the private sector and take his special talents with him - when it is perfectly obvious to all outsiders not only that he couldn't but he wouldn't.

He couldn't because he doesn't have any special talents, and because he wouldn't be an insider in the private sector – it is hard to jump bandwagons. And he wouldn't because he knows that. Yet every time we fall for the idea that he might go, and every time we tolerate his salary and perks, we bump up our own tax payments.

There is much to be done this decade to make life start feeling vaguely fair again. But shareholders and taxpayers can make a good start in 2010 by starting to refuse to pay up for the beneficiaries of the talent myth, who are getting rich at their expense.

Lynda Gratton (The Future of Work/London Business School)
January 2010
http://lyndagrattonfutureofwork.typepad.com/lynda-gratton-future-of-work/2010/01/index.html

It's contested because it is deeply embedded within the norms, values and power base of the company and as such is not amenable to easy conversion. So what to do about the contested? I'd make three suggestions. First, take a dispassionate view of the subject. For example, David Bolchover's recent book 'Pay Check: are top earners really worth it' is a no holds barred description of the data around executive pay and is a must read for anyone interested in the topic.

February 3rd 2010
http://lyndagrattonfutureofwork.typepad.com/lynda-gratton-future-of-work/2010/03/who-gets-paid-what.html