

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) _____ \$11m 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.