



POLICY PAPER

The Employee Prosperity Principle

When a company prospers, its people should prosper too

A New Model of Corporate Success for South Africa



OVERVIEW

Executive Summary

South Africa's challenge is not only how to create more wealth. It is also how to ensure that more South Africans participate in the wealth our economy creates.

The workplace is one of the clearest places where this inequality is visible. In some South African companies the difference between executive remuneration and the earnings of ordinary employees has reached extraordinary levels.

The Employee Prosperity Principle proposes a new approach to this problem. It does not impose a cap on executive remuneration, restrict legitimate entrepreneurship or seek to prevent executives and shareholders from becoming wealthy.

Instead, it establishes a simple principle. When a company has the capacity to provide extraordinary rewards at the top, its employees should have a meaningful opportunity to participate in that prosperity.

The principle would establish a national legislative framework requiring qualifying companies to provide an approved employee prosperity mechanism when specified executive reward events occur or when companies achieve prescribed levels of qualifying prosperity or distributions.

Qualifying companies would include listed companies, state-owned enterprises and private companies above a prescribed revenue or workforce threshold. Approved mechanisms would include employee ownership, profit sharing, a prosperity payment or an equivalent instrument meeting prescribed minimum standards.

The objective is not equal pay. It is participation in prosperity.

Municipalities cannot independently regulate employment conditions. They can, however, use their procurement, economic development and investment powers to recognise companies that demonstrate genuine employee participation in prosperity. Sections 152(1)(c) and 153(a) of the Constitution require local government to promote social and economic development, and this policy gives that duty practical expression.

Cape Town could become a demonstration city by establishing a Cape Town Shared Prosperity Standard. This would reward businesses that combine economic success with employee participation, skills development, local economic contribution and responsible corporate governance.



We should not have to choose between successful companies and prosperous employees. A successful company should be capable of creating both.

WHAT THIS POLICY IS NOT

The Employee Prosperity Principle is not an executive pay cap.

It is not equal pay.

It is not a prohibition on entrepreneurship.

It is not a tax on successful companies.

It is not a requirement that employees receive the same reward as executives.

It is not an attempt to eliminate legitimate returns on capital.

It is a framework for participation in prosperity.

PART ONE

Inequality Inside the Workplace

01 The Case for Shared Prosperity

South Africa remains one of the world's most unequal societies. That inequality is reflected inside many workplaces where the economic distance between those at the top and those at the bottom can be extraordinary.

The Shoprite Group provides a recent and well-documented example. In the 2025 financial year the group reported revenue of R257 billion, up 8.6%, and profit of R7.6 billion. Its chief executive, Pieter Engelbrecht, received total remuneration of approximately R87 million.



That package comprised the following elements.

Component	Detail	Amount
Basic salary	Annual guaranteed pay	R21.0m
Short-term incentive	Cash incentive for the year	R18.1m
Deferred shares	Awarded, payable in September 2027	R15.6m
Share vesting	Vesting under the group's Executive Share Plan	R30.0m
Benefits and dividends	Benefits and qualifying dividends	R2.3m
Total		R87.0m

Shoprite Group, chief executive remuneration, 2025 financial year. Benefits and dividends shown as the balance of the reported total.

The average salary across the Shoprite workforce of 168,939 employees in 2025 was R120,162 per year. The group's internal minimum wage was R30.12 per hour, equivalent to approximately R70,480 per year or R5,870 per month on a 45-hour week. This is only about 5% above the national minimum wage of R28.79 per hour that applied during that financial year.

The ratio between the chief executive's total remuneration and the average employee salary is therefore approximately 724 times. The ratio between his basic salary alone and the group's internal minimum wage is approximately 298 times.

*The issue is not whether a successful chief executive deserves to be well paid.
Exceptional leadership can create exceptional value and legitimate rewards should
be recognised.*

The question is whether the capacity to reward success should exist exclusively at the top of the organisation.

South Africa already recognises that transparency is part of the solution. The Companies Amendment Act of 2024, whose remuneration disclosure provisions came into force on 22 May 2026, requires public and state-owned companies to disclose the total remuneration of their highest-paid and lowest-paid employees, average and median employee remuneration and the remuneration gap between the top 5% and bottom 5% of earners.

These reforms matter because inequality cannot be addressed effectively when it is invisible. Transparency provides the information needed to understand the problem.

Transparency alone, however, does not necessarily change corporate behaviour.



The Employee Prosperity Principle would build on this foundation by introducing a mechanism that links extraordinary executive reward and qualifying corporate prosperity with broader employee participation.

PART TWO

The Principle and How It Works

02 The Employee Prosperity Principle

The Employee Prosperity Principle begins with a straightforward proposition. When a company prospers, the people who help create that prosperity should have an opportunity to share in it.

The principle does not seek to determine what a chief executive, entrepreneur or senior executive is worth. It does not establish a maximum salary.

It does not prevent an entrepreneur from becoming extraordinarily wealthy. It does not interfere with legitimate returns on invested capital, dividends or the ordinary rewards of business ownership.

It asks a different question. When a company has additional capacity to reward those at the top, what opportunity does it create for the people whose labour contributes to the company's success?

Companies create value through multiple inputs. These include labour, capital, entrepreneurship, intellectual property, technology, management, risk, infrastructure, customers and suppliers.

Employees whose labour contributes to the creation of corporate value should have a meaningful opportunity to participate in the prosperity that value generates.

This is not a demand for equal pay. It is a demand for meaningful participation.

The distinction is important. A company can reward exceptional leadership while simultaneously creating mechanisms through which ordinary employees participate in the wealth their collective contribution helps generate.

The objective is therefore not to take prosperity away from one group. It is to make prosperity accessible to more people.

The policy introduces three distinct concepts that should not be confused. Income is what employees earn for their work. Participation is what employees receive when the company performs exceptionally well. Ownership is what employees own and can potentially accumulate over time.

The policy can therefore be summarised in three propositions. Pay people fairly. Give them participation when prosperity increases. Create pathways to ownership.

03 The Two Triggers

The principle should not be reduced to a simple rule that every increase in executive pay must produce an equal increase in employee pay.

Such an approach would be unnecessarily rigid. It could also create perverse incentives and encourage companies to restructure remuneration simply to avoid a statutory trigger.

Instead, the framework should establish an Employee Prosperity Obligation linked to defined economic events.

The first trigger would be a Material Executive Reward Event. The second would be a Qualifying Prosperity Event.

Together, these mechanisms would ensure that the principle cannot be avoided simply by changing the form in which rewards are provided.

04 The Material Executive Reward Event

A Material Executive Reward Event should capture economic substance rather than corporate terminology.

A qualifying event could include a material increase in salary, a bonus, incentive compensation, restricted shares, share options, deferred compensation, retention awards, special allowances or another arrangement that materially increases the economic benefit provided to an executive.

The legislation should avoid focusing solely on accounting classifications. If an economic benefit is provided to an executive, its form should not determine whether the principle applies.

The framework should nevertheless contain reasonable thresholds. Ordinary annual adjustments, inflation-linked increases and minor changes in remuneration should not automatically trigger a complex statutory obligation.

A prescribed monetary threshold or percentage increase could therefore determine when an Executive Reward Event becomes a Material Executive Reward Event. Once the prescribed threshold is reached, the company would be required to provide a qualifying employee prosperity mechanism.

05 The Qualifying Prosperity Event

The principle should not depend entirely on executive remuneration.

A company could theoretically keep executive salaries unchanged while generating exceptional profits, making extraordinary shareholder distributions or creating substantial new economic value.

A second trigger is therefore necessary. A Qualifying Prosperity Event would apply when a qualifying company exceeds prescribed thresholds relating to recurring operating profitability, shareholder distributions, cash generation or other defined financial measures.

The thresholds should be designed to exclude once-off asset sales, proceeds required to service debt, recovery from prior losses and capital required for committed investment. This ensures that the obligation attaches to genuine and sustainable prosperity rather than to accounting outcomes that do not reflect real capacity to share.

This would recognise a broader principle. Where a company has qualifying capacity to distribute newly created wealth, that capacity should not be available exclusively to executives or shareholders.

This does not mean that shareholders lose their legitimate returns. It means that qualifying prosperity creates an opportunity for broader participation.

06 The Employee Prosperity Contribution

When a qualifying trigger occurs, the company would establish an Employee Prosperity Contribution.

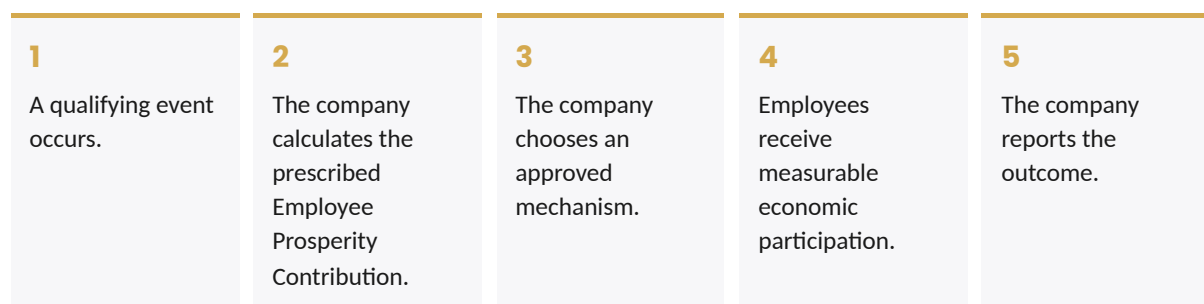
The contribution should be calculated according to a prescribed formula rather than requiring the company to match executive remuneration rand for rand.

For example, legislation could require a defined percentage of the qualifying executive reward pool or qualifying prosperity amount to be allocated to an approved employee prosperity mechanism.

This approach creates a direct relationship between exceptional reward and employee participation while retaining flexibility for different corporate structures.

The exact percentage should be determined through consultation with business, labour, economists and other stakeholders. The principle should be established in law while the detailed thresholds and percentages can be adjusted as evidence and experience develop.

The policy architecture can be summarised simply.



That is essentially the entire policy. Everything else supports it.

PART THREE

Participation in Practice

07 Four Ways to Participate

Companies should have flexibility in how they meet the Employee Prosperity Obligation. The four mechanisms serve different purposes and operate over different time horizons.

7.1 Employee Ownership

Employee ownership should be the preferred long-term mechanism.

Companies could establish employee share ownership plans, employee ownership trusts or other approved structures through which employees acquire a genuine economic interest in the company.

Ownership changes the relationship between employee and employer. It allows employees to participate not only in today's income, but in tomorrow's wealth.

The ultimate objective should not simply be to distribute more income. It should be to broaden ownership of productive wealth.

The objective should be meaningful ownership rather than nominal participation. Employee ownership arrangements should therefore contain clear rules regarding eligibility, governance, economic benefit and access to value.

Minimum standards should address the proportion of shares allocated to employees, the voting rights attached to those shares, the conditions under which employees may realise value and the independence of trust governance.

The Shoprite case shows why the distinction matters. The chief executive's R30 million vesting came from the group's Executive Share Plan, an instrument reserved for a small group of senior executives. The group also operates the broad-based Shoprite Employee Trust, which expensed R281 million in favour of eligible South African employees in the 2025 financial year. The vesting received by one executive was therefore more than a tenth of the value the trust provided to the eligible workforce as a whole.

7.2 Profit Sharing

Companies could establish a defined profit-sharing mechanism through which qualifying employees receive a proportion of prescribed profits.

Profit sharing directly connects employee prosperity with corporate performance.

A well-designed mechanism can also strengthen the relationship between productivity, company performance and employee reward.

7.3 Prosperity Payment

A company could provide a Prosperity Payment, which may take the form of a thirteenth cheque or another equivalent payment.

This option is particularly relevant to employees who need immediate household financial relief. Additional income can assist with food, electricity, transport, school expenses, rent and debt repayment.

Shoprite's internal minimum wage of approximately R5,870 per month provides context for the value of such a payment. A Prosperity Payment of even a few thousand rand per year would narrow the gap between current earnings and a living wage for households at the bottom of the pay scale.

7.4 Approved Equivalent Mechanism

The legislation should permit other mechanisms that achieve equivalent or greater economic participation. This allows innovation while maintaining minimum statutory standards.

A small business should not be required to establish a complex employee ownership trust where a straightforward Prosperity Payment achieves the intended outcome. A large multinational, by contrast, may require a more sophisticated structure capable of operating across multiple jurisdictions.

08 From Income to Ownership

Immediate income matters. Long-term wealth matters even more.

A Prosperity Payment can help a household meet its needs today. Employee ownership can give that household a stake in future corporate growth.

The framework should therefore encourage mechanisms that build assets rather than merely increasing annual income.

Employee ownership can create a pathway from employment to participation in wealth creation. Profit sharing can provide a bridge between company performance and household prosperity.

The long-term objective should be to give more South Africans the opportunity to accumulate productive assets. This is particularly important in a country where household wealth remains highly concentrated.

The economic case for broad-based prosperity extends beyond fairness.

An additional rand received by a highly compensated executive may typically be invested, saved or added to an existing portfolio. An additional rand received by a lower-income household is generally more likely to be spent on immediate household needs or used to reduce debt.



This does not make executive remuneration economically illegitimate. It demonstrates that the distribution of additional income can have different economic effects.

The Shoprite data illustrates this point. The R30 million in share vesting for the chief executive represents portfolio growth for one individual. The same R30 million distributed as a Prosperity Payment across the group's 168,939 employees would provide R178 each, enough to cover several days of transport or part of an electricity bill for every employee in the group.

Broad-based employee prosperity can strengthen household resilience, consumer demand and local economic activity.

Employees spend money where they live. They pay for food, transport, electricity, education, housing and services.

Employee prosperity can therefore become a mechanism through which corporate success contributes to wider economic circulation. The principle should consequently be viewed not only as a corporate governance reform, but also as an economic participation policy.

PART FOUR

Measurement, Safeguards and Enforcement

09 Measuring Corporate Prosperity

Pay ratios are useful indicators of inequality. They should not, however, become the sole measure of responsible corporate behaviour.

A company should not be penalised simply because it has a highly successful executive.

A company with exceptionally well-paid executives and strong employee ownership may provide broader prosperity than a company with lower executive pay but no mechanism for employees to participate in corporate wealth.

The framework should therefore focus on prosperity participation rather than executive punishment.

South Africa should measure not only the gap between the highest and lowest earners, but also whether employees are participating in the economic success of the organisation.

This could lead to a new reporting framework. The Corporate Prosperity Statement would require every qualifying company to disclose five measures.

Measure	What it discloses
Executive Reward Growth	The change in total executive remuneration
Employee Reward Growth	The change in average and median non-executive remuneration
Employee Prosperity Contribution	The amount allocated to employee participation
Employee Ownership	The percentage of employees participating in ownership
Employee Prosperity Growth	The total value received or accumulated by employees through approved mechanisms

The relationship between these measures would provide a more meaningful picture of corporate prosperity than a single pay ratio. The discussion would move away from how much the chief executive earns towards who participates when the company prospers.

That is the better question.

10 Protecting Entrepreneurship and Small Business

The Employee Prosperity Principle is not an argument against capitalism. It is an argument for broader participation in capitalism.

Entrepreneurs should be able to build valuable businesses. Investors should receive legitimate returns on capital. Executives should be rewarded for exceptional performance.

The principle does not seek to eliminate those incentives. It seeks to ensure that the people who contribute their labour to successful businesses are not permanently excluded from the wealth those businesses create.

Returns on ownership must therefore remain distinct from remuneration for executive service. A founder receiving a legitimate return on invested capital should not automatically be treated as receiving executive compensation.

The legislation should distinguish clearly between ownership returns, ordinary remuneration and extraordinary executive rewards.

A national framework must also avoid imposing unnecessary complexity on small businesses. The obligations should operate proportionately according to company size, workforce and economic capacity.

Tier	Definition	How the principle applies
Small enterprises	Fewer than fifty employees or annual revenue below a prescribed amount	A simplified Prosperity Payment or another straightforward mechanism
Medium-sized companies	Between fifty and two hundred employees	A choice between Prosperity Payments, profit sharing and approved ownership structures
Large companies	Large private companies, listed companies and state-owned enterprises	More comprehensive disclosure and participation requirements

This tiered approach would protect small business while ensuring that companies with substantial economic capacity make a meaningful contribution to employee prosperity.

11 The Existing South African Framework

The Employee Prosperity Principle does not need to begin with a blank page.

South Africa already has corporate governance, labour, employment equity and transformation frameworks that provide important foundations.

The Companies Amendment Act provides an increasingly important remuneration transparency framework. The Employment Equity Act provides mechanisms for examining income differentials. The Broad-Based Black Economic Empowerment framework already recognises employee ownership as a mechanism for ownership transformation.

The Employment Equity Act requires designated employers to report income differentials to the National Minimum Wage Commission. It states that where disproportionate income differentials are reflected, an employer must take measures to progressively reduce such differentials.

The limitation of this provision is that it carries no deadline, no quantified target and no enforcement mechanism. A company with a 724 times ratio can continue reporting year after year while leaving the ratio unchanged.

The Employee Prosperity Principle would supply the missing enforcement mechanism. It would build on information that companies are already required to produce and incentives that businesses already understand. The objective should be regulatory coherence rather than the creation of another unnecessary layer of bureaucracy.

12 Implementation and Enforcement

The national framework could be introduced progressively over four phases.

Phase	Focus	What happens
Phase One	Transparency	Disclosure of executive remuneration, employee remuneration, reward growth and employee prosperity mechanisms would be strengthened.
Phase Two	Participation	The Employee Prosperity Obligation would apply to listed companies, state-owned enterprises and other large prescribed employers.
Phase Three	Expansion	Proportionate obligations would extend to qualifying large and medium-sized private companies.
Phase Four	Alignment	Employee prosperity mechanisms would be aligned with appropriate B-BBEE, procurement and economic development incentives.

This phased approach would allow government, business and labour to assess outcomes before expanding the framework.

Enforcement should make use of existing institutions wherever possible. The Department of Employment and Labour, the Companies and Intellectual Property Commission and the B-BBEE Commission already perform functions relevant to employment, corporate compliance and transformation.

A coordinated framework could establish responsibility for monitoring compliance while avoiding the creation of an entirely new bureaucracy. Companies should be required to disclose their qualifying prosperity mechanisms as part of their existing remuneration and corporate reporting processes.

Non-compliance should trigger proportionate consequences. These could include mandatory disclosure of non-compliance in the company's annual report, ineligibility for municipal procurement recognition, restrictions on access to economic development incentives and, in cases of persistent non-compliance, referral to the relevant regulatory authority for further action.

The system should prioritise transparency, measurable outcomes and meaningful employee participation. Compliance should be simple enough to administer and strong enough to prevent cosmetic arrangements.

PART FIVE

Cape Town as a Demonstration City

13 The Cape Town Shared Prosperity Standard

Cape Town has an opportunity to demonstrate what shared prosperity can look like at local government level.

This is not a discretionary undertaking. Section 152(1)(c) of the Constitution makes the promotion of social and economic development an object of local government. Section 153(a) requires every municipality to structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community and to promote its social and economic development. A Shared Prosperity Standard is one practical way for the City to meet those obligations through powers it already holds.

The City cannot legislate national employment conditions. It can, however, use its procurement, economic development, investment and convening powers to create incentives for responsible corporate participation.

The proposed Cape Town Shared Prosperity Standard could provide a voluntary recognition framework for companies that demonstrate meaningful employee participation in prosperity. The Standard would rest on four pillars.

1 People

Employee ownership, profit sharing and Prosperity Payments.

2 Opportunity

Skills development, apprenticeships and career progression.

3 Local Economy

Local employment, local procurement and small business development.

4 Governance

Remuneration transparency, employee participation and corporate reporting.

Recognition could then be incorporated into appropriate supplier recognition and economic development programmes, subject to applicable procurement law. The precise legal mechanism would require specialist constitutional, labour and municipal law drafting before implementation. The City should proceed on the basis of legal advice rather than assumption.

Cape Town could also use its economic development incentives to ask a broader question when supporting private investment. Where public resources are used to support private investment, the public should be able to expect measurable public value in return.



That public value may include jobs, skills, local procurement, employee ownership, employee prosperity and community investment. The resulting economic benefit should extend beyond the shareholders of the recipient company.

14 Measuring Success

A policy of this nature must be measurable. Success should not be judged simply by whether executive remuneration falls.

The relevant questions should include how many employees participate in ownership, how much profit is shared with employees, how many households receive Prosperity Payments and how much employee wealth is accumulated.

Further questions should examine how employee prosperity has changed relative to executive reward growth. They should also consider whether employee retention has improved, whether productivity has improved and whether household financial resilience has improved.

The Shoprite case provides a baseline for such measurement. The group's internal minimum wage of approximately R5,870 per month sits well below any credible living wage benchmark. A meaningful prosperity mechanism would narrow that gap and provide a concrete measure of progress.

The purpose of measurement is not to punish successful companies. It is to determine whether the principle is achieving its intended outcome.

CONCLUSION

Create Wealth. Reward Success. Share Prosperity. Build Ownership.

15 The Principle

The Employee Prosperity Principle can ultimately be reduced to one simple proposition. When there is more to share, more people should share in it.

It does not ask whether executives deserve to prosper. It asks whether prosperity should stop with them.

It does not oppose wealth creation. It seeks to broaden participation in wealth creation.

It does not cap ambition. It creates a pathway for more people to benefit when ambition succeeds.



A New Model of Corporate Citizenship

South Africa needs economic growth. It needs investment, entrepreneurship, productive companies and competitive businesses. It also needs a broader distribution of the wealth that successful businesses create.

The Employee Prosperity Principle offers a way to pursue both objectives.

It does not tell a company how much its chief executive may earn. It does not prevent entrepreneurs from becoming wealthy. It does not interfere with legitimate investment returns.

It establishes a different expectation. When a company has the capacity to provide extraordinary rewards, the people who contribute to that success should have a meaningful opportunity to participate in the prosperity.

A rand paid to a worker can strengthen a household. It can pay a school expense, reduce debt, keep the lights on or put food on a table.

An ownership interest can do something even more important. It can give an employee a stake in tomorrow's prosperity rather than only today's income.

South Africa does not need to choose between successful businesses and prosperous workers. It should expect successful businesses to help create both.

Under the traditional model a successful company creates profits for shareholders. Under the Employee Prosperity Principle a successful company creates returns for investors, rewards for leadership and increasing prosperity for the people who work within it.

That is the shift the policy proposes. Not a corrective measure, but a new model of corporate citizenship.

The architecture is simple. Create wealth. Reward success. Share prosperity. Build ownership.

When a company prospers, its people should prosper too.