

Contents

BEE doesn't work, but EED
would **1**

Author

Anthea Jeffery

Editor-in-Chief

Frans Cronje

Editor

Anthea Jeffery

Deputy Head of Research

Roshuma Phungo

Head of Information

Tamara Dimant

Policy Fellow

John Kane-Berman

Typesetter

Sarah Zwane

Contact details

Telephone: (011) 482-7221

e-mail: info@irr.org.za

website: www.irr.org.za

BEE doesn't work, but EED would

The government is sometimes 'fanatical' about empowerment, says deputy president Cyril Ramaphosa. It is also determined to 'intensify' its transformation policies, irrespective of what critics might say.

Since 2013 the government has already ratcheted up its employment equity, black economic empowerment (BEE), and land reform policies in a host of ways. However, as an IRR field survey now shows, most South Africans (85%) gain nothing from these policies. In addition, most (87%) strongly endorse the merit principle, while a mere 6% think job appointments should be linked to demographic representivity. By contrast, 78% see better education and more jobs as the keys to reducing inequality.

The survey results contradict the government's claims of mass support for its transformation policies. Together with the ANC's own salient warning (made back in 1994) that affirmative action could 'damage the economy', they provide yet more reason to shift away from the current rules to a far more effective system of 'economic empowerment for the disadvantaged' or 'EED'.

Probing popular support for transformation policies

In a speech last month the deputy president, Cyril Ramaphosa, said the government was 'obsessed with empowering black South Africans' and was sometimes 'fanatical' about it. It now planned to 'intensify' black economic empowerment (BEE), for it was 'hell-bent on ensuring that blacks owned and managed the economy'. Added Mr Ramaphosa: 'Those who don't like this idea – tough for you. That is how we are proceeding.'

Mr Ramaphosa's speech clearly assumes that 'sharpening the teeth' of transformation policies will help to counter unemployment and speed up economic growth. The ruling African National Congress (ANC) has often voiced similar assumptions. It has also often claimed mass popular support for the employment equity, BEE, and land reform policies it introduced many years ago and has steadily tightened up since 2013.

The IRR has long wanted to probe public opinion on 'transformation' policies.

This claim of mass support for transformation policies is largely based on the compelling parliamentary majorities the ANC has won in every general election since 1994. But the ANC's electoral support has in fact been steadily declining since the political transition. In the most recent

election in 2014, the ruling party gained its 62% majority in the National Assembly with the support of only 36% of eligible voters.

For some time, the IRR (Institute of Race Relations) has felt the need to probe the views of ordinary South Africans on key 'transformation' policies. These requirements have also been in force for many years, making it both feasible and important to assess what ordinary people think of them. Last year, the IRR thus commissioned a nation-wide field survey to probe these vital issues. The survey was conducted in September 2015, and its results are now available.

The nation-wide field survey conducted

The sampling, fieldwork, and data-processing for the IRR's opinion survey were carried out by MarkData (Pty) Ltd, an organisation with some 30 years' experience in conducting field surveys for public, private, and civil society organisations. The survey was an 'omnibus' one, which was carried out across the country through personal face-to-face interviews, which were conducted in respondents' languages of choice by trained and experienced field teams.

A multi-stage cluster probability design was applied to yield a representative sample of 2 245 people, all of whom were aged 16 or more. To ensure representative coverage, households were selected from all nine provinces. They were also drawn from ten socio-economic categories, these being traditional rural areas; informal urban shack areas; urban hostels and other collective dwellings; urban black areas; urban 'coloured' areas; urban Asian or Indian areas; urban mixed areas; metro and big city areas; town areas; and rural commercial farms.

Racial representivity was secured through the spread of the people selected for interviewing. The sample consisted of 1 757 black people, making up 78.3% of the total, 203 coloured people (9%), 63 Indian people (2.8%), and 223 white people (9.9%). This categorisation of respondents according to race was unavoidable, given the purpose and subject matter of the study.

Roughly half the respondents were between the ages of 16 and 34, while their educational profile mirrored that of the country. Approximately a third of those interviewed were not economically active, while a quarter were unemployed. Of those with jobs, 2.8% worked in the informal sector and 38.8% were employed in the formal sector.

A representative sample of 2 245 people was used. All were interviewed in their own languages.

Best way to improve lives

In one of the first questions put to respondents, the IRR field survey asked how people's lives could best be improved. It gave them four options to choose from, as set out in **Table 1**. Most people saw 'more jobs and better education' as the key way to improve people's lives, with 78.3% of all respondents endorsing this option. Exactly the same proportions of black and white South Africans (77.8%) shared this perspective. Close on 15% saw the solution as lying in better service delivery. Only 4.6% thought people's lives could best be improved through 'more BEE and affirmative action in employment policies'. A mere 2.2% thought this outcome could be achieved via 'more land reform'.

Table 1

<i>Best way to improve lives</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
More jobs and better education	78.3%	77.8%	83.6%	76.2%	77.8%
Better service delivery	14.8%	14.8%	11.6%	17.9%	16.3%
More BEE/AA in employment	4.6%	5.1%	2.1%	5.8%	2.6%
More land reform	2.2%	2.1%	2.8%	0.0%	3.1%

Affirmative action in employment

The field survey went on to ask a number of questions probing attitudes to affirmative action in employment. The Employment Equity Act of 1998 requires all designated employers (generally those with 50 employees or more) to make 'reasonable progress' towards demographic representivity at all levels of the workplace. Though 'quotas' are formally prohibited, employers in both the public and private sectors are expected to use racial 'targets' to correct any 'under-representation' of black people at board, management, and other levels. Failure to do so is punishable, under the 2013 amendments to the statute, by maximum fines of R1.5 million or 2% of annual turnover (whichever is the larger) for a first such offence, rising to R2.7 million or 10% of annual turnover (again, whichever is the larger), for a fifth consecutive transgression of this kind within three years.

The government often claims that the Employment Equity Act is needed to help the poor. It also suggests that the masses will rise up in revolt if the statute's racial targets are not met. Against this background, the IRR's field survey asked respondents to explain how they themselves saw the use of racial targets in employment. Various questions were posed in this regard.

Should the best person be given the job, regardless of race?

Respondents were asked if they agreed or disagreed with the statement that 'the best person should be given the job, regardless of race'. Their answers are shown in **Table 2**. Overall, 87.1% of respondents agreed that people should be appointed to jobs on merit, rather than race. Only 12.8% disagreed. Among black South Africans, 84.7% wanted appointments to be based on merit, rather than race. Among minority groups, support for merit-based appointments was even higher, at 95.3% among coloured people, 96.5% among Indians, and 95.9% among whites.

Table 2

<i>Do you believe that the best person should be given the job, regardless of race?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	87.1%	84.7%	95.3%	96.5%	95.9%
Disagree	12.8%	15.1%	4.7%	3.5%	3.8%

Has affirmative action in employment helped poor black South Africans?

This question was designed to probe public support for the government's oft-repeated claim that affirmative action in employment is important for redress and 'helps poor black people'. The results (see **Table 3**) show that this much repeated message has had a major impact on public opinion, for 52.8% of respondents agreed with this statement while only some 46.9% disagreed. Among blacks, the proportion that agreed was higher still, at 53.6%. Some 50.1% of coloured people also agreed, as did 57.8% of Indians and 47.7% of whites.

Table 3

<i>Has affirmative action helped poor black South Africans?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	52.8%	53.6%	50.1%	57.8%	47.7%
Disagree	46.9%	46.2%	49.9%	40.1%	51.6%
Not answered	0.3%	0.2%	0.0%	2.1%	0.7%

Is affirmative action in employment helping your community?

The survey then dug a little deeper by asking people if affirmative action in employment was in fact helping their community. Once respondents were asked to consider the practical impact of affirmative action on people known to them, their answers were very different. Now only 33.8% of respondents agreed that affirmative action was helping, whereas 66% disagreed. Among blacks, 37.1% agreed and 62.9% disagreed, as set out in **Table 4**. This may be the most important finding of the field study, for it points to a major disconnect between what people expect affirmative action to do for the poor and what it in fact achieves.

Table 4

<i>Is affirmative action helping your community?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	33.8%	37.1%	21.1%	21.8%	23.2%
Disagree	66.0%	62.9%	78.7%	78.1%	76.4%
Not answered	0.1%	0.1%	0.2%	0.0%	0.4%

Has affirmative action in employment helped you personally?

Next, the survey drilled down deeper still by asking people if affirmative action in employment had helped them personally. Their answers now shifted further. Whereas 52.8% thought affirmative action of this kind helped poor blacks in general, only 15.1% agreed that such affirmative action had helped them personally. By contrast, 84.8% disagreed (see **Table 5**). Among black South Africans, 16.6% had personally benefited from affirmative action, whereas 83.3% had not.

Table 5

<i>Has affirmative action in employment helped you personally?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	15.1%	16.6%	7.0%	10.7%	11.5%
Disagree	84.8%	83.3%	92.7%	89.3%	88.3%

These results again suggest that South Africans have been conditioned into believing that affirmative action in employment is an important way of providing redress for past

injustice and helping the poor. In practice, however, the policy bypasses the great majority and helps only a relatively small elite. The gulf between perception and reality shows how well the government's messaging has worked. It also shows how badly the policy has in fact functioned in overcoming disadvantage for most black South Africans.

A mere 5.8% think 'only blacks should be appointed' until demographic representivity is reached.

On what basis should people be appointed to jobs?

Here, the survey raised a number of different options about the way in which affirmative action in employment could be applied, and asked respondents to choose between them. Only 4.7% of people supported the first option: that 'only black people should be appointed to jobs for a very long time ahead'.

In addition, only 5.8% of people supported our second option: that 'only black people should be appointed until those in employment are demographically representative'. Since this is essentially what the Employment Equity Act requires, it is striking that so few people agreed with this choice. Though support for this option was strongest among black South Africans, only 7.1% in fact endorsed it.

To allow the tracking of trends over time, this question was largely modelled on similar ones posed by the Helen Suzman Foundation (HSF) in field surveys in 1996 and 2000. In the 1996 HSF survey, only 11% of all respondents supported this option. Endorsement was again strongest among blacks, with 19% agreeing that 'only black people should be appointed until those in employment are demographically representative'. However, in the HSF's 2000 survey, support for this option among blacks dropped from 19% to 13%. As the IRR's survey shows, black support for this option has declined even further over the past 15 years and now stands at a mere 7%.

Though these results go completely against the government's script, they are not in fact surprising. Writes R W Johnson, a former don at Oxford University and a renowned author and commentator on South African affairs:

The Employment Equity Act offers very little to unskilled black people working in mines, on farms, or in domestic service, for example. But all these people can see that government efficiency is declining and it is not hard for them to recognise that the replacement of more competent people with less competent people lies at the root of this. One must also never underestimate the work ethic and its corresponding merit ethic among Africans who for decades believed passionately that job reservation on racial lines was wrong and that merit alone should be rewarded. The sight of already privileged Africans receiving 'unfair' advantages in the labour market while the poor majority remain stuck at the bottom is clearly not one which working class and unemployed black people find at all attractive.

Whereas the IRR's 2015 survey confirmed that there is little public support for what the Employment Equity Act requires, it also showed 70% support for our third option: that 'appointments should be made on merit, but with special training for the disadvantaged'. This choice was broadly endorsed by all racial groups, including 59.2%

70% want job appointments on merit, with special training for the disadvantaged.

of whites. At the same time, roughly 20% of respondents supported the fourth option: that appointments should be based solely on merit, without any special training (see **Table 6**).

Table 6

<i>Who do you think should be appointed to jobs in South Africa?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Only blacks for a long time ahead	4.7%	5.5%	2.1%	0.0%	1.9%
Only blacks till demographically representative	5.8%	7.1%	1.0%	0.8%	1.6%
Appointments should be made on merit, with special training for the disadvantaged	70.0%	71.2%	66.8%	84.2%	59.2%
All appointments should be made on merit alone, without such training	19.4%	16.1%	30.2%	15.0%	37.0%

Should race be used in senior municipal job appointments?

Municipal efficiency has a major bearing on service delivery, which in turn affects the lives of millions of South Africans, especially the poor. So the IRR's 2015 survey also asked whether senior municipal job appointments should be based on political or personal contacts, on race, or on merit. The answers are given in **Table 7**. Only 2.5% of respondents thought job appointments should be based on political or personal contacts. Still fewer, a scant 1.2%, thought such appointments should be based on race. By contrast, 93.7% thought appointments should be based on 'ability to do the job'. A huge preference for merit over racial identity is thus evident here. Among the tiny minority who thought appointments to such jobs should indeed be based on race, there was more support for this perspective from whites (2.8%) than from blacks (1.1%).

Table 7

<i>Appointments to senior municipal jobs to be based on</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Political contacts	2.5%	2.8%	1.3%	0.0%	2.0%
Personal contacts	2.5%	2.8%	1.5%	0.0%	1.6%
Race	1.2%	1.1%	0.5%	0.0%	2.8%
Ability to do the job	93.7%	93.2%	96.6%	100%	93.4%

Should race be used for senior jobs in business?

The IRR then followed up by asking if senior jobs in the private sector should be based on political or personal contacts, on race, or on the ability to do the job (see **Table 8**). Again, support for this last option was overwhelming, with 92.7% of all respondents endorsing it. A higher proportion of blacks (2.7%) thought race should be used for senior business jobs, as opposed to senior municipal ones (1.1%). Again, the proportion of whites endorsing the use of race for business appointments was higher still, at 3.3%.

Table 8

<i>Appointments to senior jobs in business should be based on</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Political contacts	1.6%	1.8%	0.7%	1.5%	1.3%
Personal contacts	3.0%	3.5%	1.2%	0.7%	1.6%
Race	2.6%	2.7%	1.6%	0.0%	3.3%
Ability to do the job	92.7%	92.0%	96.2%	97.8%	93.5%

Black economic empowerment (BEE)

Our survey also probed public attitudes to BEE policies, as reflected in the generic codes of good practice. Again, it began by asking respondents whether BEE helped poor people, before going on to ask whether it helped their own communities or them personally. Again, when people were asked to think beyond the abstract to the concrete, few respondents thought that BEE policies had much practical impact.

Hence, whereas 58% of all respondents said BEE policies 'helped poor people', only 40% thought these policies helped their communities. A mere 12.8% said BEE deals had helped them personally, while 10.5% said they had personally been awarded a BEE tender. Constant messaging about the benefits of BEE has thus again helped create perceptions that these policies help the poor, but in practice few people have experienced these gains for themselves (see **Table 9**).

Ironically, a small proportion of whites has also benefited from BEE policies: perhaps by helping to advise on BEE deals, or by sub-contracting to do the work a BEE contractor has been appointed to perform. Hence, 9.4% of whites (as contrasted with 14.2% of blacks) say they have benefited from BEE deals. In addition, 10% of whites say they have been awarded BEE tenders, which is very similar to the 11.5% of blacks who have benefited in this way.

Table 9

<i>Have BEE policies helped poor blacks?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Yes	58.0%	60.3%	46.9%	63.5%	48.7%
No	41.9%	39.6%	53.1%	36.5%	51.0%
<i>Have BEE policies helped your community?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Yes	40.0%	44.2%	20.7%	23.7%	29.0%
No	59.7%	55.5%	79.3%	75.6%	70.5%
<i>Have BEE deals helped you personally?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Yes	12.8%	14.2%	7.4%	5.5%	9.4%
No	86.3%	85.1%	91.9%	94.5%	88.6%
<i>Have you yourself been awarded a BEE tender?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Yes	10.5%	11.5%	5.3%	1.5%	10.0%
No	89.3%	88.3%	94.5%	98.5%	89.5%

Further questions were then asked to probe public views on preferential BEE procurement policies, which have often resulted in inflated prices and poor quality. Roughly three quarters (74%) of respondents were opposed to BEE procurement that resulted in such waste, as shown in **Table 10**, while close on two thirds (64%) thought such procurement should be stopped.

Table 10

<i>Should a more costly BEE firm build a local school?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Yes	25.4%	27.0%	20.4%	19.6%	19.0%
No	74.3%	72.8%	79.1%	80.4%	80.6%
<i>Should procurement that leads to inflated prices be stopped?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	64.2%	64.5%	60.0%	65.6%	64.9%
Disagree	35.8%	35.4%	40.0%	34.4%	35.1%

Respondents were also asked whether people should get government tenders based on political and personal contacts, on race, or on ability to do the job. Faced with this choice, only 2% of all respondents – and 1.9% of blacks – agreed that government tenders should be awarded on the basis of race. An overwhelming majority of 93.9% said that ‘ability to do the job’ should be the basis for the award (see **Table 11**).

Table 11

<i>People should get government tenders based on</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Political contacts	1.5%	1.8%	0.0%	0.0%	1.6%
Personal contacts	2.5%	2.8%	0.6%	0.0%	2.4%
Race	2.0%	1.9%	1.7%	2.1%	3.4%
Ability to do the job	93.9%	93.5%	97.8%	97.9%	92.3%

Land reform

In the various open-ended questions that were initially put to respondents at the start of their interviews, few people flagged land ownership as a major concern. Asked to list ‘the two most serious problems unresolved since 1994’, only nine people out of the 2 245 surveyed (0.4% of the total) identified land ownership as a problem of this kind. In addition, when people were asked to list ‘the two main causes of inequality’, only 1% mentioned land ownership. Moreover, though 4.7% identified ‘a lack of resources’ as a key reason for inequality, there was little to suggest that they had land in mind. In addition, when people were thereafter asked whether ‘more land reform’ was ‘the most important thing the government could do to improve the lives of people in their communities’, only 2.2% endorsed this option.

However, when specific questions about land reform were later posed, the impact of government messaging was again evident, for 59.6% of respondents now agreed that land reform ‘helps poor blacks’. By contrast, only 37.1% saw any benefit in it for their own communities, while a mere 11.3% said land reform had ‘helped them personally’. Again, this suggests that the government’s constant emphasis on the need for more land reform has influenced how people think in the abstract. But when they are asked to consider what the concrete benefits of land reform have been for their communities or for themselves, their answers are very different, as shown in **Table 12**. In addition, many of those who said that they or their communities had benefited from land reform may have been thinking of the R8bn paid out in recent years to successful land claimants who opted for cash instead of the return of their land.

Table 12

<i>Land reform helps poor blacks</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	59.6%	62.0%	52.5%	64.6%	45.9%
Disagree	40.2%	37.9%	47.2%	35.4%	52.6%
<i>Land reform helps your community</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	37.1%	40.9%	22.4%	21.4%	24.6%
Disagree	62.7%	59.0%	77.3%	78.6%	74.2%
<i>Land reform has helped you personally</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Agree	11.3%	12.2%	6.5%	4.0%	10.8%
Disagree	88.4%	87.5%	92.7%	96.0%	88.6%

The survey then asked people to consider two possible options. If the government were to give them land, would they prefer to have land to farm in the rural areas or land for housing in the towns and cities? Here, 58.3% opted for urban land, whereas only 37.1% said they would like to have land to farm (see **Table 13**). Among blacks, the proportions were much the same, with 55.2% in favour of urban land and 39.5% wanting land to farm.

This once again confirms that South Africa is a rapidly urbanising society in which relatively few people want land to farm. As the minister of rural development and land reform, Gugile Nkwinti, acknowledged in 2013, most people have become urbanised and ‘de-culturised’ in terms of tilling land. ‘We no longer have a peasantry; we have wage earners now,’ he said. In these circumstances, if unemployment were less acute and the housing shortage not so intractable, still more respondents would probably have opted for urban land for housing rather than rural land to farm. Some of those who said they would like rural land may also not in fact want to farm it, but rather to have it available as a family home in addition to their urban dwellings.

Table 13

<i>If given land, do you prefer farm or city?</i>	<i>Total</i>	<i>Black</i>	<i>Coloured</i>	<i>Indian/Asian</i>	<i>White</i>
Farm land	37.1%	39.5%	24.5%	21.8%	33.4%
Urban land	58.3%	55.2%	73.7%	78.2%	63.2%
No choice	4.7%	5.3%	1.9%	0.0%	3.4%

A key reality check

Given the ANC’s determination to keep tightening up its transformation laws, the results of the IRR’s 2015 survey provide an important reality check. Very few people (5%) believe that more BEE or affirmative action in employment will help to improve lives. Even fewer (2%) believe that land reform will achieve this outcome. This gives the lie to ANC claims that the masses would rise up in revolt were it not for its BEE, employment equity, and land reform policies.

The ruling party also often claims that its electoral majority (in the 2014 election the ANC won 62% of the seats in the National Assembly) shows solid voter support for these transformation laws. In fact, however, more than 40% of potential voters chose not to vote at all in the 2014 election, which means the ANC won its apparently resounding majority with the support of only 36% of eligible voters. Moreover, when asked for their views on transformation policies, most South Africans say they bring few practical benefits to their communities or to themselves.

When people think about these policies in the abstract, government messaging in support of them has clearly had major impact. Hence, when South Africans are asked if employment equity, BEE, or land reform ‘help poor black people’, some 55% agree that this is so. The level of agreement among black people is higher still, at around 60%. However, when people are asked to consider the practical impact of these policies, only about 12% of South Africans – and roughly 15% of blacks – say they have benefited personally from them. There is thus a sharp divergence between the theoretical help these policies are supposed to provide and the practical benefits they in fact make available.

Only 5% think more BEE or employment equity will help improve lives.

At the same time, ordinary South Africans strongly believe that job appointments should be based on merit, rather than on race, with more than 87% endorsing this perspective. Public support for the Employment Equity Act – which effectively requires that only black people be appointed to jobs until demographic representivity has been reached – is particularly limited.

A scant 2% believe more land reform will help improve lives.

In fact, only 6% of South Africans endorse this approach. Among blacks, a mere 7% now support it – which is sharply down from the 19% who endorsed this option in 1996 and the 13% who supported it in 2000. In addition, only 17% of blacks say they have benefited personally from employment equity.

When it comes to BEE requirements, as reflected in the generic codes, fewer than 15% of blacks say they have benefited personally from a BEE deal or a BEE tender. (Ironically, roughly 10% of whites also say that they have benefited in these ways). Some three-quarters (74%) of South Africans are opposed to BEE procurement which artificially inflates prices. Moreover, close on two-thirds (65%) say BEE procurement of this kind should be stopped.

As regards land reform, only 9 respondents out of 2 245 (0.4% of the total) identify land ownership as a serious unresolved problem, while a scant 2% believe more land reform will help to improve lives. Roughly 12% of blacks say they have benefited personally from land reform, but many may have in mind the cash payments made to those who wanted money rather than land.

Overall, the results of the IRR's field survey contradict the ANC's claims of mass support for its transformation policies. They also confirm that only about 15% of South Africans benefit personally from these policies, while the remaining 85% experience no gain from them at all.

Instead of heeding these important realities, the government is busy ratcheting up all these transformation laws. The land restitution process – which has already resulted in at least 70% of restored land 'dying in the hands of the poor' (to cite the words of Thozì Ngwanya, a former director general of land) – has been reopened for five years, putting further huge pressure on the rural economy and the country's food security. Property rights, which are the key to economic prosperity and political liberty all around the world, are also being steadily whittled away. In addition, the government has little intention of transferring to black South Africans the land ownership it is busy taking away from whites. Instead, the state plans to retain the land for itself, in what amounts to a process of creeping land nationalisation. Hence, though the aim is ostensibly to empower black people through land reform, the real goal is to build up ownership and control by the state en route to a socialist and then communist South Africa.

In recent years, the BEE rules in the generic codes have also been radically changed. The new requirements are far more onerous and will be extremely difficult and costly for business to fulfil. These new BEE rules also erode private ownership rights and reduce business autonomy in a host of important spheres. Yet even the simpler rules which earlier applied have helped to deter the foreign direct investment (FDI) that South Africa so badly needs. As Nigerian billionaire Aliko Dangote said in 2013, Nigeria used to have similar ownership rules but it scrapped them because they encouraged foreign investors to go elsewhere. Far from heeding this important lesson and finding more effective

The state plans to take land for itself, in a process of creeping land nationalisation.

ways to overcome disadvantage, the Government remains intent on trussing business up in ever more BEE red tape.

In 2013 the government also tightened up the Employment Equity Act by reducing defences and more than tripling fines for firms battling to fill unrealistic racial targets. This has further eroded the business environment. Despite the clear lessons from the public service –

BEE has helped deter the FDI that South Africa so badly needs.

where a rigid application of racial targets has resulted in a crippling loss of experience and institutional memory – the private sector is now being pushed in the same damaging direction. This will further limit investment, growth, and jobs, making it harder still to overcome disadvantage.

Despite the obvious dangers in tightening up these transformation policies in these ways, politicians across the political spectrum – along with many journalists, business leaders, civil society organisations, and other commentators – seem blind to the evident risks. In a way, this myopia seems to mirror the IRR's survey results, which show significant support for these policies in the abstract, even though most people know they do little to help roughly 85% of South Africans.

Like the ordinary man and woman in the street, politicians and other commentators may by now have become so conditioned by the rhetoric that transformation helps provide redress for past injustice that they find it difficult to question this claim. Confronted by evidence that these policies help only 15% of blacks, the instinct of politicians, in particular, is to say that existing policies will be tightened up and loopholes closed – and that transformation policies will *then* start to deliver on what the rhetoric promises. Thus far, however, the poor have not been helped by the ratcheting up of these policies. Instead, they have been further harmed, as the main effect of these policy shifts has been to help crush the remaining life out of the economy and make it harder still for poor people to gain jobs and get ahead.

Time for a major policy re-think

In 1994, shortly before it came to power, the ANC put forward a compelling case for affirmative action in employment, business, and land ownership. It did so, however, by holding out a beguiling vision of these policies, which in practice has proved flawed and false. Not surprisingly, the gains that were promised have thus not materialised. Instead, it is the ANC's own warnings about the potential damage from affirmative action that have proved prophetic.

In its 1994 document in support of affirmative action, the ANC said that affirmative action in employment would 'mainly' take the form of correcting past injustice through the application of 'normal and non-controversial principles of good government'. There would also have to be 'special measures' to bar racial discrimination, bring about 'balance in the armed forces, the police, and the civil service' and ensure that the workforce as a whole became 'representative of the talents and skills of the whole population'.

These goals naturally garnered wide support across all racial groups. However, the vision thus held out has not in fact been realised under the Employment Equity Act. Instead, a rigid emphasis on racial 'targets' has undermined the efficiency of the public service, eroded the state's capacity for 'good government', and barred the use of many of the 'talents and skills' that would otherwise be available.

The ANC's beguiling vision of transformation has proved flawed and false.

In its 1994 document, the ANC also said that BEE was needed to help remove 'all the obstacles to the development of black entrepreneurial capacity'. It would also help unleash 'the full potential of all South Africans to contribute to wealth creation'. Again, however, this is not what BEE policies have achieved in practice.

BEE does little to develop black entrepreneurship or contribute to wealth creation.

Instead, black entrepreneurship is being crippled (in the words of political analyst Moeletsi Mbeki) by BEE rules. These have 'generated an entitlement culture', in terms of which 'black people... think they should acquire assets free and that somebody else is there to make them rich, rather than that they should build enterprises from the ground'. In addition, far from contributing to wealth creation, BEE's major economic costs and ever shifting rules have also eroded business confidence, deterred investment, and helped reduce the economic growth rate to less than 1% of gross domestic product (GDP) a year.

At the same time, BEE benefits have gone mainly to a relatively small black elite, many of whom have used their political connections to garner great wealth through ownership deals and preferential procurement. Though BEE has thus helped to expand the black middle class, it has also fostered a toxic mix of inefficiency, waste and corruption that frequently causes great harm to the 17 million poor black South Africans heavily dependent on the state for schools, hospitals, houses, water, and other services. At the same time, these South Africans have little prospect of ever themselves benefiting from BEE ownership deals, management posts, procurement contracts, or new small businesses to run.

As regards land reform, in its 1994 document the ANC said this would be aimed at 'rectifying' land ownership, strengthening the property rights of all, and making land available for housing as well as to those who wished to farm. In practice, however, these goals have also been forgotten.

Instead, land reform is increasingly being used to erode the property rights of all South Africans, while black people are being barred from gaining (or retaining) individual ownership of agricultural land. The importance of urban land for housing is also being overlooked. Though South Africa is already 65% urbanised and most people want jobs in towns and cities, the ANC now increasingly claims that rural land hunger is the main reason for poverty – and that smallholder farming is the key to individual prosperity and economic growth.

In its 1994 document, the ANC recognised that affirmative action could harm rather than help, depending on how it was implemented. Said the organisation: 'If well handled, affirmative action will help bind the nation together and produce benefits for everyone. If badly managed, we will simply redistribute resentment, damage the economy, and destroy social peace.'

Far from achieving the mooted gains, affirmative action has fostered all the negative consequences of which the ANC warned. Minority resentment, though muted, has increased since 1994. More seriously still, the economy now stands on the brink of recession, and South Africa recorded some 14 700 demonstrations in 2014, some 2 300 of which involved some element of violence.

Land reform is neither 'rectifying' land ownership nor strengthening property rights.

'Social peace' within the country is also being undermined by the racial classification that race-based policies inevitably require. These policies have effectively breathed new life into the Population Registration Act of 1950, under which all South Africans were officially classified as black, coloured, Indian or white for much of the apartheid era. The National Party

Without race-based policies, racial classification would by now be a distant memory.

government finally repealed the statute in 1991, as part of the political transition. But in 2016, a quarter of a century later, public servants, private sector employees, applicants for jobs, and business people trying to comply with BEE rules are all required (in some informal and unspecified way) to classify themselves or others into the very same apartheid-era categories.

Without race-based employment equity, BEE, and land reform policies, racial classification would by now have become a distant memory: something that older generations had been obliged to endure but which 'born-free' South Africans could escape. Instead, these policies have kept racial tagging alive.

Though racial goodwill has greatly improved since 1994 and remains yet strong (as the IRR's field survey also confirms), the present emphasis on racial identity in BEE and related policies reinforces racial stereotypes and fosters polarisation around race. It also opens the door to racial scapegoating. With racial rhetoric on the rise on campuses and social media, the most important anti-racism measure required is not the criminalisation of racist conduct and speech, as now proposed by the ANC, but rather the repeal of all race-based transformation laws.

Moving from BEE to EED

At the same time, however, it remains vitally important to increase opportunities for the poor and unemployed. This cannot be done without overcoming key barriers to upward mobility, which include:

- a meagre economic growth rate (around 1% of GDP a year instead of the 6% or more required);
- one of the worst public education systems in the world, despite the massive tax revenues allocated to it;
- stubbornly high unemployment rates on a broad definition (35% among South Africans in general and 63% among young people), made worse by labour laws that encourage violent strikes, deter job creation, and price the unskilled out of work;
- pervasive family breakdown, as a result of which some 70% of black children grow up without the support and guidance of both parents;
- electricity shortages and costs, compounded by general government inefficiency in the management and maintenance of vital economic and social infrastructure;
- a limited and struggling small business sector, unable to thrive in an environment of low growth, poor skills, and suffocating red tape; and

It remains vitally important to expand opportunities for the poor and unemployed.

- a mistaken reliance on affirmative action measures, which (like similar policies all around the world) generally benefit a relative elite while bypassing the poor.

The answer lies in shifting to a new system of ‘economic empowerment for the disadvantaged’ or ‘EED’.

‘Intensifying’ BEE and other transformation policies, as the ANC urges, will not help to overcome these problems. On the contrary, any further erosion of property rights and business autonomy will raise these barriers still higher. So too will any further exclusion of white skills, experience, and entrepreneurship from the floundering economy.

What, then, is to be done? The answer lies in shifting away from BEE and other race-based policies and embracing a new system of ‘economic empowerment for the disadvantaged’ or ‘EED’.

EED differs from BEE in two key ways. First, it no longer uses race as a proxy for disadvantage. Instead, it cuts to the heart of the matter by focusing directly on disadvantage and using income and other indicators of socio-economic status to identify those most in need of help. This allows racial classification and racial preferences to fall away, instead of becoming permanent features of policy. This in turn will reduce racial awareness and potential racial polarisation, helping South Africa to attain and uphold the principle of ‘non-racialism’ embedded in the Constitution.

Second, EED focuses not on outputs in the form of numerical quotas, but rather on providing the inputs necessary to empower poor people. Far from overlooking the key barriers to upward mobility, it seeks to overcome these by focusing on all the right ‘Es’. In essence, it aims at rapid economic growth, excellent education, very much more employment, and the promotion of vibrant and successful entrepreneurship.

EED policies aimed at achieving these crucial objectives should be accompanied by a new EED scorecard, to replace the current BEE one. Under this revised scorecard, businesses would earn (voluntary) EED points for:

- any direct investment within the country;
- maintaining and, in particular, expanding jobs;
- contributing to tax revenues;
- helping to generate export earnings;
- appointing staff on a ‘wide’ definition of merit which takes into account the extent to which people have succeeded in overcoming disadvantage in the form of poor schooling, bad living conditions, and the like;
- providing intensified training and mentoring for personnel appointed on this basis;
- entering into employee share ownership programmes with all staff, with additional points available for schemes that bring added benefits to the disadvantaged;
- participating in initiatives aimed at improving education, health care, and housing for the disadvantaged; and

EED would overcome barriers to upward mobility, which race-based policies ignore or make worse.

- entering into public-private partnerships to improve the delivery of essential services, ranging from electricity to clean water and efficient transport logistics.

Expanding opportunities requires economic growth at 6% of GDP a year, which EED will help achieve.

After decades of damaging employment equity, BEE, and land reform policies, it is time to call a halt. South Africa cannot hope to expand opportunities for the disadvantaged unless it raises the annual growth rate to 6% of GDP or more. A shift to EED will help achieve this. By contrast, 'intensified' transformation policies are likely to push the economy into persistent and destructive recession.

If Mr Ramaphosa is right in saying that the government is 'obsessed with empowering black South Africans', it cannot do better than endorse the EED idea. Unlike current policies, EED will be effective in empowering the many. EED will work to the benefit of blacks in general – not merely to the advantage of a relatively small black elite (and a similar proportion of whites).

Fortunately for the ruling party, current transformation policies have so little real support among South Africans that the ANC has very little to fear – and a huge amount to gain – in making this essential shift from BEE to EED.

— **Anthea Jeffery**

- * **Jeffery is Head of Policy Research at the IRR and the author, among other books, of *BEE: Helping or Hurting?***

(Some of the questions asked in 2015 have been shortened to fit into the relevant tables. The full text of these questions is available on request.)

@Liberty is a free publication of the IRR which readers are welcome to distribute as widely as they choose.