

BLACK ECONOMIC EMPOWERMENT

Handicaps and Reconceptualization

Şenol Öztürk

As an initiative to transform the economic order of the new democratic government of post-1994, Black Economic Empowerment (BEE) was adopted as a strategy to enfranchise those marginalised by apartheid economically. However, an evaluation of the BEE strategy indicates that the macro-economic implications of the strategy are still not making the socio-economic impact it ought to have had in the third decade into democracy.

Current research on evaluating the strategy advises that a serious reconceptualization and reformulation of the strategy is required in order to reach more accurate and favourable results for both government and civil society alike. Moreover, the literature indicates that BEE as a strategic initiative of the government is also constrained by certain structural barriers which hinder its implementation; such barriers include, inter alia, economic vulnerability to the forces of global capital under an open economy, clientelistic governance, the scale of the task in terms of numbers and deficiencies amongst the targeted group.

In this study, a systematic literature review is implemented evaluating the role of the BEE strategy in improving many of South Africa's previously disadvantaged communities. Furthermore, the paper aims to analyze the effect/s of institutional factors on the BEE strategy in a holistic way, and finally, it aims to develop policy recommendations to supplement the current BEE strategy.



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EXECUTIVE SUMMARY

As an initiative to transform the economic order of the new democratic government of post-1994, Black Economic Empowerment (BEE) was adopted as a strategy to enfranchise those marginalised by apartheid economically. However, an evaluation of the BEE strategy indicates that the macro-economic implications of the strategy are still not making the socio-economic impact it ought to have had in the third decade into democracy.

Current research on evaluating the strategy advises that a serious reconceptualization and reformulation of the strategy is required in order to reach more accurate and favourable results for both government and civil society alike. Moreover, the literature indicates that BEE as a strategic initiative of the government is also constrained by certain structural barriers which hinder its implementation; such barriers include, inter alia, economic vulnerability to the forces of global capital under an open economy, clientelistic governance, the scale of the task in terms of numbers and deficiencies amongst the targeted group.

Furthermore, when the strategy is evaluated from an institutional perspective, it is seen that economic structure, the effects of globalisation on the macro-economy, administrative weaknesses and the quality of management, as well as inadequacies of the targeted population, are also regarded as the contributors towards South Africa's socio-economic landscape, which affects the performance of the BEE strategy.

In this article, a systematic literature review is implemented evaluating the role of the BEE strategy in improving many of South Africa's previously disadvantaged communities. Furthermore, the paper aims to analyze the effect/s of institutional factors on the BEE strategy in a holistic way, and finally, it aims to develop policy recommendations to supplement the current BEE strategy.

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Abbreviations

ANC	African National Congress
AsgiSA	Accelerated and Shared Growth Initiative For South Africa
BEE	Black Economic Empowerment
B-BBEE	Broad-Based Black Economic Empowerment
BSM	Business Sophistication Measure
BUSA	Business Unity South Africa
CEE	Commission for Employment Equity
CEOs	Chief Executive Officers
CODESA	Convention for a Democratic South Africa
COSATU	Congress of South African Trade Unions
DTI	Department of Trade and Industry
EAP	Employment Age Population
EED	Economic Empowerment for the Disadvantaged
EFF	Economic Freedom Fighters
EMEs	Exempted Micro Enterprises
GDP	Gross Domestic Product
GEAR	Growth, Employment and Redistribution Program
JSE	Johannesburg Stock Exchange
LBPL	Lower-bound Poverty Line
NDP	National Development Plan
NGP	New Growth Path
NP	National Party
NSC	National Security Council
OECD	Organisation for Economic Co-operation and Development
QSEs	Qualifying Small Enterprises
PDIs	Previously Disadvantaged Individuals
PPP	Public-private Partnerships
RDP	Reconstruction and Development Programme
SADHS	South Africa Demographic and Health Survey
SALDRU	Southern Africa Labour and Development Research Unit
SAMPI	South African Multidimensional Poverty Index
SMEs	Small and Medium-sized Enterprises

SMMEs	Small, Micro and Medium Enterprises
SWOT	Strengths, Weaknesses, Opportunities and Threats
UDF	United Democratic Front

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INTRODUCTION

After the new democratic dispensation post-1994, South Africa launched a massive societal empowerment strategy to transform the unequal economic structure produced by the discriminative policies of post-colonial and apartheid regimes for over a century. BEE was adopted as a programme under the Department of Trade and Industry (DTI) programme to stimulate growth and assist those who were previously marginalised (African, Indian, Coloured, Chinese, especially the youth, women, the disabled and the rural poor). While these programs were initiated with good intentions, they have been criticised in some circles because of poor targets and deliverables, unfavourable economic conditions and implementation challenges such as clientelism.

Though there have been considerable developments in education, access to basic services and poverty reduction, it is accepted by all the parties that there is still a long way to go before realising real economic emancipation through the BEE. For example, the Reconstruction and Development Programme (RDP) of 1994 outlined broad economic targets to transform the economy by 2014 (DTI, 2003: 3), but even today, there has been a minimal change to the economic structure.

There are two primary reasons for the adoption of a BEE strategy. Firstly, enhancing asset transfer for previously disadvantaged people and transforming the economic structure, and secondly, increasing the pace of skills development for the human capital as a requisite for economic development.

Also, the broad-based black economic empowerment (BBBEE) is crucial for South Africa because it aims to be a developmental state and accomplish economic and social development simultaneously and manage the economy proactively.

Researchers studying the strategy generally advise to re-conceptualise and reformulate BEE in order to reach more accurate and favourable results. However, when analysed, approaches and proposals of these studies indicate that they are generally partial and include a hidden ideology. Despite the fruitless attempts to resolve BEE's problems thus far, the strategy seems to be an imperative action to capacitate previously disadvantaged people of South Africa and must be evaluated comprehensively in order to develop a fundamental understanding of whether it has benefitted those who ought to have benefitted from it.

When the developmental progress of the BEE strategy is analysed, it seems apparent that factors which deter the accomplishment of BEE are primarily structural and inter-related and thus can be removed by applying corrective and holistic approaches in accordance with economic, political and social structural realities of South Africa.

Accordingly, the study is based on analyzing the welfare state's institutional approach, which is also commonly shared by social theory, which is very functional in evaluating a socio-economic concept such as BEE.

This study aims to demonstrate the institutional factors that act on BEE and the criticisms levelled again and then develop the most appropriate policy for the BEE, using a systematic literature review.

A HISTORICAL OVERVIEW

In 1948, the National Party (NP) adopted apartheid regime as its formal policy, with legal discriminatory policies against black people, which included systematic discrimination against people of Indian origin and the coloured. However, many other African countries began to gain independence and advocated freedom movements in Africa, such as the ANC play a more significant role in militating for democracy in the 1960s and 1970s (Rakometsi, 2008: 112-197; SAHO, 10 August 2017). Besides the local opposition to apartheid regime, the international community was made more aware of the restraints placed on the majority of South Africans, which led to a call for sanctions from around 1964, and sanctions became more severe in the 1980s. With the full impact of sanctions being felt and the traction gained domestically by political movements, for example, those by the United Democratic Front (UDF), the 1990s saw a capitulation of the apartheid regime. The CODESA talks led to a democratic settlement, with the ANC winning the first democratic elections that were contested in 1994 (Maharaj 2008: 25).

Despite gaining political freedom in 1994, the colonial legacy and apartheid policies economically excluded most of the country's previously disadvantaged population from participation in the mainstream economy, much of which was, and still is, owned by the white capitalists. During the apartheid regime, the black population was discriminated against by legislation regarding employment, human capital, enterprise ownership, administration and access to

social and physical services. (Engdahl and Hauki 2001: 11; Patel and Graham 2012: 194).

This systematic disempowerment resulted in a landless black majority with restricted access to skills development and deliberately prohibited black people from generating self-employment and entrepreneurship, from attaining technological and professional careers and from the long-run process of capital accrual and growth (DTI 2003: 7).

It can be accepted that inequality and exploitation started with expelling black people from their home land and utilizing them as forced labour in the mines at the end of the 1880s in South Africa. With this forced labour policy, black people lost their productive skills and abilities (Makhunga, 2008: 2).

The Land Act of 1913 forbade black Africans from purchasing land out of rural areas, which were only 7,3% of the country's acreage and granted to black people. As a result of this Act and The Group Areas Act, 86% of fertile lands in South Africa was owned by white people (Engdahl and Hauki 2001: 12; Makhunga, 2008: 25).

Black people were able to work only as labour force in an economy controlled by whites, and their mobility was limited within the country due to legislation. They could do trading of daily basic consumption goods in only their territories. In 1952, the definition of the black citizen having the right to permanent residence in the towns was again restricted by the Act of Amendment Law of Local People (Engdahl and Hauki 2001: 11; Butler, 2011: 54).

Black people were banned from establishing a business employing more than one person and also to be employed or were limited in particular industries. Therefore, black people were excluded from several important fields such as finance, manufacturing and wholesale as an entrepreneur and from jobs requiring technical and managerial qualifications as workforce (Engdahl and Hauki 2001: 11).

In 1953, the Bantu education system was established for black

people and in this system, science and mathematics were excluded, and they were able to study only social sciences, teaching and law. In limited cases, black students could study in business, finance and engineering in white universities with special governmental permission. The Black Education Act of 1953 fixed the expenditure on black education at the same level as that of black taxes, and with the extension of the University Education Act in 1959, black students were prohibited from studying with whites (Engdahl and Hauki, 2001: 12; Butler, 2011: 54; Rensburg, 2010: 33).

Table 1: Indicators of Inequality at the End of the Apartheid (Makhunga; 2008: 22-23; Engdahl and Hauki, 2001: 12; Rensburg, 2010: 32; Human, 2006: 3)

Indicator	Rate %
Rate of whites in total population	13%
Rate of whites in professional and managerial positions	80% and 93%
Rate of companies in the JSE having black directors	0,5%
Rate of formally educated black people over 20 age	20%
Average literacy rate of black people	73%
The rate of black people who could pass grade 5	20%
Income of blacks, the colored and Indians to the rate of whites	13%, 27% and 40%

Deracializing The Economic Structure By Adopting Bee

During the post-1994 period, a restructuring and asset transfer process was kickstarted to grant economic and social rights to the disadvantaged groups in society - the strategy was then called Black

Economic Empowerment¹ (BEE).

The BEE commenced with a socio-economic policy framework called The Reconstruction and Development Programme (RDP), which was implemented in 1994 and continued with a macro-economic strategy called Growth, Employment and Redistribution Program (GEAR) of 1996 (Engdahl and Hauki, 2001: 20).

So far, the empowerment strategy has been implemented with different policies and programs in successive phases.

At the first stage, the empowerment practices, which were materialized just after 1994, focused on the transfer of property ownership and unfortunately, only a limited black elite utilized these empowerment practices, but not ordinary black people.

A BEE Commission was set up in 1999 to give impetus to the BEE due to the stock market crises of 1998 (Engdahl and Hauki, 2001: 49), and this commission directed the government to adopt a new empowerment approach (Acemoglu, Gelb and Robinson; 2007: 7).

Following the first stage, a new empowerment approach that not only focusing on company ownership but also on a healthy transformation, operational control, added value and representation of the disadvantaged was accepted. The social development approach, which harmonized economic and social aims in eliminating poverty, constituted the basis of the strategy. According to this approach, development is an essential way to remove poverty, empower individuals, and increase their participation in economy

¹ In fact, the history of the implementations in scope of Black Economic Empowerment Program (BEE) goes back to end of 1980s. During these years, due to an exclusion of South Africa from global economy by international embargos against discrimination, it had been conceived to revise racial ownership structure and to create a black middle class in the economy without a serious change on main contexture in order to sustain free market economy and democratic political system. At this stage, companies started to employ black people from middle class without any authorization due to mostly economic concerns (Engdahl and Hauki, 2001: 13). Also, the colored and Indians started to be involved in governmental positions in different ways in 1980s (Human, 2006: 2).

However, these implementations which started by such pressures were not comprehensive and supplied only few politically effective blacks with some limited benefits (Orton, 2008: 35-36).

In 1989, the Conference of National Social Welfare Policy was held in Johannesburg and in this conference a uniter welfare system which was non-racial and based on needs of most of the population was adopted. Again, in 1991, as a part of determination for road map of this conference, A Negotiation Concurrence for Social Welfare in Restructuring and Social Development was held and a non-racial government and social welfare mechanism was adopted towards the welfare of all citizens (Gray 2006; 57).

(Gray 2006; 53-56).

In 2003 the Broad-Based Black Economic Empowerment (BBBEE) Program was implemented because the previous narrow empowerment program (BEE) had not transformed the economic structure and failed to redistribute.

This new broad-based and state lead empowerment model aimed to reach a wider beneficiary group by emphasizing not only sharing ownership but also delivering management-control of companies to the blacks (direct empowerment), fostering recruitment and promotion of blacks for managerial and administrative positions (human resources development) and ensuring private sector to purchase inputs from black companies (indirect empowerment) (Schneiderman;2010: 11). In 2003 scorecard implementation was commenced, but practice codes – codes of good conduct for the scorecard evaluation were launched in 2007 (Horwitz and Jain; 2011: 309).

In order to make economic development sustainable and suitable for the empowerment strategy, in 2005, the GEAR program gave its place to the Accelerated and Shared Growth Initiative For South Africa (AsgiSA), which indicates maybe the fourth stage as a transition into a welfare state. The AsgiSA is a revised version of the RDP and aims to accelerate economic growth and redistribution of the assets by allocating the public resources year by year for infrastructure and fighting unemployment (Coomey, 2007: 32). AsgiSA was replaced by New Growth Path (NGP) in 2010. NGP program prescribes a strategy emphasizing the creation of decent employment and a new policy approach supporting the labour and by 2020 aims to increase employment by more than five million and decrease unemployment by 10% through public infrastructure programs. Also, in 2012, the National Development Plan – Vision 2030 (NDP) was adopted in order to create a consensus for reaching a society in which poverty and inequality have been considerably decreased (Gumede, 2013: 2).

Due to serious gaps identified with the implementation of the

BBBEE Act since 2003, the B-BBEE Act was amended through the B-BBEE Amendment Act No.46 of 2013, B-BBEE Commission was established to monitor implementation and ensure compliance with the requirements of the B-BBEE Act. The B-BBEE Commission has such missions as educating, guiding, investigating, researching and reporting, and implementing beneficial collaboration with critical stakeholders (BBBEEC,2016: 4).

With the allocation of budget for the establishment phase, it was anticipated that the B-BBEE Commission would be operational by 4 April 2016 (BBBEEC, 2016: 17).



DEFINITION OF BEE

The South African government defines BEE as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities” (DTI, 2003: 15).

According to the Broad-Based Black Economic Empowerment Act No 53 of 2003, BBBEE means “the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include but are not limited to;

- increasing the number of black people that manage, own and control enterprises and productive assets;
- facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises;
- human resource and skills development;
- achieving equitable representation in all occupational categories and levels in the workforce;
- preferential procurement; and
- investment in enterprises that are owned or managed by black people” (SA, 2003).

Policymakers are accused of not developing an exact definition of the empowerment, but only “amorphous, slippery catch-phrase” statements of BEE, which describe what this revised policy framework would achieve, in fact, instead of a definition (Lindsay, 2015: 174). It is asserted that defective conceptualization and formulation of the empowerment were caused by the fact that the ANC was unexpectedly unbanned and unprepared for its role, so its cadre could not properly respond to encountered challenges (Lindsay, 2015: 286).

However, there is no universally accepted meaning of BEE for South Africa in the literature, since it changes according to the context and purpose, which scholars prioritise (Shava, 2016: 162).

While the concept of empowerment entails the transfer of power to the disadvantaged and helping beneficiaries use this power to their own benefit and that of the broader community, it is argued that B-BBEE cannot be termed as an empowerment policy because it is an inherently cronyist policy framework and materializes only employment policies that simply create access to wealth and position in practice. (Lindsay, 2015: 314).

According to the government, BBEEE should be viewed as a part of a broad scope of empowerment processes, including job creation, employment equity, rural development, urban renewal, poverty alleviation, land ownership, specific measures to empower black women, skills and management development, education, meaningful ownership, enterprise development and incentive schemes, access to finance for households and for the purpose of conducting business (BEECom, 2001: 2; Lindsay, 2015: 5- 168; DTI, 2013: 25).

LEGISLATIVE FRAMEWORK THAT IMPACTS ON BEE

Black economic empowerment exists within the following legislative context (Rensburg, 2010: 51-52):

- The Constitution, (No 108 of 1996).
- The Broad-Based Black Economic Empowerment Act (No 53 of 2003 and No 46 of 2013)
- B-BBEE Codes of Good Practice, 2013
- The Preferential Procurement Policy Framework Act and regulations in terms thereof. (Act 5 of 2000)
- The Public Finance Management Act (Act 1 of 1999, including Treasury Regulations and Directives)
- The Employment Equity Act. (Act 55 of 1998)
- The Promotion of Equality and Prevention of Unfair Discrimination Act (Act 52 of 2002)
- The Skills Development Act and the Skills Development Levies Act and regulations passed in terms of the Skills Development Act.
- The National Empowerment Fund Act. (Act 105 of 1998)
- The Promotion of Administrative Justice Act (Act 3 of 2000)
- The Companies Act (Act 71 of 2008)
- The Competition Act (Act 89 of 1998)

Institutional Factors Impacting on in Case of BEE

When the institutional theory is applied to the empowerment strategy, it is seen that economic structure, the effect of globalisation on the macro-economy, administrative weaknesses, and inadequacies of targeted groups are the main structural problems for the BEE strategy, and they affect its performance in a negative way concurrently within the South African socio-economic context.

While the monopolistic market structure and financial openness limit the government's capacity, poor administrative quality wastes limited public resources and undermines belief and support in the public opinion for the strategy. At the same time, the enormous targeted group without enough financial capital and human capital qualification is another handicap of the strategy, which does not seem to be feasible in the short run.

Also, the incompetency of black bureaucracy and maladministration in the post-Apartheid government is seen as a crucial structural deficiency of the strategy in terms of formulation and implementation.



SHORTCOMINGS OF BEE

Evaluation of Performance of Bee

Since the beginning, the developments, problematic points and challenges of the strategy have been analysed in the literature and numerous reports have been prepared by private and government institutions. One important point is that these evaluations have not changed considerably. While developments have been gradual and proven unsatisfactory, problematic points have remained still the same. Serious critiques and evaluations were briefly articulated in the National Summit on Broad-Based Black Economic Empowerment (B-BBEE) in 2013 as below (DTI, 2013: 11):

Passive shareholding deals did not work and resulted in the least real empowerment of people. This fact is the result of clientelism and fronting. Clientelism has been criticized in the literature because if business shares are granted to persons without any real skill except political connection, this will not improve but only slow down the entrepreneurship.

The BEE strategy has had minimal success because empowerment is far too narrow in scope and because it engenders a cluster of rent-seeking rather than entrepreneurship. Notably, the BEE has failed to produce a significant number of successful entrepreneurs in the

manufacturing sector (Bhorat et al., 2014: 12).

Fronting through the use of complex transactions has been continued as a major problem. While fronting is regarded as a way of easy enrichment by some blacks, white-owned firms regard it as a cost of doing business (Emuze &Adlam, 2013: 150).

There has been a lack of meaningful relationships and collaboration between big and small companies and too little has been achieved in this area.

Despite all the support structures and government agencies in place, there is a high failure rate of SMEs in South Africa due to lack of finance, management know-how, market access, and skills (DTI, 2013: 31).

In South Africa, SMMEs are beset with various problems that become obstacles to their development. The main obstacles faced by SMMEs are a less enabling business environment and internal problems associated with low access to capital and markets and lack of entrepreneurial competence due to the significant number of SMMEs are concentrated in rural areas (DTI, 2013: 34).

There has been a lack of satisfaction in the implementation of the codes of conduct that many players are not earning points in important areas and other players are earning points without entirely and honestly implementing the codes. Procurement, skills development, ownership and enterprise development are singled out as areas of particular sub-optimal performance.

The baseline report 2007 found that only 19,7% of the sample 1,782 companies had fully implemented their B-BBEE policy plans, and only 24,7% were formally measuring their B-BBEE programmes. The Baseline Report further estimated that 78,2% of the sample group was non-compliant with the requirements of the B-BBEE policy (Lindsay, 2015: 192).

The second baseline study was conducted in the 2012/13 term and found that there had been a modest improvement in performance since the code of practices in 2007.

However, the study shows that 33% of surveyed large enterprises had zero black ownership, and only 9% of enterprises had more than 90% black ownership. The overall B-BBEE average is 54 (Level 6) for generic enterprises and is 76 (Level 3) for qualifying small enterprises, and is 72 (Level 3) for the exempt micro-enterprises.

Although the overall economy improved from level 8 in 2007 to level 4 in 2013, this improvement is not caused by large enterprises but mainly due to small and micro-enterprises. Furthermore, the study concluded that more efforts and strategies need to be implemented in order to achieve meaningful transformation across all sectors of the economy (DTI, 2013b).

A study conducted by the DTI noted some differences between the performance of Qualifying Small Enterprises (QSEs) and Exempted Micro Enterprises (EMEs) against large companies. Due to less onerous conditions, QSEs and EMEs had the highest empowerment level, i.e. level three compared to level six of large companies (DTI, 2013: 19).

Although there is a link between employment equity and skills development, along with insufficient capacity development (skills development and transfer), existing skills development has not helped to improve employment equity at the top levels across all sectors, with still a majority of white managers despite R57 billion being spent on skills development since the programme was expanded.

Further to black people are still under-represented in the industry, most black people involved in the economy still feel rejected, ignored, and marginalised in their quest to gain access to the economy's productive resources. According to the government, current fragmented policies have not radically transformed the demographic composition of manufacturing and related service sectors of the economy. Black businesses are a very small beneficiary of industrial support by the government; in contrast to the empowerment strategy, the current support measures for industrial development have been dominated by the established players in

industry and business. Therefore, the black industrialist program has recently been implemented (DTI, 2015: 10).

According to Tabea Kabinde, head of The CEE, a ‘culture of exclusivity’, which existed in the workplace, is still one of the challenges to employment equity. Also, SASCO argues that institutionalised discrimination continues to hold back real transformation in companies as mentalities and attitudes have not moved on even after more than two decades of democracy (SASCO, 9 August 2017).

Because some companies have reduced their empowered shares and replaced their African executives with whites, it is argued that there has been a deprioritisation of empowerment and transformation in the economy as well as the public sector. Also, along with this deprioritisation tendency, the recent silence of the priest figures who were committed supporters of the BEE is construed lack of intellectual support for the strategy (Dludlu, 08 January 2017).

Besides the above matters, performance results are not utterly convenient due to the measurement systems. The reliability of performance measurement decreased because of the pressure of businesses over rating agents. In a competitive verification market, businesses select their rating agents, and these agents may accede to the client’s demands rather than lose business (Lindsay, 2015: 191).

There has still been a misalignment of legislation (The Preferential Procurement Policy Framework Act and B-BBEE, for example) and inadequate financing for black-owned start-up enterprises (DTI, 2013: 18-24).

Performance of Asset Transfer and Black Ownership

The transfer of the production factors through economic empowerment has been minimal, and transferring wealth to blacks from whites has not been achieved.

White capital remains the target of BEE because of this failure

(Makhunga, 2008: 83).

The study by the DTI shows that although there has been some progress, there have been challenges in implementing the B-BBEE codes. Accordingly, concerning the ownership element of the scorecard, thirty-three per cent of large enterprises have had zero black ownership, and only 9% of enterprises have had more than 90% black ownership, despite B-BBEE transactions at more than R600 billion since 1995 (DTI, 2013: 19). Despite all the affirmative actions, black people continue to face serious barriers such as lack of access to finance and capital, access to markets, and high entry barriers due to the high concentration of markets. (BBBEEC, 2016: 5).

There is a dispute about the share distribution of Johannesburg Stock Exchange. Estimates of black-ownership of the JSE have been controversial because there is no precise data indicating ownership structure and the research process of ownership situation is extremely work-intensive and time-consuming (Wilkinson, 29 August 2017). White capital circles uses ownership rates in JSE, while black supporters of asset transfer in the economy employ direct owned and controlled share rates.

White business circles claim that significant scale capital is now less monopolised and more diversified; there is now significant participation in ownership of the economy by black people and foreign-owned financial institutions (BUSA, June 2017: 7). At the end of apartheid, companies listed on the JSE were almost wholly owned by white South African investors. Nevertheless, by 2016, white South African ownership was down to just 22%. Meanwhile, foreign ownership had leapt to 39%, black direct ownership (mainly through BEE schemes) to 10% and black indirect ownership (largely through pension funds) to 13%, with another 16% uncategorised (Southall, 11 May 2017).

On the other side, the government uses direct owned and controlled share data for its policy continuation. According to the calculation of the National Empowerment Fund, the percentage of

the JSE that is controlled and managed by blacks is only 3% in May 2017. However, Who Owns Whom, an “independent research organisation, estimated that 0.6% of the total JSE was black-controlled in 2015 (Wilkinson, 29 August 2017). Also, it is argued that the significance of black-owned and controlled companies declined from 7.1% of the JSE on average in the period 1995-2000 to just 0.5% of the JSE capitalisation in 2016 (Bosiu, Goga and Roberts, 2017, 2).

On the contrary to the argument that denies the existence of a white monopoly in the economy due to the fact that pension funds of black workers partly own many companies which dominate the economy, a black argument claims that the pension funds of black workers are mainly owned by workers on paper, in fact, the control of these funds is monopolised by white-owned asset managers as in the apartheid economy (Malikane, 07 April 2017).

Also, white capital denies being a monopoly by proving ownership of foreign capital and argues that all JSE listed companies are estimated to constitute only a third of private sector activity in the economy, so it is not a proper way to evaluate asset ownership by shares in the JSE” (BUSAs, June 2017: 7). Even if this is accepted, this situation does not change the fact that black people still do not have enough asset in the economy regarding JSE capitalisation and the rest of the economy compared to its population weight.

By verifying this fact, the new tax and survey data suggest that 10% of the South African population owns at least 90–95% of all assets, which is much higher than in developed countries where the 10% own 50-75% of the assets (PORSAs, 2017: 110). Also, the concentration level of the economy, as explained in the following paragraphs, prove that asset transfer in the economy has not been achieved as desired.

The latest tax data shows that taxes the top 10% of earners pay 72% of the income taxes received (Mutize & Gossel, March 27, 2017). Although whites use this data importance of white capital for welfare of the country, this shows explicitly that economic structure

has not significantly changed with the exception of the small black rich cluster, if the distribution of poverty among the society is taken into account.

BEE transactions were commenced under free-market conditions without any state direction and similar to monopolist capitalism, and 72% of BEE deals were held with several trailblazer black investment companies by 2003 (Tshetu, 2014: 15).

According to BUSA, ownership redistribution is costly and limited to a concentrated number of established businesses. However, overemphasis on ownership has largely failed to deliver meaningful control and value to black people, given that shareholdings are generally insufficient to exert direct influence on the strategic direction of invested companies (BUSA, June 2017: 10).

The growth of black businesses can be increased by providing access to markets, capital and skills to support entrepreneurship in order to create black-owned and black-controlled businesses. Also, greater emphasis must be placed on asset sale transactions to establish new black-controlled businesses (BUSA, June 2017: 11).

Evaluation of Employment and Skills Situation

The 2015 report of the Commission on Employment Equity indicates that white people still represent 70% and 60% of top management and senior management, with black people representing only 13.6% and 21%, respectively. The Jack Hammer Executive Report indicates a decline between 2012 and 2015 from 15% to 10% in the number of black Chief Executive Officer (CEOs) measured on the top 40 JSE listed companies. More, tokenism and fronting continue to manifest regarding senior and executive appointments in companies and business opportunities (BBBEEC, 2016: 5).

The representation of the white group at the top management level with 68.5% is more than six times their employment age population (EAP). The Indian group at 8.9% is also over-represented by three times their EAP. On the contrary, the African group at 14.4% and

the coloured group at 5.5% are under-represented in relation to their EAP. African representation is more than five times below their EAP, while the Coloured representation is half their EAP (DLCDC, 2017: 12)

Regarding the representation of employees at the top management level in the public and private sectors, the rate of Africans is 73,2% in public and only 10,7% in the private sector. Coloureds, are 8,1% in public and 4,7% in private. Indians are 6,6% in public and 9% in private. Whites are 11,8% in public and 72% in private.

The Public Sector is mainly dominated by the African and Coloured groups, although they still fall short of their EAP, while the private Sector has a high concentration of the White group. The White and Indian groups are seven and three times over-represented compared to their EAP (DLCDC, 2017: 13).

The white group has more representation at the Senior Management Level at 58.1%, which is more than five times their EAP distribution. This is followed by the African group with a representation of 22.1%, which suggests a three-fold under-representation in relation to their EAP distributions (DLCDC, 2017: 16).

Workforce profile at Senior Management level for Public and Private Sectors by Race, Africans, 65,8% in public 14,9% in private coloureds 8,3% in public 7,5% private, Indian 7,3% in public 11,1% in private and whites 18 %in public and 63,4% private (DLCDC, 2017: 17).

A gradual change is noted in the representation of designated groups at the professionally qualified level. The African group, at 41,5%, is leading in representation at this Level. Whites are still at %37,5 (DLCDC, 2017: 21).

However, Africans are %72,6 in public and %25,8 in private whites are 12,5 in public and %49,6 in private, the representation at a professionally qualified level (DLCDC, 2017: 22).

Black people are mostly represented at the Skilled Technical occupational level as 60.2% of this level is represented by the

African group. This remains below their EAP distribution but is a movement in the up direction (DLCDC, 2017: 26).

The highest representativity at the Semi-Skilled Level is of the African group (76.1%). The White group (6.2%) is below its EAP distribution at this level (DLCDC, 2017: 31).

Blacks, Africans in particular, are in the majority at workforce profile at unskilled level (83.2%). Rates are 86% for public sectors and 61,7% for private sectors (DLCDC, 2017: 33).

A study in the construction sector says that there is a lack of highly skilled and experienced top black managers, and the owners and top managers of small black enterprises generally do not have the required capacity. Companies battle to find suitable black candidates to train and develop (Emuze &Adlam, 2013: 145-146).

However, this study emphasizes that black candidates are regularly subjected to cultural misrepresentations and often experience ill-treatment from their white superiors. Black employees occasionally do not receive adequate training from their white managers, as they fear losing their positions in the future. Furthermore, some companies are accused of purposely sending Black candidates on “irrelevant” training programmes (Emuze &Adlam, 2013: 146-147).

According to BUSA, the appointment of black managers into top management does not necessarily result in management control and influence in the company. Also, systemic societal and organisational factors inhibiting participation and progression in the workplace have been inadequately addressed in many workplaces. Besides, the number of professionals with skills necessary to meet the needs of a growing economy and society are insufficient (BUSA, June 2017: 12).

Since the basic education system is generally not producing the skills required to enable youth to access work and post-school education, this causes skills mismatch and lack of alignment of labour market supply and demand for skills, as well as creates more unfavourable

results for black people (BUSA, June 2017: 14).

“Despite an annual contribution of R17bn by business to skills development through the 1% skills levy, and an estimated further R15bn – R20bn through voluntary and sector Code and Charter related initiatives, there is insufficient allocation of funding to business-relevant skills development.” (BUSA, June 2017: 15).

In addition to promoting, at business, sector and national levels, access for youth for a more demand-led skill development must be expanded through enhanced apprenticeships and learning process and work-integrated learning experiences (BUSA, June 2017: 16).

If businesses complain that the skilled labour pool is insufficient, the onus will demand specific training courses for graduated young people.

Performance of Preferential Procurement and SMEs

According to some studies, small businesses believe that the 10% and 20% allocations for consideration of a supplier’s empowerment credentials are too low and more of an impediment to the development of black business than a benefit (Lindsay, 2015: 210).

According to BUSA, the Black Industrialists programme¹, while promising, has not yet delivered enterprise support to black businesses on the scale that is possible and required.

There are extensive barriers, particularly in relation to regulatory compliance to the entry of emerging black-owned businesses, and without easing regulatory barriers, many emerging businesses will remain in the informal sector or fail to survive.

Also, inefficiency and corruption undermine enterprise development, particularly when the government’s financing and project initiatives intended to support the development of black-owned enterprises are poorly or fraudulently applied. (BUSA,

¹ The Black Industrialist Programme was launched in 2016 as a policy instrument supporting black industrialists in the manufacturing sector, in order to transform the structure of South Africa’s economy.

June 2017: 13). However, the businesses do not mention about impediment effect of concentrated and non-competitive market conditions.

Several studies state that SMEs are still overwhelmingly survivalist in nature and 60% of companies fall within the smallest BSM 1 – 3 categories, and most of these emergent businesses cannot contribute significantly to employment and economic development (Lindsay, 2015: 231-234).

Furthermore, the fact that most of the lower-level businesses are located in underprivileged areas, far from large markets and inadequate power, sanitation, and communications services present considerable barriers to their overcoming these geographical and economic impediments (Lindsay, 2015: 232).

74,5% of all business owners surveyed are not aware of the available support services. Owners who know about these services are mostly in the three highest BSM categories (Lindsay, 2015: 232).

Regarding assistance of “previously disadvantaged individuals, it is seen that they have limited access to funding”, and unfortunately, their funding or support applications are unlikely to be successful due to corruption and inefficiency (Lindsay, 2015: 232).

According to a 2013 survey of the government, more than 88% of informal business owners are black Africans, and only 14,6% of companies had turnover over R6 000 per month (Lindsay, 2015: 233).

Performance of Land Reform and Rural Development

The RDP originally envisaged the transfer of 30% of “agricultural land” (25,8 million ha of 86 million ha) within five years (PORSAs, 2017: 207-9).

Since the inception of the land reform, more than 8 million hectares of land (around 9,3% of commercial farmland) has been transferred through land reform – redistribution, restitution and tenure reform

after 1994 (PORSA, 2017: 252). This figure includes 5.46% of commercial agricultural land, which was redistributed in scope of redistribution programme (PORSA, 2017: 209).

These transferred land equate to only 31% of the original 30% target. This performance shortfall is attributed to the majority of restitution claimants opted for monetary compensation instead of land (Lindsay, 2015: 268). However, it is argued that this argument is primarily valid for urban areas but not for rural areas (Cousins, March 8, 2018); thus it can not explain the failure by itself.

The most critical issue that makes land reform complicated is shown as the abundance of fertile land. According to this, only 34 million hectares of agricultural land are truly productive, and more than half of these most expensive fertile lands must be purchased and redistributed in order to achieve the 30% target. Therefore, the future of land redistribution is not regarded as optimistic. (Lindsay, 2015: 270).

Several factors are regarded as reasons for low performance, such as corruption, the diversion of the land reform budget to elites, ill-designed decision process, greedy farmers, high land prices, constitutional impediments, lack of political will, competitive market conditions, low levels of new farmer support, a lack of skill on the part of beneficiaries and inadequate government budgets (Lindsay, 2015: 269-275; PORSA, 2017: 300). However, it is accepted that the need to pay compensation has not been the most serious constraint on land reform in South Africa to date – but instead other constraints have proved more serious stumbling blocks to land reform (PORSA, 2017: 300).

Both restitution and redistribution beneficiaries complain that officials are unhelpful, rude and dismissive of their concerns. They also pointed to increasing corruption, with both restitution and redistribution land going to unknown people, rather than those whose names are on claim forms and applications (PORSA, 2017: 203).

Despite of data by government, it is argued that the lack of accurate

information on land reform and the rural economy such as data on farms by size or value of output and smallholder farming is a serious constraint on policy making. Also, there is no information about the racial, gender and national identity of the 320 000 companies, trust and community-based organisations that own 61% of all privately owned land. Moreover, nobody knows how black farmers have privately purchased much agricultural land and how much has been acquired through land reform and how many people have benefited from land reform and land use patterns after the transfer (Cousins, March 8, 2018).

Also, criticism has been levelled at the government for having no plans to handle the influx of claims and the agricultural sector is not represented and does not have an influential role in B-BBEE policy formulation and administration. There is not strong enough political will and support because the contribution of agriculture to GDP² is small and it is relatively insignificant politically (Lindsay, 2015: 269-275).

Despite the reform efforts, the concentration of landed property that predated 1994 accelerated after the apartheid, and it is estimated that increase in the concentration will continue over the next 20 years (Bernstein, 2013: 26). 97% of the total land registered in the deeds office are owned by only 7% of total landowners (DRDLR, 2017: 2).

A total of 37 million hectares of farms and agricultural holdings are owned by individuals: 72% of which are whites; followed by coloureds at 15%; Indians at 5%; Africans 4% (DRDLR, 2017: 7). But there is no information about racial ownership distribution of private lands owned by companies and consist of 25% of the total private lands.

A total of 722 667 ha erven³ land is owned by all races in the country: 49% of which is owned by whites; followed by Africans

² While the value of commercial agriculture has grown in absolute terms with fluctuations, the contribution of agriculture, forestry, hunting and fishing to GDP declined from about 5 per cent in 1990 to under 3 per cent in 2005–7, well below the average for middle-income countries (Bernstein, 2013: 25).

³ A plot of land, usually urban, marked off for building purposes.

at 30%; coloured and Indian at 8% respectively; co-ownership and other at 5% (DRDLR, 2017: 12).

Economic Performance

South Africa has shown a fluctuating GDP growth rate in the post-apartheid period. After relatively favourable growth rates between 2000 and 2008, the growth rate started to decrease again. Since 2011 annual GDP growth has decreased from around 3% to 0,3% in 2016 and estimated to increase only to 0,8% in 2017 and forecasted to be 1,7% until 2020 (OECD, 2017: 14; WB, 2018: 143). There is a consensus that South Africa's economy needs to grow by at least 6% to reduce stubbornly high levels of unemployment (Mutize & Gossel, March 27, 2017).

The persistent current account deficit reflects insufficient levels of domestic savings to fund the investments and the high reliance on foreign savings as well as high vulnerability to capital outflows (NTRSA, 2017: 17).

High volatility of the currency and the stock market values, which is affected by the openness, and high inflation as well as high levels of household credits and public debt, put the government in a troublesome position in terms of monetary and fiscal policy (OECD, 2017: 23-24).

While The National Development Plan targets an investment ratio of 30 per cent of GDP by 2030, the ratio of investment to GDP was at just over 20 per cent in 2015 (NTRSA, 2017: 16).

Because of the low growth rate, creating employment opportunities has become a challenge. Unemployment has been around 25% level for the last two decades and rose to 27% in 2016 (OECD, 2017: 14). While the growth rate of the labor force was 0,9%, the growth rate of the employed population was only 0,6% in 2017 (STATS SA, 2017c: 1). The unemployment was %26,7 and expanded unemployment rate was 36,3% at the end of 2017 (STATS SA, 2017c: 7).

The youth unemployment rate for the 15-24-year-olds population was 51,1% (STATS SA, 2017c: 23) which is more than four times the rest of sub-Saharan Africa (Cilliers and Aucoin, 2016: 3).

The unemployment rate of graduates was only 6,6%, compared with 27 per cent of those who had high school matriculation and 31,2% of those with less than the matriculation (STATS SA, 2017c: 12; NTRSA, 2017: 14).

The unemployment rate of 15-64 years population was 30% for Blacks/Africans, 23,5% for coloreds, 9,2% for Indians/Asians and 6,7% only for whites (STATS SA, 2017c: 21-22).

Most unemployment is long-termed. The incidence of long term unemployment is 57% for those 15 and older in 2015, while the OECD average is %33,8 (OECD, 2016: 93).

The World Economic Forum 2016 – 2017 Global Competitiveness Index ranks South Africa on labour market efficiency as 97th out of 138 countries. There is a structural mismatch between labour demand and supply: the labour market shows demand for highly skilled workers, but there is a surplus of low-skilled potential workers (PORSAs, 2017: 126).

Performance of Social Welfare

Although there have been serious developments in the social welfare dimension, there are still severe inadequacies to be remedied, especially in addressing low growth and high unemployment, which adversely reflect social welfare indicators. According to OECD Better Life Index 2016, South Africa had lower indices than the OECD emerging market average in income and wealth, subjective well-being, jobs and earnings, housing and health status (OECD, 2017: 15). Similarly, South Africa ranks 70th among developing economies on the Inclusive Development Index with slow advancement for 5 years, despite having the 19th-highest GDP per capita in this group (WEF, 2017: 54).

A study carried out by the Development Policy Research Unit at the

University of Cape Town indicates that South Africa has experienced substantial declines in multidimensional poverty since 1993 as well as significant improvements in ownership or access to private assets such as a stove, a fridge, a television, a vehicle, etc. (Cilliers and Aucoin, 2016: 2). According to the South African Multidimensional Poverty Index (SAMPI), multidimensional household poverty reduced from 17,9% in 2001 to 7,0% by 2016. Also, the intensity of Multidimensional Poverty decreased marginally from 43,9% to 42,8% (STATS SA, 2017b: 32).

Almost 30% of the total population and 44% of all households currently receives one or more social grants (Devereux and Waidler, 2017: 7). The number of social grants recipients rose from 3,0 million in 2000 to 17,0 million in 2016, of which 12 million were child grant recipients (STATS SA, 2017b: 52). 61,3% of poor households receive child support grants as compared with 34,3% of total households with children (STATS SA, 2017b: 37).

Despite social transfers having risen to 3.5% of GDP, which is relatively high by international comparative standards and constituted 16% of government spending in 2016 (Cilliers and Aucoin, 2016: 2), income inequality and poverty have continued at high levels (OECD, 2017: 16).

South Africa has the highest Gini coefficient among OECD countries (OECD, 2016: 103). The Gini coefficient based on income per capita (including salaries, wages and social grants) was 0,65 and based on expenditure is 0,64 in 2015 (STATS SA, 2017b: 21).

The disposable income of the top 20% was about 40 times more than the lowest 20%, which was seven times more than the OECD average in 2015. Also, the poverty rate after taxes and transfers as a percentage of the population with 60% or less than the median disposable income was 32%, nearly two times the OECD average 18% (OECD, 2017: 16).

The bottom 40% of the population obtained only 8,3% of the total income in 2015, and 92,3% of these deciles consisted of black

African households (STATS SA, 2017b: 24).

Black Africans have the highest Gini coefficients among the population groups, as seen in the table.

Table 2: Gini Coefficients of Black Africans (STATS SA, 2017b: 22).

Gini type/ population group	Black African	Coloured	Indians/ Asian	White
Income per capita Gini coefficient	0,64	0,58	0,56	0,51
Expenditure Gini coefficient	0,57	0,56	0,46	0,40

The most recent data indicates that BBBEE has not been as successful as was anticipated. In 2015, 55,5% of the population was under the upper-bound poverty line, 40% is under the lower-bound poverty line, and 25,2% is under the extreme-food poverty line (STATS SA, 2017b: 14). In comparison to urban areas, an improvement in poverty has been very limited in rural areas. In 2015 average of 81,3% of the rural population was under upper-bound poverty line and 65,4% was under the lower bound of the poverty line in rural areas, and 45,6% was under the food poverty line. These rates for the urban areas are 40,6%; 25,4% and 13,4% respectively. (STAT SA, 2017b: 68-74).

33,5% of the population and 43,5% of children were living below 50% of the median income per capita in 2015 (STATS SA, 2017b: 40-42).

The proportion of the black Africans living below the LBPL is 47,1%, while rates of coloureds, Indians-Asians and Whites are 23,3%, 1,2% and 0,4%, respectively (STATS SA, 2017b: 19). The share of black Africans among those living below UBPL is 93,3 in 2015 (STATS SA, 2017b: 57).

The poverty headcount for black Africans has always been higher than the poverty headcount for other population groups. The proportion of black Africans who were living below the UBPL was 64,2% in 2015 as compared to coloureds with 41,3%, Indian-Asian

5,9% and whites 1% (STATS SA, 2017b: 58).

According to a study based on the National Income Dynamics Studies data by the Southern Africa Labour and Development Research Unit (SALDRU), Africans and Coloureds earn less than one-third of their white counterparts in monthly wage income for their primary occupation and less than half of Indian-Asian population. Also, the rates are getting worse by taking household income and expenditure into consideration around one fifth (Salisbury, 2016: 45).

Although education has a significant impact on wage-earning potential, its contribution is partly determined by ethnicity. When an additional year of schooling is factored in, each year can increase wages 25% for Indians-Asians, 23% for whites compared 19 percent for coloreds and 16 percent for Africans (Salisbury, 2016: 47).

However, the reason for this existing discrimination may be attributed to the lower quality of education obtained by Africans and Coloreds instead of the institutionalized discrimination of apartheid. If this difference persists, it is predicted that macro inequality in the South African economy will worsen over time (Salisbury, 2016: 48).

According to a study for workforce populations in Johannesburg and Capetown in 2015, rate of tertiary education of whites is near to 50% compared to only around 10% for Africans. And the rate of those with education less than secondary school is only around 15% for whites, but it is around 55% for Africans (PORSA, 2017: 128).

When recent income distribution and poverty indicators are compared to NDP targets, it is seen that the development level is far below the targeted level.

Table 3 Recent Status of NDP Poverty–Inequality Related Targets

NDP Target	Baseline	2030 rating	Recent status
1. Reducing the proportion of persons living below the lower-bound poverty line from 39 per cent (in 2009) to zero by 2030	39,0% (2009)	0%	40,0% (2015)
2. Reduce income inequality from 0,7 in 2010 to 0,6 by 2030	0,70 (2010)	0,60	0,68 (2015)
3. The share of income going to the bottom 40 per cent of income earners should rise from 6 per cent to 10 per cent	6,0% (2010)	10,0%	8,3% (2015)
4. Reduce poverty-induced hunger to 0% by 2030	21,4% (2011)	0%	25,2% (2015)

Source: (STATS SA, 2017b: 17).

In 2015, total health expenditure per capita, in PPPs, was USD 1150, more than half of which was private spending by households. While the total expenditure figure is far less than the OECD average of USD3.740, and the private spending rate of South Africa far higher than the OECD average of 26%. (OECD, 2016: 121).

According to South Africa Demographic and Health Survey (SADHS), the under-5 mortality rate decreased from 59 deaths per 1,000 live births to 42 between 1998 and 2016 (STATS SA, 2017a: 19).

The same survey indicates that only 61% of children age 12-23 months received all the basic vaccinations, and 53% received all age-appropriate vaccinations (STATS SA, 2017a: 23) and 27% of children under five are considered short for their age or stunted and 10% are severely stunted (STATS SA, 2017a: 27).

The percentage of the total population experiencing hunger decreased from 29,3% to 13,1% between 2002 and 2015, and the

rate of the children experiencing hunger declined from 24% to 11% for the period 2002 to 2012 (Devereux and Waidler, 2017: 3-4).

Although food insecurity in South Africa has been falling in the past 20 years, and social grants contribute to this positive trend, undernutrition indicators are falling more slowly (Devereux and Waidler, 2017: 13).

Social grants have positive impacts on food insecurity but are not enough to eradicate malnutrition (Devereux and Waidler, 2017: 23-24). For example, as one of the most critical children nutritional indicators, the 0-5 aged child stunting rate marginally declined from 24,5% to 21,5% for 1993 and 2012 (Devereux and Waidler, 2017: 6).

Despite the steady increase since 1994, the black African population currently constitutes 80% of the total population and (Stat SA, 2017d: 2) still has the lowest grade 12 pass rate. According to 2014 data, whites have about 100% pass rate, Indians have about 90%, coloureds have above 80%, and blacks have only about 70%. This discrepancy is explained by inequalities in education facilities (Gamede, 2017: 90). Similarly, only about 1 in 28 Black African learners emerged from school functionally literate because of the widespread dysfunction in the basic education system (Hoffman, 2012: 2).

The number of households living in formal dwellings increased from 65,1% in 1996 to 79,2% in 2016. The percentages of households living in traditional and informal dwellings have declined respectively from 18,3% and 16,2% in 1996 to 7% and 13% in 2016 (STAT SA, 2016: 60).

The proportion of households who owned and fully paid off their dwellings increased from 41,3% in 2001 to 54,7% in 2016 (STAT SA, 2016: 63).

The proportion of households that have piped water for drinking inside the dwelling was 44,4% in 2016 and it has only slightly changed by 0,2% since 1996. But the rate of piped water inside

the yard has almost doubled from 16,6% in 1996 to 30% in 2016. However, 10,1% of the households do not have access to piped water even outside the yard (STAT SA, 2016: 65).

The rate of households using electricity as the primary energy source for cooking increased from 47,4% in 1996 to 82,7% in 2016, while the rate of households using electricity as the primary energy source for lighting increased from 58,1% to 90,3% (STAT SA, 2016: 76)



CONSTRAINTS OF BEE

Economic Structure

The economic context of South Africa is an important constraint to the empowerment strategy. The structure of the economy and its limitation for employment creation, structural shifts and deficiencies in the post-apartheid period have rendered the government in need of more capital investment and of more significant consideration in policy determination.

Challenges of the post-apartheid economy can be classified into generally three main titles as continuing inadequate growth and employment creation, persistent need for fiscal consolidation (Gunnion, 2017: 48), high openness and oligopolistic structure. All of these matters are interrelated and breed each other. Furthermore, they weaken the policy capacity of the government in terms of financing the empowerment programs and forcing businesses to act according to the empowerment aims.

It is accepted that the reason why there is no commitment to the transformation of white capital and whites are still dominant in all sectors of the economy and that government did not develop any carrot and stick system and avoided from the immediate racial transformation in ownership structure due to political and economic instability (Tangri and Southall; 2008: 704-705). For example, a government legislation draft predicting 51% of the mining industry into blacks for ten years infiltrated the press in 2002. The share prices of mining companies decreased in the stock market, and millions

of dollars evaporated from the economy. Finally, the government closed this subject and adopted an approach to which the interest of capital will be sought. Later on, the black ownership rate in the mining industry was changed into 15% for first five years and 26% for ten years (Tangri and Southall; 2008: 705).

It is alleged that interventions towards economic transformation have been constrained by concerns for economic stability in the post-apartheid period. Those that should have been done include:

- asset redistribution such as wealth and land;
- mandating the reserve bank to perform full-employment (like the FED in the US);
- dismantling oligopolistic structures;
- developing a more vigorous industrial policy;
- supporting small businesses in more committed ways (Hirsch, 2015).

Although the RDP was successful, especially in social protection, the new government experienced some difficulties in the implication of the RDP due to the poor fiscal and economic conditions (SAHO, 06-May-2014).

The fact that economic programs launched after the RDP to provide the necessary resources for social investment policies and aimed to accelerate economic growth can not provide the desired result, and the need for constant renewal of these programs (SAHO, 06-May-2014) reflect the constraints of the economic conditions on the government's room for manoeuvre in social policy.

Also, the recently contentious debate in public opinion regarding the land reform exemplifies resistance to the old structure. It is argued that it is impossible to allow land expropriation with no compensation without affecting the rest of the economy. Although the government has radical discourses, they cannot be put into practice due to the conditions that are strong enough to prevent the change (Friedman, 9 January 2018).

Because the BEE is enforced in a liberal capitalist system, fighting against inequality has to be simultaneously performed for both the inequality caused by apartheid and the inequality caused by existing market conditions (Wehmhoerner, 2015: 2).

South Africa's economic structures negatively affect access and equity, and economic opportunity among races. Unfortunately, observations of BEE suggest that BEE beneficiaries are from a small closed group, and especially elite access points—ownership, control and management structures— at the top of the economy are protected by elites and exceptionally resistant to change within a relatively static macro-structural context. The policy was not able to open the economy and change existing structures in the time frame, and manner of BEE policy would suggest (Andrews, 2008: 93-97).

While the economy in the apartheid era was relatively closed and protected, the economy in the post-apartheid era has been open for foreign capital and more concentrated and so, nonprotected for small businesses (Bernstein, 2013: 31-43).

The oligopolistic structure of the economy¹ does not create an environment conducive to fast-growing small and medium businesses (Bhorat et al, 2014: 12), and also limits the scope for viable small enterprise in poor local economies and in rural areas, and in particular, for the kinds of manufacturing enterprise (Phillip, 2011: 9) due to entry barriers including lack of access to long-term capital and integrated value chains (NTRSA, 2017: 25). Although small business development remains a stated objective of government, its resources have had little impact (Bhorat et al, 2014: 12).

¹ Despite, the corporate landscape of South Africa has changed remarkably since 1994, it remains highly concentrated (PRSA, 2012: 114). The concentration in economy is striking in financial and manufacturing sectors. For example the top 20 manufacturing sub-sectors (out of 120) accounted for 77 percent of South Africa's manufacturing export basket and the top five percent of South African export companies accounted for more than 90 percent of total exports in 2012 (UNDP, 2014: 26-31). The data on concentration levels within manufacturing industry indicates that the proportion of subsectors in which the biggest five firms held 70% and more market share increased from 16 subsectors in 2008 to 22 of the 80 sub-sectors in 2014 (Bosiu, Goga and Roberts, 2017, 2). A recent research conducted by the Competition Commission shows that markets remains highly-concentrated. According to results of the study, there are 294 dominant firms with more than 45% market share in the 31 sectors and concentration indexes (the Hirschmann-Heifindahl index) of the sectors are more than 2,500 which indicates being highly concentrated (EDD, 2017: 10).

Although economies of scale can enhance efficiency to compete in global markets, simultaneously, high concentration levels created barriers to competition that undermine the economy's total efficiency (UNDP, 2014: 24).

Because the financialization of the economy incentivizes capital to invest in financial markets instead of into productive investment after 2008, also, the top 50 firms on the JSE have increasingly channelled their investments (using accounting definition) towards mergers and acquisitions between 2011 and 2016, rather than expanding productive capacities (Bosiu, Goga and Roberts, 2017, 2). Consequently, private investment has decoupled from corporate profitability, and the economy has relied on mainly public investment to stimulate growth (UNDP, 2014: 25).

While black businesses have chosen to accumulate capital on a parasitic basis rather than participating in the productive sector of the economy, the white businesses have been sought their narrow interest with a wait-and-see approach to new investments. They have unbundled their assets, diversified abroad and disinvested locally as well as engaging in the BEE deals at a level enough to obtain government patronages by continued unbundling and disinvestment (Nattrass, 2014: 2-24).

Economic and political instability is an important risk for the country with the effect of economic inadequacy. In addition, the investment decision of the private sector threatens the government in terms of needed sustainability as 67% of South African privately held businesses are putting off investment decisions due to uncertainty about the country's future political direction. A further 48% are looking at investing offshore rather than in SA, while 27% are contemplating selling their businesses, and 14% are seriously considering emigrating (Lindsay, 2015: 11).

The constraints to more rapid economic growth are also identified as inadequate domestic savings and investments, low skilled labour and the skills mismatch, poor quality of education for most of the population, the high levels of market concentration as well as

inefficient transportation infrastructure (Faulkner, Loewald and Makrelov, 2013: 8).

Besides low investment rates, the shortage of skilled labour is an important reason for the weak economic growth (Gunnion, 2017: 54). The weak human-capital formation of South Africa (Steenkamp, 2015: 22) has been nourished by the implicit free market situation in the education sector, which sustains both inequalities of human capital among the races and the skill deficit for most of the population (Languille, 2016: 532).

The poorer 80% of the population generally receives the significantly inferior quality of schooling to that enjoyed by the most affluent 20%, so that schooling system does not equip the majority of learners with skills for the workplace or further study (Wilmot, 2017: 2).

Another dimension of the skills mismatch and employment capacity is related to sectoral shifts in the economy. The South African economy has experienced structural shifts in terms of shares of the sectors in GDP and their employment capacities in the post-apartheid period. While the share of manufacturing and mining sectors in GDP has been declining, along with them, agricultural sectors have displayed a severe loss of employment capacity. On the other hand, financial sectors have increased their shares in GDP and in employment.

While the share of manufacturing in the GDP declined from 21% in 1995 to 13% in 2015 and the mining sector decreased from 16% to 8%, the share of finance in the GDP increased from 12% to 18%. The agriculture sector continued its weak performance at a 3% level in the same period (Fotoyi et al., 2016: 11-12; Reddy et al., 2016: 24).

Also, between 2001-2012, annual employment growth of mining and agriculture were - 4,1% and -5,1%, while employment growth in the manufacturing sector was near zero over the period (Reddy et al., 2016: 24). Finally, the employment capacities of the agriculture, mining and construction sectors decreased by 7,6%, 2,5%, and 6,2

while the capacity of industry increased only 3,7% between 2016 and 2017 (STATS SA, 2017c: 3).

The main reason for the post-1994 structural change is the unrestrained liberalisation that opened domestic markets to international competition and accelerated the financialisation of the South African economy (Fotoyi at. Al, 2016: 11-12). As a feature of South Africa's economy since 1994, high-level openness has strongly influenced the growth and development of the economy (Creamer, (2014: 143). Uncontrolled foreign capital flows, misallocation of capital and financialisation and internationalisation of the large corporations are regarded as the main reason for further deindustrialisation and job losses in manufacturing and growing poverty and inequality (Mohamed, 2012: 45).

The decline in some sectors can be explained in two ways through economic and financial liberalization. Firstly, it is assumed that when the South African economy was opened to global competition, uncompetitive natured manufacturing companies could not resist (PRSA, 2014: 87). The other firms attempted to create more significant economies of scale through mergers and acquisitions to meet requirements of capital consolidation by trade liberalization (UNDP, 2014: 24).

According to another explanation, many of the large diversified conglomerates in the South African economy unbundled unrelated businesses to focus on core business activities and grow their businesses globally, so that particularly agriculture, mining and manufacturing sectors were negatively affected (Mohamed, 2012: 38).

Regarding employment loss and skills mismatch, it is argued that by the 1990s, industries have become internationally competitive and grown by the agency of skill-intensive production (Steenkamp, 2015: 20), and export profile and growth in the manufacturing sector have been capital intensive in nature, which needs high skilled labour (Reddy at al., 2016: 28-31).

Despite the initial decline between 1994 and 2004, since 2005, the

capital-to-labour ratio has continuously increased, and this trend has resulted in a structural shift towards a more capital intensive economy (Steenkamp, 2015: 43) where industries and employers prefer the use of capital over labour (Steenkamp, 2015: 101).

Because the majority of the unemployed population is low-skilled, there has been a skills mismatch in the economy, which is one of the main structural constraints to sustainable job creation (Reddy et al., 2016: 28-31).

While presently close to half of the employed and 60% of the unemployed populations do not have secondary education, the annual labour force graduating from science, technology, engineering, and mathematics has not been enough to match the existing demand (Reddy et al., 2016: 75). The existing labour force profile both limits economic growth and constitutes a huge burden for the government financially while employment capacities of agriculture, mining, and manufacturing sectors have been eroded for unskilled labour.

While the capital labour ratio – capital intensity has been increasing in mining and manufacturing sectors, the real value-added per unit capital in these sectors has been declining (Fedderke, 2014: 44-46). Also, the share of these sectors in general value-added of the economy has been declining (Fedderke, 2014: 9-10).

The decline in value-added in the mining sector after 1994 (PRSA, 2014: 88), has constituted adverse effects for the competitive advantage of the South African economy and relative attractiveness for investors and fiscal capability².

Because of low saving rates and low investment, the country relies on foreign capital inflows for investment. The low savings rate has caused a relatively large current account deficit in investments, and the deficit has largely been financed through portfolio investment

² In 2015/16, government debt was 42,5% of the GDP and this is estimated to roughly 43,7% of the GDP by 2017/18 (STATS SA, 2017b: 43). The household debt-to-disposable income ratio has increased from 54,1% in 2000 to 76,9% in 2015 (STATS SA, 2017b: 50).

instead of foreign direct investment³ (Reddy et al., 2016: 26).

The increase in portfolio flows has also been associated with an increase in the trade deficit through increasing consumption of imported goods (Mohamed, 2012: 29-30) and macroeconomic instability associated with foreign capital flows has weakened the economy over time (Mohamed, 2012: 4).

Besides, under oligopolistic market conditions, foreign capital invests in existing high-profit firms, so foreign investments do not change but also reinforce the oligopolistic nature of the economy (PRSA, 2012: 111).

Lack of Qualified State Bureaucracy and Mismanagement

Lack of qualified bureaucracy has been the most important handicap of the empowerment strategy. Because of deficiencies in bureaucratic structure at the beginning of the democratic regime, it is argued that undertaking deep institutional reforms, which were needed in order to overcome the complex legacy of apartheid, became a major challenge for the government. Even today, this deficiency can not be addressed, so that a current recommendation of a need to focus relentlessly on building a professional public service was stated in the 2012 National Development Plan (Bhorat, et.al, 2017: 4).

The post-apartheid bureaucracy has not developed the necessary institutional design and failed in the implementation of macroeconomic policies. One reason for this failure is that the institutions have lacked the necessary technical capacity to fulfil their roles in the policies. Secondly, the coordinating agencies have not had the required political authority (Mabasa, 2014: 107).

Another criticism centres around the fact that most of the officials deployed in the public sector are from ANC cadres, so there is a lack of professional and independent public servants and middle-class

³ Weak business confidence is regarded among the reasons of low investment grade by ratings agencies (Gunnion, 2017: 51).

officials (Wehmhoerner, 2015: 4). The integrity and effectiveness of the state institutions have been subject to unprecedented levels of political interference and corruption as well as patronage by appointment of unsuited and inadequate managers according to the ANC policy of cadre deployment (Cilliers and Aucoin, 2016: 6).

Some ruling party leaders think that members should first obey the party rules before the constitution (Gumede, 2011, 16). This belief constitutes internal ideological solidarity and encourages corruption in the environment consisting of competing blocs.

While a tripartite alliance among the ruling ANC, Congress of South African Trade Unions (COSATU) and South African Communist Party (SACP) has centred around state-labour and state-business and has affected economic policy and the institutional context that shapes business, Black Economic Empowerment (BEE) policies created incentives for black business to organise along racial lines and to engage directly with the state. This type administration has caused patrimonialism and clientelism, and also policy contestation among the alliances has caused growing policy-incoherence and corruption (Nattrass, 2014: 1-4).

The corruption immediately became one of the structural impediments of economic development and shortly spread after the apartheid (DPSA, 2003: 3). Nevertheless, the levels of patronage and corruption have risen dramatically since 2009 (Bernstein et al., 2014: 26). It is argued that individual corruption has already turned into state capture, systemic corruption⁴ by well organized political and administrative networks embedded in the state for the last decade (Bhorat et al., 2017: 4). The 1998 National Victim Survey found that only 2% of individuals experienced corruption, while the

⁴ In addition to the implicit approval and belief among some cadres of the ANC, this common corruption tendency is mainly explained by two factors. Firstly, it is generally accepted that the public procurement is vulnerable to corruption, maladministration and mismanagement (Munzhedzi, 2016: 6).

Secondly, insufficient legislation and vestless enforcement agents are regarded as facilitators of the corruption (Gumede, 2011, 20). It is recognized that the capacity of Public Service Commission as well as the respective public sector institutions to deal with investigations of reported fraud and corruption cases is limited (Munzhedzi, 2016: 5). Over 75% of local municipalities do not receive clean audits and do not have qualified people serving as their chief financial officers. Consequently, mismanagement, maladministration and corruption are rife (Cilliers and Aucoin, 2016: 13).

2001 household survey revealed that some 11% of entire families/ households had a direct experience with corruption (DPSA, 2003: 3). By 2012 almost 50 per cent of South Africans reported paying a bribe to secure essential services (Bernstein et al., 2014: 27).

According to this pattern, South Africa's rating on Transparency International's Corruption Index decreased from 5,62 out of 10 in 1995 to 4,8 in 2002 and finally to 43 out of 100 in 2017 (<https://www.transparency.org>). Similarly, the World Bank's global governance indicators show a steady decline in South Africa's rank of governance effectiveness and control of corruption since 1996. The score for governance effectiveness fell from 83 in 1996 to 65 in 2016 and from 76 to 60 in the ranking for control of corruption in the same period (Cilliers and Aucoin, 2016: 37; WBGCI, 2018). According to international surveying organizations, South Africa has been among the most corrupt countries, and corruption in South Africa has been institutionalised (Gumede, March 03, 2017).

Empowerment initiatives and tender regulations have been manipulated and misused by some government officials, politicians and business people as an opportunity to advance their personal, economic and political interests at the expense of the targeted great number of beneficiaries of such programmes (Zondi, 2012: 82-89).

In some instances, nepotism and the appointment of unqualified people in responsible positions of authority deliberately distorted affirmative actions and rendered them without any practical meaning for general social welfare (Zondi, 2012: 83).

A wide range of reports by different government bodies shows that amount and cost of corruption cases has drastically increased. For example, 'irregular expenditure at the national and provincial levels' has increased from R4,2 billion in 2007 to over R19,1 billion in 2010 (Bernstein et al., 2014: 26). Also, the amount of only 166 cases between 2010 and 2016 reached R17 billion (Bhorat et al., 2017: 4-14).

According to the report of the Public Service Commission, for the financial years 2013/2014 to 2016/2017, the total amount

of money involved in completed financial misconduct cases by national departments and provinces was more than R2,6 billion, of which R621 million was not recovered (PSC, 2017: 16-18).

It is estimated that R25- to R30-billion of the annual government procurement budget is lost to tender corruption (CW, 2015: 2). The loss of as much as this amount a year on corruption in the state tender process is a blow to the ability of the state to fund social expenditure towards disadvantaged people (Hoffman, 2012: 17).

Because South Africa has an endemic and immense corruption pattern, it diverts the financial and other resources of the country that could have been used for development, job creation and poverty alleviation (Gumede, 2011, 19). It weakens the capacity of the state to deliver effective services equally. Because corruption in procurement encourages competition in bribery instead of competition for good quality or price. So, it has a harmful effect on honest bidders and poses a danger to the country's economic development (CW, 2015: 14).

It also undermines the government's credibility to pursue redistribution reforms, as many citizens are sceptical that the government is not pursuing the reforms in the broadest public interest but only to line the pockets of a few leaders. This means they are likely to oppose any such reforms, or at best, become 'indifferent citizens' (Gumede, 2011, 19).

Inadequacy of Target Group

The targeted Black group has serious impediments both at the individual level as a human resource and at the enterprise level as a company resource regarding the empowerment process.

As explained previously, SMMEs have structural severe obstacles to their development, such as a less enabling business environment and locating in rural areas and internal problems associated with low access to capital and markets and lack of entrepreneurial competence (DTI, 2013: 34).

Blacks own 89% of informal SMMEs and the median annual income for informal SMME owners was R4 200 (BER, 2016: 22-23).

Also, the targeted population is huge and mostly without skills and the human capital required by the economy. The empowerment strategy was started by focusing on a massive disadvantaged group which constitutes nearly 87% of the whole population (Engdahl and Hauki, 2001: 15). This designated group currently constitutes 92% of the total population (Stat SA, 2017d: 2) and more than 90% of the total labour force. Furthermore, 97,8% of the unemployed is from this group. However, 56,6% of the unemployed has an education less than the secondary level (Stat SA, 2017c: 18-21 -76).

According to 2014 data, the black African workforce was made up 18% skilled, 48% semi-skilled and 34% low skilled (Stat SA, 2014: 4). Similarly, in 2017, 37,7% of the unemployed who worked in the past five years was in low skills positions (Stat SA, 2017c: 72).



CRITICS ON BEE

Inadequate Planning

The most essential and rightful criticism towards the BEE policy is its flawed development process without necessary analysis in terms of structural contexts, such as SWOT analysis in strategic management. Therefore, the executor of the policy (the ruling party) did not change the strategy's surrounding structure, and the strategy remained vulnerable to internal and external challenges.

While the apartheid administration and white capital prepared an economic structure proactively for post-apartheid, as can be seen in the agriculture sector (Bernstein, 2013: 23-24), black opposition did not realize the importance of such a preparation. Unfortunately, the BEE process was initiated by the white corporate sector amid a lack of concrete policy directions on the part of the newly-elected ANC government in 1994 (Chizuko, 2013: 27).

Furthermore, the organizational legacy of apartheid has been adopted instead of revision of the state and existing structure, and this revolutionary policy has been implemented in structural restrictions of the past (Emkes, 2012: 206-207).

Another indicator of the lack of planning is related to the financial and human capital situation of the targeted group. Because the BEE deals are funded with loans by white companies or credit companies, actual ownership by blacks can not be sustainable. Sometimes BEE consortium members can buy out other consortium members, and

these cases result in a narrower black capital base (Tshetu, 2014: 22).

Also, the appointment of disadvantaged individuals to organizational positions without vocational ability and skill could cause disappointment and a decrease in business productivity as well as bankruptcy in some cases (Orton; 2008: 49). It is also highlighted that the empowerment that only employs the blacks in skill requiring positions by excluding the whites cannot cause blacks to gain skill, even increasing the shortage of skilled workforce (Human, 2006: 8-9).

Despite the fact that in order to eliminate previous labour market inequalities, a human resource is immediately needed to grow, which is compatible with the strategy and economic empowerment must be placed onto a process of formation of skill capacity (Horwitz and Jain; 2011: 310-314), there are serious disadvantages in education quality and skills-gaining for most of the population.

It is criticized that although BEE is administrated by the DTI, a wide range of objectives requires the participation of other departments, and the DTI has no direct authority over some of these objectives (Tshetu, 2014: 16-18). Contrary to the coordination of different bodies, attributing various strategic aims to industrial policy such as regional development, racial transformation in hiring, skills development, moving up the value chain, promoting labour-intensive growth and BEE, rendered it as unfocused and ineffective (Nattrass, 2014: 19).

Maladministration and Corruption

Maladministration is regarded as worse compared to the period prior to 1994, and it is BBBEE's biggest enemy. It is stated that the government is killing BBBEE, specifically emerging black contractors, by failing them through maladministration (Emuze & Adlam, 2013: 150).

Unfortunately, the BEE strategy and its programs have been perceived

as a hugely ineffective policy that epitomises the corruption and cronyism that has become endemic in post-apartheid South Africa by most black and white citizens (Lindsay, 2015: 3).

In addition to the lack of independent officials, the lack of quality monitoring and evaluation mechanisms has resulted in corruption in the upper echelons of government since no one seems to hold officials accountable (Shava, 2016: 166).

Despite the huge amount spent so far for the strategy directly or indirectly, due to bad planning and mismanagement, scarce human and financial resources have been wasted, so that the aim of the strategy on the society and economy has not been substantively realised. (Lindsay, 2015: 13-57). In this way, preferential procurement both marginalised small businesses instead of helping them and increased the cost of public purchasing with the motive of creating black bourgeoisie (Jeffery, 2013).

While the development of an effective policy to redistribute the wealth of the nation is riddled with challenges, and it is distorted because the major antecedent for BEE ownership success is the ability to convert existing networks and alliances into profitable economic partnerships (Tshetu, 2014: 91). Thus, the asset transfer has occurred in a way company equities have been transferred from white companies to a small number of high level politically connected blacks (Tshetu, 2014: 22).

Despite all criticisms about corruption, The Black Industrial Program, which has been recently launched, is regarded as very controversial in determining the beneficiaries because the allocation of funds and the beneficiaries remain secret (Mondi, 2017: 22).

Because tenderpreneurs get their tenders through political connections, this system hinders the creation of an entrepreneurial bourgeoisie which is key to economic and industrial development, by creating a small class of unproductive but wealthy black crony capitalists (Jeffery, 2013).

According to the communist party, measuring empowerment

progress in terms of direct individual black percentage ownership for the few and the looting public property by state-owned corporations in the name of black empowerment has achieved the very opposite; it has increased poverty and racial inequality (ACE, 16 February 2017).

Populism

It is argued that the recent calls for radical economic transformation and the introduction of the Black Industrialist Program are a response to the declining fortunes of the governing ANC at the polls and failure in the 2016 local government elections (Mondi, 2017: 14). This argument also implicitly says the ANC government disobeyed gradual and market-oriented negotiation process, which is accepted as the genuine politics of the moderate transformation by some circles (Mondi, 2017: 8).

Similarly, some writers characterize rhetorics of Radical Economic Transformation and White Monopoly Capital as concepts of revolutionary populism. According to this approach, these concepts are used by these populists for their own interests and rather than helping for the advancement of society (Dikeni, 2017: 19-20).

In accordance with these views, there is a perception in the mainstream media that politician's calls for empowerment policies and economic transformation are just a populist discourse and not a real panacea. It is very unfortunate for black people.

Redundancy Argument for Creating New Industrialist Class

However, another criticism for the legitimacy of the policy comes from the point of redundancy. Accordingly, it is argued that in an open economy, it is a more difficult for a newcomer black enterprise to compete against domestic and foreign companies that are embedded in long-established specialised production networks. So, this means there is no need to try a new black industrialist class. Instead, an inclusive growth agenda that goes beyond race and

class could just be the medicine for South Africa to overcome its challenges of racial identities, class formations, inadequate levels of growth and worsening poverty levels (Mondi, 2017: 23).



NEW POLICY RECOMMENDATIONS IN THE LITERATURE

Since targets of the empowerment strategy have not been reached and socio-economic indicators have been worsening, administrative and financial efforts for the strategy have been regarded as pointless even harmful by some circles, and new policy directions have been prescribed for economic development, social welfare and empowerment of the PDIs. They can be summarized as below:

BEE, and other forms of redistribution tether the growth rate, however, South Africa needs economic growth in order to especially create jobs and other requested public services for the poor. Therefore, the government should give up the implementation of BEE programs and embrace the mainly neoliberal recipes (Jeffery, 2013):

- Fixing education;
- Freeing the labour market from excessive regulation;
- Ending other damaging dirigiste inventions;
- Building up international competitiveness; and
- Making South Africa much more attractive to direct investors, both local and foreign.

It is argued that because BEE does not serve the interests of the black poor, it should be scrapped, and instead of it, more meaningful redistributive policies must be instituted such as land reform, a total revamp of the basic education system, more lavish infrastructure

spending, the scrapping of outsourcing and the decommodification of service delivery (housing, electricity and water) (Smith, 20 June 2016).

Former ANC Treasurer General Mathews Phosa has also expressed that millions of black people feel left out and are very sceptical since they cannot enter the formal economy, and unfortunately, only a few can truly benefit from tenderpreneurship. According to him, empowerment should be broad and based on education and skills, and it must be a primary duty to focus on removing all the barriers to growth and job creation (BusinessTech, 18 September 2015).

Finally, because of state capture accusations, the radical economic transformation has been condemned as being used as a mask of state capture by subverting and bypassing constitutionally entrenched institutions to manage rents on behalf of a power elite. Implementation of BEE has been turned into a rent management system within a neo-patrimonial regime in recent decades.

In contrast to these radical transformers, the constitutional transformation approach has been recommended. According to constitutional transformers, state capacity must re-build to deliver on the 1994 promise of socio-economic rights defined in the constitution and development by managing rents to promote investment and service delivery (Bhorat, et.al, 2017: 4-10).

The business has also developed its own approach to economic empowerment and transformation, which similarly focuses on achieving and maintaining a competitive economy and according to this approach, racial and economic transformation will be achieved through inclusive economic growth (BUSA, June 2017: 2-5).

The business approach to economic transformation will be enabled through an emphasis on education and skills development and job creation, particularly among the youth and enterprise development and SME support. In this approach, a concerted and collaborative effort between government, business, and organised labour is emphasized. (BUSA, June 2017: 17). What kind of roles can be taken by organized labour and business is not, however, explained.

In order to deracialise, the economy business recommends inculcating a transformative culture within businesses and building social cohesion (BUSA, June 2017: 18). However, there is no explanation why business need such an intervention or how any policy can be created. The business approach starts the process by establishing transformation culture and social cohesion. In fact, this is a long-overdue recommendation and means more time for businesses to delay economic transformation. Although business declares that it supports a significant broadening in economic participation and enabling of inclusive growth and employment, Andrews (2008) observes that BEE in South Africa has been implemented in the context of a solid organisational or market culture consisting of intra- and inter-firm relational structures which determine who should be involved in the mainstream economy. In addition, this structure resists accepting new black enterprises into the established business network. In fact, the organisational culture belies a reluctance to forego its previous status and a desire to keep its white supremacy.

If business complains that there is not enough skilled labour pool, why do they not establish specific training courses with tax exemption and employment guarantee for graduated young people such as those practised in Turkey?

By taking effect and role of big capital and institutional macrostructures in the racial transformation of the economy and also the growth of the economy into consideration (Andrews, 2008: 46), Andrews (2008) recommends that:

“BEE should be led from an emerging values basis (rather than a list of rigid requirements); BEE responses should be allowed to arise out of ‘space’—economic and decision space such as is created in the industry charter development processes; firms should be allowed to set their own targets and not be subject to rigid quotas, and credible entities should measure targets—possibly industry based; BEE should focus less at the top of the economy where skills constraints and defensive elites are limiting the effect of the BEE

interventions—it should rather focus at the middle and bottom of the economy, getting big firms to reach down and invest in training and jobs; finally, BEE should be subject to a sunset clause that states seriously when the policy will be considered successful enough to end (for the policy as a whole and firms subject to the policy)” (Andrews, 2008: 97).

Although Andrews argued that racial patterns in South Africa’s economy could not be adjusted without some structural change that challenges the race-based organizing logic (Andrews, 2008: 32), his recommendations were severely limited by the power of the capital. In response, he targeted a more accessible sector of the economy than big.

Also, a study that analysed the effect of BEE in companies in terms of profitability and competitiveness with a sample of 26 amongst the top 50 BEE enterprises in South Africa concluded that the effect of BEE in companies was positive (Kleynhans & Kruger, 2014: 9). Although Andrews (2008) recommended that BEE must focus firstly on small companies rather than big companies, this study claims the opposite of that idea. This situation also indicates that the resistance of the big companies against BEE is primarily ideological.

Similarly, Mondli (2017) argues that the implementation of industrial policy to create wealth in the context of a fragmented business community and the social and political relations that have defined its characteristics have had minimal impact in transforming the structure and the racial character of the South African economy (Mondli, 2017: 5).

Racial divisions in business have intensified as a result of alienating the established predominantly white business community, and because of this heightened racial tension rather than a partnership for growth and development, the economy has underperformed as poverty, inequality, and unemployment worsens (Mondli, 2017: 5).

One question that remains unanswered is why white capital has not voluntarily shared its unfair accumulations during apartheid if it

really wants to develop South Africa with harmony and partnership.

On the other hand, in an economy with extensive monopolistic, capital-intensive, vertical integration features, it does not seem very sensible to blame BEE for macroeconomic indicators. On the contrary, this situation can be interpreted as the fact that the capital resists the state and avoids investment in the economy in order to put the government a difficult position concerning the public.

Because of an increasingly unfavourable ideological context, some writers even allege that empowerment acts violate the UN Declaration of Human Rights. So, the whole B-BBEE Act must be declared invalid and then scrapped. BEE must be transformed to “EED” (Economic Empowerment for the Disadvantaged) without any racial emphasis and numerical quotas of outputs (Krüger, 2014: 452).

But why do not those who suggest a social remedy policy without a racial focus take into consideration that an overwhelming proportion of the disadvantaged people consists of black people due to lingering effects of past discrimination?

CONCLUDING REMARKS

Despite the expectations about rapid social and economic improvements, the socio-economic scene of South Africa looks much gloomier after more than two decades than during apartheid because of economic and social divisions, radical inequalities and an alarming unemployment rate, poor growth performance, rise of corruption and political turbulence (Magri, 2016: 9).

The worsening circumstances of black South Africans have been fuelling widespread calls for the nationalisation of private sector assets and changes to the system of property rights. Accordingly, the newly-formed EFF managed to win 6,35% of the votes in the 2014 general election due to its radical discourse of economic war against whites and nationalisation (Lindsay, 2015: 9-10).

As reflections of social unrest against poverty, maladministration and corruption; the crime cases, protests, violent demonstrations and labour protests have increased, and it is argued that the violence has become a way of communication with the government and among communities (Cilliers and Aucoin, 2016: 18-19).

As long as time lasts, the cost of the apartheid will be borne by other entrepreneurship. Indeed, this situation will decrease the legitimacy of empowerment because the burden that should have been born by capitalists during the apartheid may be compensated by new innocent investors. Therefore, those whose source of capital originates in the apartheid era should be taken into consideration separately.

The most problematic dimension of empowerment is ownership and asset transfer. The problem is not in the narrow sense of asset transfer, but lies in the fact that it is limited to a very narrow beneficiary group selected without any fair criteria and in a corrupt manner.

Also, the black political elite enriched in this way has alienated from the problems of the poor and reluctant to develop sensible policies for them. This point can explain the position of unions. In addition to politically connected elites, unions have been among the investors of BEE enterprises (Nattrass, 2014: 22). Organised labour's involvement in BEE deals gives black workers a material stake in the economy and blurs the lines between workers and capital (Nattrass, 2014: 26). However, this situation also may prevent the development of policies for the empowerment of the outsiders and prevent unions from acting for the ordinary working class as a real power source in the economy.

For example, although Cosato, which has been the biggest opposition power, has opposed some government policies (Tangri and Southall, 2008: 701), has not been effective, and it has not ruptured, nor to abanded the alliance with the government (Dibben, Klerck & Wood, 2015: 465). In addition to the ideological and other reasons, the continued collaboration via empowerment businesses may be among the reasons for the failure of the policy.

Again, it is also a contradiction to deem the enrichment of a black minority as a problem (Bhorat et al., 2017: 53) in an economy in which white capital is an over-centralized and dominant economic power. It is not rational to criticize this fact in an economy where competition power comes from scale economics. However, the legitimacy of this enrichment of minorities, whether or not they are productive entrepreneurship, and the issue of efficiency in resource allocation for the general welfare of society are important issues to be discussed.

The inequality of income distribution among blacks being greater than whites is due to the wage inequality and unemployment,

which are caused by skilllessness and racial discrimination rather than inequality in wealth distribution. For this reason, if minority enrichment is to be criticized, it should be done in the same way for both white and black capital.

The decrease in the white shareholding ratio in the stock market does not solve the problem. Why have shares not been transferred to blacks instead of foreign capital? Also, at this point, the critical question is where and for what purpose income from the sale of shares of foreign capital is to be valued.

ANC has declared that the economic transition process was entering the second phase since 2012. Moreover, the second phase of the transition is guided by the overall vision outlined in the NDP.

According to Economic Transformation Discussion Document of ANC¹, without effective structural interventions, the system will continue to reproduce racialised poverty and inequality.

When the policy recommendations of ANC are analyzed, it is seen that the ANC understood the problem correctly and produced solutions theoretically. It realized the importance of economic growth and the necessity of economic transformation. While the capital circle condemns the ANC's discourse of radical economic transformation as a populist policy, the extreme left condemns the ANC because the current economic transformation is insufficiently radical and recommends nationalisation. Consequently, the ANC is sandwiched between the left and the right. (ANC, 2017: 6).

¹ In order to realize the socio-economic transformation, a comprehensive package of policy interventions should be include as follows (ANC, 2017: 2-3):

- Reducing unemployment and youth unemployment
- Returning land to our people and supporting land reform
- Increasing black ownership and control in the economy
- Activating small businesses and co-operatives
- Raising the level of investment
- Strengthening social justice and conditions for the poor and working class
- Improving the employment impact of infrastructure projects
- Reducing inequality and poverty
- Dismantling monopoly practices and structures
- Asserting South Africa's interests in the global economy
- Improving integration into the African economy
- Stimulating inclusive growth.

If there is no serious problem with conception, the problem must be with implementation, or more specifically, implementation obstacles. For example, in the preparation report of the National Development Plan in 2011, poor education quality for the blacks and high-level corruption was identified as a challenge, which should have been quenched (NSTF, 2017: 1). However, these challenges have continued without any serious intervention like other matters.

When the failure of the strategy is analyzed, a few but important factors stand out. These can be identified as lack of qualified bureaucracy, lack of adequate planning, unfavourable economic context, corruption, lack of political alternative and inadequacy of targeted group.

At the outset of the problem lies the lack of a competent bureaucratic structure and a strong and objectively perceived political opposition. Because white capital hesitates to share its wealth, its criticism against the government, even correct, is not perceived as valid by blacks, so existing income injustice actually leads the black people to be vulnerable to political manipulations.

Also, the effects of informal structures and relations are important factors in terms of the failures of the strategy. All the elements of black pressure that should lead the government have ideological ties with the political party in the government.

When the South African experiment is analyzed and compared to the Malaysian case, it is seen that the South African strategy was commenced without serious planning or swot analysis.

Unlike the Malaysian example, unexpectedly, employment of blacks in skilled positions has been ineffective due to a lack of training. It was also wrong to start the transfer of assets by the unexpected way and economic actors' will. This has both led to a slow transfer and limited beneficiaries to an elite segment.

While Malaysia began this process after a particular mental preparation 13 years after independence, South Africa began *de facto* without any mental and legal preparation.

Even though over 20 years have passed since the start of implementing the strategy, continuing legislative changes due to technical insufficiencies still show that the planning of the strategy is not done at a sufficient level and that the bureaucratic structure is lacking at this point. Nevertheless, for the counter-cycle, socialist strategy in an open market environment, the economic context is hardly taken into consideration, which is the biggest shortcoming of the bureaucracy. The creation of the Malaysian review team to take advantage of the Malaysian experience in 2011 is the most concrete indication of a retrospective acceptance of poor planning and how little importance was initially attached to the plan.

Serious and critical (though long overdue) policy papers have been launched within the last five years, so it can be said the empowerment strategy has been newly implemented reasonably and proactively.

Current empowerment practices raise the prosperity of a politically powerful minority. However, since these individuals are not real entrepreneurs and actors producing value-added in the economy, the contribution of the resources allocated to these minorities towards social welfare is even less than social assistance. For this reason, although the growth of the economy can not be triggered despite the huge empowerment expenditures.

The divided society and discriminatory politics of the apartheid era revealed the current oligopolistic structure. With a similar tendency, the post-apartheid society, which is economically fragmented and experiences a conflict of interest, has provided a latent legitimacy for favouritism and corruption.

High performance in property transfer has not been achieved yet. Also, employment progress has been achieved chiefly in the public sector. Namely, the private sector has been kept as white, while the public sector transited into black. However, with only a black public sector without an independent balance of black economic power, corruption is inevitable.

In a political structure where political power is obtained from an electorate who does not have economic power, it is impossible to

prevent bad governance practices such as favouritism, corruption and corruption, which are undermining the economy in the long run because the ruling party may not be subject to a strict electoral pressure in terms of sustainability of the economic structure.

The loss of trust and legitimacy caused by the government's favouritism and corruption practices is the most critical reason why academics and the public regard the transformation of the economy as unnecessary and even harmful for social welfare, and instead of transformation, they prefer that politics will lead to economic growth.

Clientelism and corruption claims make the economic transformation demands of blacks meaningless and defenceless.

The unfavourable economic context constitutes a strong position for business owners in policy determination against the government which should create employment for a vast population, most of whom are unskilled.

As a result of the economic problems in the open market conditions hampering sufficient government pressure for BEE, the capital maintains its current structure and maintains its profitability by obtaining the rent coming from the financing in cooperation with foreign capital.

What must be done to break the vicious cycle of welfare and empowerment of South African people?

First of all, there must be change in the concentration structure and creation points of value-added in the economy. In addition to industrial incentives and anti-trust policies, it is necessary to ensure that real entrepreneurs are created, not pestilence tenderpreneurs. The 100-year-long freedom struggle should not be sacrificed for the interests of a handful of nymphs. It is necessary to increase the quality of education and to remove the quality from the wealth.

Although a 100% fair system was not possible, the most acceptable system could be established. A distribution could be made in the incentives to be given based on sector experience, academic success,

and collective entrepreneurship. While the process of universal and rapid policy implementation in the fields of social assistance and services and education could be initiated, for asset transfer, a more proactive and planned process should have been initiated on criteria such as education, experience and collective entrepreneurship instead of political connection.

Just after the apartheid, all the poor would be involved in profit account system for state enterprises.

Where marketing is more important than production in a world, it is not realistic to expect a new industrialist class to emerge without considering the oligopolistic market structure. For that reason, it is necessary to transform the economy sector by sector with a program that considers not only the production phase but all stages of the value chain at the exact moment. In particular, entrance barriers caused by spatial monopolist market structures in the sectors towards the final consumer should be eliminated. If necessary, the state should play a role in the critical points of the value chain. Nevertheless, the precondition of taking advantage of the state as an actor in the economy is an incorrupted society.

Besides of skill superiority of whites in the economy, they have important communication network abilities with foreign markets. It is necessary to ensure the formation of a class of skilled black entrepreneurs with international market knowledge and experience, which is the most critical competitive advantage of whites. For this reason, the inclusion of educated entrepreneurs in the foreign education process must be a part of the business development programs.

Perhaps because the legitimacy of economic empowerment has begun to be questioned, the referendum on economic empowerment should be continued in the future.

In order to reduce disparities in education quality, some affirmative actions may be initiated, such as incentive programs for schools based on the number of black students and premium incentives for school staff in accordance with NSC achievements of schools in

disadvantaged areas.

The ownership dimension, which is mostly impeded by the capital, must be determined according to the sectors. While sectors are being identified, historical factors such as the intensity of exploitation of the black labour and contribution of the black labour to the sector's development as well as the sector's international competitiveness can be taken into account. Ownership is the area where problems such as fronting and elitism are most experienced, so the emphasis should be on programs for business development, promotion of entrepreneurship, preferential purchasing and the industrial building capacity.

For empowerment incentives, limits should be set for individuals and institutions; specific performance criteria must be provided and the reason for the incentive must be technically stated for the second time incentives. Empowerment practices must be transparent and open to judicial review.

White capital is objecting to the government's focus on asset transfer and its forced economic transformation. However, they are not willing to voluntarily share the accumulation of profits and capital, especially human resources, land acquisition, incentives from the government, etc., using resources far below the actual cost unfairly with the practices of apartheid time. They are trying to cover these attitudes with corruption and favouritism practices of the government.

Given the white population that has gone abroad in the last two decades, whites may abandon southern Africa as a homeland, if necessary. Blacks, however, have no such alternative. For this reason, it is inevitable that the blacks from the wealth obtained from the southern African resources get a sufficient share.

The transfer of assets is inevitable, and the most critical question is how and what methods should be done. An application could be made in the form of stock certificates and profit-loss coupon distribution for all of the target entities for a certain and limited period from the public enterprises and the large capital of the

apartheid period.

By adapting the proposal of Swedish economist Rudolph Meidner, James Schneider proposed a policy in which the government mandate that all companies over a specific size issue new stock each year as a percentage of profits. This new stock would be placed into a fund for the company's workers, who would all have equal ownership and manage the fund democratically. A decrease in corporate taxes could accompany the new policy. Each year the workers' ownership of the company will increase according to the company profitability (Schneider, James, March 2015: 73).

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