Introduction

BUSA is committed to achieving a deracialised, vibrant, diverse and globally competitive economy. This will enable all South Africans, regardless of race, gender or age, to have the opportunity to participate in the economy and earn a sustainable livelihood for themselves and their dependants. This can only be done through a collaborative approach with BUSA’s social partners.

Business recognises that economic transformation and inclusion is the best way to achieve the goals set out in the National Development Plan and effectively deal with the challenges of unemployment, poverty and inequality.

To this end, BUSA established an Economic Transformation Think Tank and developed a Business Approach to Black Economic Transformation for Inclusive Growth, which was endorsed by the BUSA Board and membership. This approach guides BUSA’s strategy and engagements with its social partners.

Guiding principles

Business believes that:

- The pace and depth of inclusive economic transformation has been insufficient.
- There is a need for full and equitable participation by black people in the South African economy, with an emphasis on those who are most disadvantaged (women, youth, people with disabilities and those living in poor households in townships and rural areas).
- Business’s ability to transform rapidly is greatly enhanced if government creates the conditions for growth.
- Corruption, maladministration and state capture undermine economic transformation.
- Business, government, organised labour organisations and other social partners need to take a collaborative, pragmatic approach to economic transformation. Their partnership should be based on trust and a commitment to social and economic development.
- A proactive, innovative and scalable approach to transformation is required. It should take into account the diversity of economic sectors and the different formats and sizes of business, and recognise the need for short- and medium-term trade-offs to achieve sustainable transformation.

Challenges to inclusive growth

- Smaller businesses contribute only 65 percent to employment, compared to a worldwide average of 95 percent, indicating the potential of sustainable black enterprise development to facilitate inclusive growth.
- The regulatory environment has many best-in-class laws, but their application fails to create the requisite certainty and conditions for competitiveness, economic inclusion and growth.
- Energy and water supply and road, rail, transport and IT infrastructure are inadequate, unreliable and too costly to enable businesses of all sectors, formats and sizes to be more competitive.
- A productive and stable labour market is required to boost business confidence.
- Funds to support black and small business development are inadequately focused and managed, and often inaccessible and misspent.
- There is a significant mismatch between skills being generated by the basic and post-school education system and those required for a growing economy and the fourth industrial revolution.
- The social security system is inadequate to sustain the number of marginalised, predominantly black, South Africans. It is also inefficient. This increases dependency on the employed and the cost of employment to businesses.
- Trade regimes, agreements, support structures and incentives are not optimally designed and implemented to enable South African businesses, of all sizes, to participate fairly and competitively across national borders. Through regional integration, Southern African Development Community countries can take advantage of economies of scale and reverse migration to South Africa.
Analysis

Business unconditionally endorses the intent of broad-based black economic empowerment (B-BBEE), employment equity and skills development legislation.

The B-BBEE Act (2003) and the B-BBEE Codes of Good Practice of 2007 (amended in 2013) aim to ensure meaningful participation of black people in the economy and substantially change the racial profile of ownership and management of the economy. However, no authoritative and comprehensive national study exists that measures all aspects of transformation in order to monitor performance over time.

The Employment Equity Act (1998) prohibits direct and indirect discrimination in the workplace and aims to transform the labour force through affirmative action focused on black people, women and people with disabilities. The legislation has, however, driven a transactional approach, rather than supporting a substantive commitment to transformation. While progress has been made at most occupational levels, it has been limited at higher management levels.

The Skills Development Act (1998) aims to facilitate the systematic development of the skills of employees, particularly black people and women, to make them more employable. However, the Sector Education and Training Authorities are fraught with contestation, inefficiency and maladministration, and only produce the skills business needs to a limited extent.

The B-BBEE Codes

An assessment of the B-BBEE Codes has shown that the Codes’ quantifiable measures have often resulted in organisations taking a transactional approach, where compliance is targeted rather than more systemic economic transformation.

- Ownership has largely failed to deliver meaningful control and value to black people, whose shareholdings are generally insufficient for them to exert direct influence on the strategic direction of companies.
- While there has been an increase in the representation of previously disadvantaged individuals at middle management, professional and technically skilled levels, this increase has not occurred at top and senior management levels. Nor has the appointment of black managers necessarily resulted in a transfer of management control.
- Systemic social and organisational factors are inhibiting participation and progression in the workplace. The value of diversity (improved performance and competitiveness) has not generally been recognised by business. Insufficient numbers of professionals are graduating with the skills necessary to meet the needs of a growing economy.
- There is significant scope to improve the effectiveness of public- and private-sector support of emerging enterprises. Enterprise and supplier development takes time and resources, and can affect short-term competitiveness. This necessitates government-led, sectoral programmes and a focused effort to build entrepreneurship.
- Data on socioeconomic development (SED) investment by the private sector is not readily available. Despite the significant financial and human resources expended, efforts are fragmented and often duplicated. There is a need to comprehensively evaluate the return of investment and best practices in SED. Corporates tend to focus on larger, well-administered and better resourced SED organisations to the detriment of smaller grassroots organisations. The effectiveness of SED spend is often impacted by a lack of public services, which is outside the control of business.

Business has detailed proposals to deal with each of these challenges. The measurement of B-BBEE needs to be recalibrated to focus more effectively on substantive transformation, value and influence.

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Measures to create black-owned and -controlled businesses include providing access to markets, capital and skills that support entrepreneurship. There should be greater emphasis on asset sale transactions as part of establishing black-controlled businesses.

Increased black management control and better employment equity practices require mentorship, fast-track programmes and diversity management tools. Businesses need to share best practice and make use of the qualitative information contained in employment equity reports, as well as identify the different approaches needed for different industries.
The way forward

Business’s efforts to facilitate economic transformation and enhance social cohesion are focused around four elements:

1. Enabling a transformation culture in business through systemic initiatives and developing a research base that demonstrates the economic value of diversity.

2. Supporting enterprise development, including through industry development programmes, by scaling the Black Industrialist Programme and leveraging the Small and Medium Enterprises Fund.

3. Developing skills for current and future business needs, including by implementing a widespread mentorship programme.

4. Promoting employment, particularly of the youth, through programmes like the Youth Employment Services initiative and other systemic contributors to sustainable employment.

Conclusion

It is a strategic imperative for business to create an inclusive, globally competitive economy that creates value for all South Africans, regardless of race, gender or age. Transformation, which broadens and deepens economic benefit and participation, is the best way to facilitate South Africa’s growth and development.

Business is committed to working with government, labour and other social partners to accelerate economic transformation and inclusive growth. Business will do so by supporting education, skills development, job creation – particularly among the youth – and enterprise development.