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## **Black Economic Empowerment**

### **Paper for Harold Wolpe Memorial Seminar, 8 June 2005**

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Comrade, ladies and gentlemen, I think we should start by thanking the organisers here for inviting COSATU to come and share, with the audience here, a few ideas. In particular to be invited to this seminar, organised around the struggle hero, Harold Wolpe, because as we know he dedicated his life to ensuring that the human rights are pushed around the academic sphere as well as the political. So we thank you a great deal and please invite us again.

Before I go into this short input, permit me to respond to three points that Dali raises. The issue of the statements that COSATU raises which are raised at the same time by either, as he puts it, the right-wing or Tony Leon etc, we welcome that. If we raise a point which we believe is right and somebody else echoes that – what's wrong with that? We raise a point, we raise many points and they repeat those points, we say "halleluiaah," because they assist in strengthening our point. However much that point may be coming from a disgraced person but the fact that we have raised a particular point and it gets support, from any quarter, that's ok. I want to emphasize that point.

The issue of our attack as COSATU on the Telkom deal and the issue of Whiphold and union investment companies, I know this has come on a number of occasions. We have said, as COSATU that yes, 50% of the 21 affiliates of COSATU have investment companies and since 1999, as the leadership of COSATU, we have said there is a problem here because very many of these companies are not really controlled by the unions themselves. The companies which we formed and said as the unions, we do not have the capacity to control this particular area of economics etc and therefore lets have people to deal with this particular area. But the unfortunate part is that we did not involve the capacity ourselves to ensure that there is proper implementation, to make sure that these people did what we believed they had to do so they began to move without any proper mandate. That's exactly where the problem lies.

You here will know that if you take any ordinary mineworker in that shaft, understands nothing about economics and shares etc, who only knows that he has got to take a pick and deal with the

stones there, you can't say that that particular ordinary worker, will be able to go out and talk about the shares etc. That's why we said, those who can, be entrusted with this that we have, so that we then can be able to move from there. But I want to emphasise, and this is what I said when I became president of COSATU in 1999, that we are going to have a monster here and indeed we have that monster. But I can tell you that we have put in place structures to begin to deal with it.

The issue of Whiphold and Telkom, again it comes there, where the unions will say in Whiphold, let's have something and Whiphold will say, ok, we'll give you 1%. But as you know here, with that you don't have any voice whatsoever but then Whiphold or any other company will use the name of the union and say this union has 200 000 members, therefore, apart from the other members we have, we have 300 000 mouths and their families that we are going to feed. Therefore this is a broad black economic empowerment thing, without the union itself knowing that. That becomes a very serious problem. That's why we have said as COSATU to one of our affiliated unions, move out. The teachers union has moved out, other unions will move out as well, because of this kind of thing that we did not understand. Others are there and we will be able to deal with them. But it's a major problem because you have to deal with the entire chain. We deal with the issues there and say we don't want privatization of telephony because the majority of our people, more than 42% of the people in South Africa who are supposed to be working, are not working. You are academics here - you have all the information. That more than 57% of our people in South Africa are poor and we still have 12 million people in South Africa who are functionally illiterate. These are some of the facts and if you go on to privatize, these people will not get access. That is why we said we are against privatization and therefore if some of our investment companies go into that kind of area, we've said it's wrong, we've said this has got to be stopped. That is why we came up with this kind of strategic investment council to come up with a very clear line and to say to them this cannot be allowed go on. It's raising again the issue of the Solidarity union and what the Solidarity union has been saying. As the last man in COSATU, I believe and that's what I know, it's is one of the founding statements of our federation, I believe in the unity of the working class. I believe in that unity, whether the unity comes from the right or the left, we are talking about the working class here and the working class has got to be united so we can achieve that which we want to achieve. So if they come in, it is fine we will be able to move form that particular point. Lets debate that.

The ANC has taken all the right-wingers, they are there, they have transformed, they are going on. We are part and parcel of that movement and for as long as I am president of that organisation that is going to happen. Of course, we are slow and you would be a foolish leader if you see that Steve is slow in coming into the crawl therefore let me kick him out. We become patient but at the end we'll be able to come in. Now back to the issue we are raising.

COSATU from its creation 20 years ago has recognized that the working class historically has faced two problems – one, the battle for economic liberation from the capitalist exploitation and two, the liberation of Africans, in particular blacks in general from the national oppression and apartheid. So it's capitalism and real political freedom. Now the national question has always been inseparable from the class questions. That is why the principle of black economic empowerment has never been a question, never been in question in the COSATU circles. Redistributing wealth to all previously disadvantaged communities and individuals including blacks, women and people with disabilities has to be an integral part of South Africa's transformation. There is no way our national democratic revolution can be completed without transforming the massive racial imbalance in the redistribution of wealth and power, which we inherited from the racial past.

In 1994 the democratic breakthrough of course marked a turning point in our struggle against racism. But since then we have put in place a constitution and many laws which enshrine the principle of non-racism. Now the Employment Equity Act which I believe you all know, decrees that workers must no longer be discriminated against on the basis of colour, of creed, of sexual orientation or social standing. Now the broad-based Economic Empowerment Act is supposed to empower these same people economically. But the central question, I must say, of tonight's discussions, is "are these laws really changing South Africa into a non-racial society where the distribution of rewards is based purely on the merit rather than race." That's the question we have to deal with. I repeat that - "are these laws that I've raised before, really changing South Africa into a non-racial society where the distribution of rewards is based purely on merit rather than race." The answer to us is no, as this federation. As all of you comrades will know, my friend and political ally called Blade Nzimande of the South Africa Communist Party, recently said, and maybe some of you heard him, "what has passed for black economic empowerment over the last decade has been essentially an accommodation of the elite." He continues to say, "there has been nothing broad-based about it and there has been little that is transformational about it. It has been about changing some of the leading agents of the existing system, leaving intact the entire system itself. A system that regenerates and reproduces inequality in our country. Racialised capitalism persists." We agree with that particular point.

Although the object of BEE is correct and should be supported by all of us, and COSATU does that, the quest to transform our country – the fact is and I must emphasize, the few, the elite, have actually usurped that particular point. We talk about transformation, economic transformation in particular, we talk about BEE – yes, I emphasize – this whole thing has been usurped by the few. We can mention them, there are quite few anyway.

Now to measure the success of BEE it is worth recalling that the Black Economic Empowerment Commission recommended in 2000 that the following quotas, among others, be introduced:

1. 30% of productive land should be in black hands – has that happened? That is one of the barometers that have been put, but you and I agree that that has not been achieved. After 20 years, Mugabe has redistributed land to a particular level and the people there rose to say, and of course he did for his own political reasons, but this is not enough. How far have we gone in South Africa after 10 years? If we have redistributed 2.4 which is the reality, it means we are going to break his record after 20 years and we are going to have a problem. Now we have said that 30% of productive land should be in black hands, and that should be a barometer for us to say we have achieved BEE. That has not been achieved.
2. Black equity participation in each sector of the economy should be increased to at least 25%. Has that been achieved? Zero.
3. Black people should hold at least 25% of the shares of companies listed on the JSE. Is that the case? No. Later I'll show you that it's only 3% that is there and 76% of that 3% is the big 8. It's not 25%. Now we are using those particular barometers that have been put by the Black Economic Empowerment Commission in 2000
4. It says that as a barometer, at least 40% of non-executive and executive directors of companies listed on the JSE, should be black. Is that the case? I'll leave that to you.
5. It says that at least of state-owned enterprises and government procurement should go to black companies. You know the answer
6. He says at least 30% of the private sector should comprise black-owned companies. Some of you I see come from the media and you published this recently, to say this is not true, this is not happening.
7. He says that at least 40% of senior and executive management in private sector companies with more than 50 employees should be black. You know the answer.

Furthermore the Business Map Foundation noted in its 2004 report on BEE that, while the market capitalisation of black controlled companies listed on the JSE increased by 32% from R44 billion at the start of 2003 to R58 billion by the end, black control of total market capitalisation on the JSE remained at a pathetic 3%. A mere one tenth of the target figure. Now the number of black controlled companies listed on the JSE actually dropped, from 22 to 21 during 2003. This is less than the 38 in August of 1999. All I'm saying is that the target has not been realized. Now 3% of the JSE and I repeat, 76% or more of that 3% is the top 8. We talk about Cyril, we talk about Tokyo, we talk about Motsepe and so on. Now is that proper BEE? If that is BEE then I'm not of this planet.

Now all these things should be compared to the problem of the Employment Equity Act that we are faced with in South Africa today. A report by the Commission for Employment Equity in 2002 revealed that up to 60% of designated employers flagrantly violated the Employment Equity Act's provisions. I'm raising this because it moves together with this issue of BEE. Now only 19% of positions at top management levels in 2002 were held by black people, defined as Africans,

Coloureds and Indians. This is a tiny improvement of 5,7% since 2000. 14% of these positions were held by women which again is a minute improvement of 1,3% but black women held no more than 2% of these particular positions.

There are a whole lot of problems here that one could go into. To try and summarize – we haven't achieved anything in so far as BEE is concerned just as we haven't achieved a lot in so far as the issue of Employment Equity is concerned.

Now all these problems that I have raised have produced a society of two nations, we agree. One nation is powerful, wealthy and unfortunately white. The other is powerless, poor and black. Now it is true of course that as long as we live in a capitalist society there will be those who get rich while others remain poor. We cannot tolerate the situation where a tiny number of individuals enrich themselves many times over. We cannot accept that in the name of black economic empowerment, the old white elite can simply be replaced by a new black one. I'll give you an example - Patrice Motsepe is worth today R3,3 billion. One man. Tokyo Sexwale is worth R1,5 billion. I'm just mentioning those two, there are others of course – Cyril etc. Now how do we justify this? Let me give you an example. 6000 workers in DRD, you know recently there was a liquidation – I led a march because DRD was saying we'll give these workers a severance package equaling one week's salary. These are poor workers some of them who come from Lesotho, Botswana etc. They are getting about R2000 a month and out of that R2000 they will be getting one week's salary. But then here's a man who has R3,3 billion – I don't know if he is able to account that. Can you imagine a very poor man who does not have R1 in his pocket and he goes home to face children, 6, 7, 8 of them, and they are looking at him – they want bread – nothing, zero. Black economic empowerment.

We need to juxtapose these particular issues. Now if empowerment is to mean anything, it must improve the lives of black people. It must create jobs – that is the position of COSATU. There is nothing more disempowering than unemployment. It deprives you not only of an income but also of your dignity and self-belief. Having work is the first vital step towards empowerment – we want to emphasise that particular point.

One of the reasons why COSATU was so opposed to Telkom's so-called empowerment deal was that this was a company which has been savagely retrenching workers for very many years. That is a major problem. People will run away with about R6,807 billion profits – individuals. And some of my good friends in the liberation movement, yes, will be able to get more. Yes, it goes back to – whether you like it or not, whether we are reckless or not – political connectedness. That is a major problem; we cannot allow that as COSATU.

Other kinds of BEE, which we want to see, are worker and community cooperatives. I mean, apart from ensuring that BEE really deals with the main issues of job creation, making sure that

people have access to telephony, electricity, water etc. We want to make sure that poor people are able to get involved in this thing, in the cooperatives etc. That cannot be done through this BEE. As I sit down, I want to give you an example of what workers have been able to do. He is there in that particular company of workers where you yourselves as workers were able to contribute your one day's wages and were able to collect about R100 million. We have created 25 000 jobs, we still have R80 million to do more. But then we talk about billions where people have not been able to do anything. Now there's the Labour Job Creation Trust and indeed we will be able to move further.

Remember, they talk about patriotic bourgeoisie in South Africa. Karl Marx spoke about the socialist bourgeoisie and the bourgeoisie can never be patriotic, I want to emphasize – as long as it's a capitalist kind of thing, it can never be. The only thing they'll give us are tickets for games, for matches - they do that frequently and then we are able to go and enjoy matches from the streets while they run with whatever they've got to run. So, BEE has not assisted today.