

# **"Black economic empowerment: No change in the class position of workers"**

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*"The history of all hitherto existing societies is the history of class struggle"*  
- Communist Manifesto

## **Introduction**

We could approach a discussion on the subject of black economic empowerment from the perspective of Marx and Engels when they penned the Communist Manifesto in the 1840s, alternatively, and given all that has happened since, we might choose to rely on Frances Fukuyama's "End of History" theory. I'd like to think that workers and their organisations would approach it from the former.

The request to deliver this paper also reminded me of something which I think many who've been in COSATU for a long time appears to have forgotten. A 1987 COSATU publication on the South African economy states, in the introduction, that a big problem for people trying to understand the economy is the question – Through whose eyes do we study it? It answers the question as follows – "We can look at the economy through the eyes of the capitalists or we can look at it through the eyes of workers. Depending on which set of eyes we use, we'll see a very different picture". I'd like to think that I approach the matter at hand, and its broader economic and political context, from the latter.

Black economic empowerment (BEE) is put forward, almost without question, as a relevant and necessary process for post-apartheid South Africa. This applies across the full political spectrum with the only real concern from the left being the narrow focus of BEE and from the right, the unnecessary interference by government with the free hand of the market. Government has appeared to agree with COSATU, leading to what is now referred to as broad based black economic empowerment (BBBEE).

Following this broad-based approach, Government now 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". It is the broadness of the definition that continues to give rise to the ongoing rumbling about BEE. For a start, a large majority of South Africans remain untouched by unfolding BEE – whether of the narrow or broad-based variety.

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I intend using this opportunity assert that this situation will persist and that from a worker perspective, BEE will bring no change to their material situation. I will attempt to show that rather than been a “coherent socio-economic process that directly contributes to the economic transformation of South Africa” to the benefit of the majority black population, BEE is simply part of a process that seeks to legitimise and entrench capitalism. A process that seeks to unravel the distortions in the economy brought about by a capitalist growth path distorted through the prism of racism. In other words the conversion of what became known as “apartheid capitalism” into a system where racially based class inequalities are reduced by various means. A process driven and controlled in the main by government and white business aimed at drawing in more black persons into the economic mainstream. I’m also of the view that those who argue that this process will ultimately benefit the masses, ignores the basic laws of capitalism.

I will also attempt to illustrate that BEE, as a national project, ignores the changed global situation that allowed the Afrikaners to deal with the “poor white” problem as part of their broader project to gain a share of the fruits of capitalism in the pre and post 1948 periods. The integration of South Africa into the global economy, on the terms and rules set by the developed economies and institutions like the World Bank and WTO, aggravate against any of the broad-based social benefits envisaged by some of the proponents of BEE.

### **White Economic Empowerment**

There are a number of similarities between the steps taken by Afrikaners prior to 1948 to change ownership patterns and the resultant economic deprivation for relatively large numbers of whites which had emerged during the development of capitalism, and the current BEE processes.

Built on a strong sense of Afrikaner nationalism, the intention then was to free the Afrikaner from domination by foreign capital and create a layer of Afrikaner business people who would have the interest of the all Afrikaners at heart and contribute to solving what became known as the poor white problem. Steps envisaged included the creation of key economic institutions to support agricultural and industrial activity, the use of co-operatives as a means to consolidate and co-ordinate all aspects of agriculture and the training and development of young Afrikaners. Very similar to what comprises the BEE package.

A further similarity between what happened then and now was the tension that emerged between those saw any economic programme as focusing primarily on reversing the poor white situation through a range of broad based schemes and those with an unambiguous capitalist agenda. The former arguing for small scale co-operatives and the promotion of small enterprises ( often promoted in quite strong anti-capitalist language ) as the way to go. The latter promoting the large scale foray into areas of the economy previously under the control of foreign capital. The history of Sanlam speaks for itself.

There are however also very real differences between the two projects. The Afrikaner empowerment project was built on a narrow, ethnically based form of nationalism whereas the current processes are based on an inclusive form of African nationalism aimed at the majority. A second distinction, which I alluded to above, is the changed global situations under which these two processes unfolded. This is particularly relevant when looking at the “patriotic bourgeoisie” argument which underpins much of the current BEE debates.

It remains for me to say at this point that while the Afrikaner economic movement did indeed lead to a consolidation of financial resources and the emergence of a number of Afrikaner controlled institutions, the poor white problem was ultimately addressed by the Apartheid State and not Afrikaner business. This primarily because the process was ultimately based profit generation and maximisation in the first instance and thereafter the trickle down of any social benefits to the “poor white”. The bottom line was the need to accept and adapt to capitalism as a means to addressing the problems of the day. Again a relevant point, in my opinion, when considering the unfolding BEE processes.

### **The development of capitalism in South Africa**

It is useful, as a starting point, to remind ourselves about how capitalism developed in South Africa. As mentioned earlier, the development of capitalism in South Africa was shaped by a system based on race. Gold had been mined and used for a long time by black people in the region. The arrival of colonialists as part of imperialist expansion started undermining the way in which these societies had operated and it was particularly in the area of mining that the most drastic developments occurred.

The money needed to fund the operations to access the huge quantities of gold embedded deep underground were sourced internationally and led to the formation of a few mining companies which have continued, in the main, to dominate the South African economy.

These finances and access to a regular supply of cheap labour was pivotal to the development of capitalism. The demand for labour could not be met from external sources. The focus was shifted to the local African population. Central to what became known as apartheid was the migrant labour system and other laws and actions aimed at ensuring racial divisions as a means to provide a regular supply of cheap labour. It also included steps to systematically eliminate what remained of the pre-capitalist societies including moving African farmers off the land by denying them access to credit. This supply of cheap labour was then controlled by various measures, including restricting workers to small, under-resourced areas. The 1913 Land Act was central to this process.

The growth of the mining industry in turn led to the development of a manufacturing industry. This in turn required an even greater supply of cheap labour with all the necessary controls. In time, this local manufacturing industry also required fairly large numbers of semi-skilled and skilled workers. At the same time, large scale capitalist agriculture was forcing many whites off the land and the apartheid state took steps to ensure that jobs were made available for these people. The policy of apartheid became more entrenched after the National Party came to power in 1948 and it was the existence of this situation – what effectively became known as the Apartheid State with all its repressive means - which permitted capitalism to grow at a very rapid pace right up until the seventies.

It was therefore put forward by many, when analysing the South African situation, that the system of apartheid – based on racism and tribalism – developed out of the direct need of capitalism for a large supply and control of cheap labour. The resultant socio-economic and political injustices were and remain an outcome of these developments. Hence the use of the term Racial or Apartheid Capitalism when describing the pre-1994 situation.

## **The state of the working class in South Africa and internationally**

The changed global situation requires, in my opinion, that we not only confine ourselves to local conditions when assessing the role that BEE can play in “economic transformation”. It requires that we look at the ravages that capitalism has wreaked on the majority of the world's population and the broader environment.

Locally, South Africa remains one of the most unequal places in the world. The resultant poverty brought about by this inequality has been the subject of many studies. Almost 60% of South Africans live in conditions of poverty and given the racially based nature of capitalist development, over 90% of these are black. Unemployment, depending on which definition you apply, stands in excess of 40%, with little or no short term prospects of employment.

Although the democratic state has taken steps to extend basic social services to large numbers of people, these have often been accompanied by policies – like full cost recovery – that work against the interest of the poor and lead to ongoing disconnections and/or lack of access.

Similar conditions exist on a global scale with no end in sight. Job insecurity, casualisation, declining working conditions are the order of the day. Instead what we are finding are larger and larger numbers of people who are completely disconnected and excluded from the capitalist system. Hence the introduction in South Africa of terms like “poorest of the poor” and the reference to persons with jobs as “being lucky” and constituting an “elite”.

It is this state of affairs and under these global and local conditions, that the BEE, as one intervention, is meant to address. I argue that it is incapable of meeting this challenge irrespective whether you apply a narrow or broad based approach.

## **The origins of BEE**

I agree with Comrade Blade Nzimande of the SACP when he asserts that the concept of BEE “is new in the vocabulary of our movement and alliance”. He goes on to argue that as a concept it was absent from all pre-1994 policy documents.

He does however draw attention to post 1976 developments, when attempts were made by the Apartheid State, working with the white capitalist class, to create a small layer of black capitalists aimed at convincing black people that capitalism was in their interest. The main reason however was to counter the growing awareness of and support for socialism amongst the masses.

Nzimande, correctly in my opinion, detects a continuity between what was then known as Black Advancement under an apartheid regime and BEE under a democratic government. This is because, as I've mentioned elsewhere, the drivers of BEE are government and white business. It therefore follows that BEE, as promoted, is not meant to radically transform the economy in favour of the working class and the poor but rather as a necessary tool to entrench capitalism. This is clearly borne out by the comments of a number of BEE beneficiaries. It goes something like this - capitalism is here to stay, we should take steps to de-racialise the system in order that we can benefit as quickly as possible and that this will in turn lead benefits for the masses. Even more crude is the “I did not struggle to be poor” argument.

## **BEE – The stated objectives and measures**

Following on from their definition of broad based black economic empowerment, government has identified six areas that will drive the process. These are:

- Allowing more blacks to participate in the mainstream economy through mechanisms like equity ownership;
- To grow managerial and operational control by blacks;
- The promotion of affirmative action and employment equity in respect of recruitment;
- Skills development;
- Preferential procurement through the appointment of black suppliers as a means to grow enterprises, increase capacity and create jobs; and
- Investment in black enterprises or joint enterprises which aim to transfer skills and/or create jobs.

It is quite obvious, at least for me, that the above will not and cannot resolve the legacies of apartheid capitalism. When located within the broader macro and micro-economic policies and programmes of government, the situation becomes even more depressing. Our recent history of BEE deals bear testimony to this. I list some of features of “actually existing” BEE:

- The process has served to enrich a few, who have come to be known as the “usual suspects”;
- Brought about the revolving door syndrome where high ranking politicians and civil servants quit and immediately participate in BEE deals, often in the areas in which they had served;
- Supposed broad based deals only bring immediate financial benefits to the key figures. The way in which the deals are structured mean that working class people see no immediate benefit;

I am unaware of any study that accurately quantifies and spells out in detail the number of actual beneficiaries from these deals. For example much is made of the 300 000 people that WIPHOLD represents yet no indication is given of exactly how and when they will benefit from deals like the Telkom one.

COSATU and other formations on the left like the SACP have been very critical of the form and content of existing BEE deals. Blade Nzimande is on record as saying that most of these deals have had no or even a negative impact on the “real transformational challenges of SA’s economy” and that BEE had been reduced to “only a question of redressing racial imbalances”. These organisations have sought to shift the debate from the narrow BEE confines to one which emphasises economic transformation through the building of what is termed “peoples power in the economy”. They raise a number of ways in which this can occur. While agreeing with much of what they put forward, I am of the view that they do not go far enough as a result of their particular perspectives of what is the best that the South African working class can hope for in this period. I will return to this point.

This brings me to the “patriotic bourgeoisie” argument. In the same manner that the Afrikaner economic project unfolded (admittedly on a much more narrow ethnic basis) BEE is in the main premised on the creation of a layer of capitalists with the national interest at heart who will contribute to transforming the structural and social features of apartheid capitalism. In other words the creation of capitalism with a human face. This “Third Way” approach, informed by Fukuyama’s “End of History”

thesis, asserts that class struggle was over and that a social democratic consensus, based on improving social conditions within a globalised capitalist economy. The fact that social democracy and the welfare state has been unravelling since the 70s is simply ignored.

Our experiences of BEE to date would indicate otherwise. It is already conceded that most of the deals involve the enrichment of a few through wealth gained purchasing and/or been granted stakes in existing companies. Very little, if anything, is directed to the creation of new businesses that, amongst others, create jobs as a central feature of dealing with poverty. Very little, in any, consideration for the more broad based intentions of BEE. To the extent that the social conditions of the masses have been improved, these have been undertaken and introduced by the state as was the case in the Afrikaner economic programme. Why is this so and will it always be the case?

I tend to agree with those who argue that Apartheid Capitalism restricted the black petit-bourgeoisie and that the post 1994 dispensation provided an opportunity for them to advance their class agenda. Given the distortions brought about by Apartheid Capitalism, the only way this could be done was to rely on existing white monopoly capital as the means to rapidly gain wealth. BEE, it is argued, became the slogan for this development. But as I have already said, monopoly capital in the pre-1994 era had also recognised that the long term survival of capitalism depended on creating and building a layer of black capitalists. Given the underlying imperatives of the system, it therefore comes as no surprise that black capitalists and white capitalists act in identical ways.

At the end of the day, BEE is in the main about increasing the number and influence of black people in business without any intention of radically transforming capitalist relations of production.

### **Capitalism – An inherently exploitative global system**

Capitalism is a class based system. By its very exploitative nature it leads to the concentration of wealth in the hands of a few ( and growing fewer by the day ) thereby creating conditions and inequalities that characterise South Africa and the rest of the world. To therefore expect of capitalism, even of the BEE variety, to operate in a manner which economically empowers the masses is to seek to negate the very reason for its existence.

I've also previously alluded to the changed global situation from that which existed till about the start of the 70s. It is not the purpose of this input to explore the systemic crisis that came to the fore at that point and the way in which some, led by Reagan and Thatcher, sought to address this problem. The situation was further complicated with the collapse of the Soviet Union and the resultant almost hegemonic hold which capitalism has come to exert over the globe. This in turn has given rise to what has come to be called globalisation. What this in effect has meant is that capitalists across the globe compete with each other for the same markets. Central to this is the need to drive down the costs of labour as the means to maximising profits. So even if we were able to create this layer of patriotic capitalists in South Africa, the broad based social imperatives that people seek to bring about through the BEE process will be completely undermined. And in any event, as Joel Bakan so clearly sets out in his book "The Corporation – the pathological pursuit of Profit and Power", businesses can only ever act in the interests of its shareholders and that any altruistic actions on their part must make "good business sense".

In further support of why I claim that, at best, all BEE will do is create a small layer of capitalists and that the broad based variety will simply just make this pool a slightly larger but still privileged pool, is the obligations foisted on South Africa by its membership of the World Trade Organisation. The rules of game make it almost impossible for national governments to, amongst others, take steps to protect their national bourgeoisie, to require that companies fulfil certain social obligations and to protect from commodification, the very basic services needed to lift people out of poverty. The latest NAMA and GATS negotiations are cases in point.

It is probably useful at this point also to spell out my views on the dual/two economy thesis that seems inform some of the reasons for BEE. The one country, two economy thesis has an important ideological function in the defence of capitalism. From a socialist perspective there is no such thing as a '2<sup>nd</sup> economy'. What passes for the 2<sup>nd</sup> economy is the perfectly normal logic of capitalism, a logic that of necessity produces poverty for the majority as a condition for its very successful production of wealth for a few. It is the outcome of the basic laws of capitalism. Nothing more or less.

Furthermore, to the extent that social outcomes are a consideration, they are merely to ensure the conditions for the creation of the next generation of workers.

### **BEE – A main driver of privatisation**

Recalling that some of the stated objectives of BEE are job creation and reduction in income inequalities, some of the post 1994 government's choices clearly aggravate against meeting these objectives. These include turning to privatisation (including public private partnerships and outsourcing) as a means to advance BEE. The impact of these policies on the working class globally are well recorded. In addition, the often cheap sale of state assets fly in the face of the nationalisation calls of the Freedom Charter.

How often have we heard that our government is not by the means to meet its socio-economic obligations as enshrined in the Constitution. Yet it is able to raise millions towards the realisation of various BEE charters and by consequence the creation of a small group of black capitalists.

As another example, BEE has also failed the workers in the security industry. The largest security contracts are in the public sector and many of companies have quite extensive black ownership. Yet, these workers continue to engage in an often bloody battle to improve their scandalous working conditions with not a murmur from the "patriotic bourgeoisie".

Many of the proposals (infrastructure development, black commercial farmers, SMMEs etc.) in the latest economic growth package of government, ASGISA, simply continue this trend.

### **What is to be done ?**

Nzimande is very blunt when he asserts that the "SACP is not remotely convinced that the huge challenges of our society – and indeed of our world – can be effectively addressed within the closed parameters of capitalism". It must be obvious by now that I share this view. He argues that notwithstanding the capitalist conditions within which we seek to address these challenges quite a lot can be done. This is also the view adopted by COSATU.

Calls have been made for a move towards an alternative growth path premised on a strong state with a strong public sector. In this regard the government's supposed move away from the privatisation of state entities and commitments towards public investment have been welcomed. I however wish to caution that what I have previously said regarding trade obligations and the introduction of business principles into the running of state enterprises which could render this change of direction meaningless.

In similar fashion, much has been said about the importance of building a co-operative movement. I'm of the view we require a much more vigorous examination of them than the present, uncritical acceptance that they in some way pre-figure socialism. Co-ops that function as tiny islands in a large sea of rampant capitalism face two stark options. They either adopt the logic of the market or they go bankrupt. This is the international experience of coops over the past century at least. In any event COSATU, at its 1992 Economic Policy Conference, had already declared that co-ops are not an efficient way of creating jobs on a mass scale. It argued then that co-ops can be a "useful contributors to building a more democratic economy – and unions can gain a great deal of insight into the possibilities for democratic work organisation by their involvement in worker co-ops.

The large co-ops that emerged from the Afrikaner economic programme were in the main run as private sector businesses and in recent times have been converted into private companies.

Another counter proposal to narrow BEE often put forward is that of focusing on the informal sector. The 1992 COSATU Economic Policy Conference also dealt with this matter and whilst acknowledging, that in the absence of proper jobs people have to do something to survive, cautioned against the promotion of the informal sector as a solution to unemployment and poverty reduction. They also warned against the survivalist nature that characterises this sector.

Other features of BEE like employee share option schemes etc were tried in the pre-1994 period and rejected. Why are they popular now? We must remember that they have their genesis in the Reagan/Thatcher era and with a specific intention in mind. They were similarly advanced in Sweden when the model of western social democracy starting falling apart.

My union has made a number of proposals based on a strong interventionist state and strong public sector. Steps that if implemented could raise the funds necessary to bring about large scale poverty reduction. They include:

- The introduction of policies that could inject money into the local economies – in urban and rural areas – and meet service delivery targets through:
  - Social Grants including a Basic Income Grant (BIG). COSATU says everyone should get R100 per month from the Government;
  - Public Works Programmes. SAMWU has serious concerns about the current Extended Public Works Programme as there is no link between the programme and the creation of quality jobs;
  - Public Sector delivery systems with appropriate technology supporting more and not less employment;
  - Replacing the 40 – 50 thousand municipal jobs that have been lost through 'natural attrition' over the last ten years; and similar action in the parastatals like Eskom, Transnet etc.

We've also recommended that Government can easily find money through policies that:

- Force investors to invest at least 5% of their investable income in government and parastatal infrastructure bonds.
- Halt and reverse the reduction of personal and corporate taxes. Government has given away R73 billion over ten years through tax reductions.
- Increase the budget deficit to 5% to get an extra R16 billion. Even the World Bank recognised that a 10% budget deficit was not unrealistic given South Africa's challenges.
- Channel interest rate cuts into forced savings programmes for social and economic development. A 1.5% interest rate cut would raise R11 billion a year.
- Refuse to pay what is known as the Apartheid Debt. The government is currently spending almost R50 billion a year to settle loans from Banks during the time of apartheid.
- Introduce a Tobin Tax. This is a small tax on investment money that comes into South Africa but does not go directly into production.
- Introduce a small tax on company and individual money that is invested overseas. In 2003 alone, R17 billion was invested in other countries. Very little of the profit made is brought back into the country.
- Review Black Economic Empowerment Charters. In the Mining Charter alone they want to raise R167 billion for the creation of a tiny number of black mine owners.
- Compel the Public Investment Commission (PIC) to prioritise broad based economic development. The PIC controls the Government Employees Pension Fund with assets of over R300 billion.
- Direct parastatals like the Industrial Development Corporation (IDC) to focus on industrial development and job creation instead of using public money to fund private business.
- Introduce progressive block tariffs for services like electricity and water that include adequate free services on a universal scale.

I also return to the 1992 Economic Policy Conference where COSATU committed itself to the "nationalisation of the leading heights of the economy". The key objectives of this demand were for nationalisation to act as an instrument for the achievement of full socialism and to build a society based on the production for need rather than profit. COSATU further recognised that state ownership does not automatically mean control by workers and that nationalisation should "therefore take place under workers control". COSATU goes on to specifically list Eskom, public transport, Post Office, Telkom, state forests, municipal services, water, education, Iscor, roads and health as services and institutions that must remain under public control. These are the very targets of BEE!

There is no guarantee that what we are argue for will fly. It requires a political will by government and a very clear indication that it is not simply relying on the market to come to the rescue of the masses. Our history in this regard is not very encouraging. On the other hand mass mobilisation behind these demands will strengthen them. This is best built through actively defending working class against attacks to their working conditions and living conditions. Campaigns against evictions, cut-offs, attacks on workers' rights etc. should be vigorously taken up working class organisations.

To turn to a BEE as a necessity to bring about progressive economic transformation and relief for the masses is to succumb to a belief that capitalism can deliver as they are invariably two sides of the same coin.

### **Why then the belief in BEE?**

COSATU and others have developed cogent critiques of BEE and of the realities of so-called Broad Based BEE. This is particularly important given the labour movement's support for socialism. Yet given these critiques and the very clear realisation that BEE is not in the workers interests a question arises, why does it continue to enjoy a degree of support within the labour movement and the SACP?

This is undoubtedly due to the racial dimensions of capitalist development in South Africa. Notwithstanding the harsh realities of capitalism, class continues to play second fiddle to colour. I think it would be wrong to ignore this and simply seek to deal with matters from an overtly class position. We need to be conscious of the role race continues to play in shaping workers' identities. At the same time, we need to remember that at a certain point in time many of us refused to fill in forms that sought to classify us according to apartheid created races. For the left we need to find a way which shifts workers away from an, at times, powerful identification with the black capitalists to the detriment of their own class interests. A start would be for the labour movement to recognise the problems created by the expectations we place on post-apartheid capitalism to redress the exploitation of blacks legitimised by apartheid.

A further reason might be as a result of the triumph of capitalist values with its features of personal enrichment and disregard for class solidarity. Our leaders are not immune.

### **Some concluding comments**

But there is, in my opinion, a bigger consideration that flows from the point made above. Maybe it's something that I should have dealt with at the start of this paper.

Given the recognition by Nzimande, amongst others, that capitalism cannot address the challenges of South Africa (and indeed the world) why does a capitalist concept like BEE continue to be promoted – even in a contested form? Why do we continue to look for answers to the challenges confronting the working class within capitalism?

The answer could very well be found in the broad consensus that emerged in the early 90s that socialism was not on the national or global agenda under then prevailing conditions and that the best we could hope to achieve was a more humane form of capitalism. Further that the only feasible working class strategy is one that takes place within the framework of the market. In our own country this has in the main been advanced in the form of a more-co-determinist/social compact arrangement with a democratic government and business with the stated intention of increasing our international economic competitiveness and thereby improving the living conditions of the masses. In other words a lot of energy is put into these processes and not enough, in my opinion, in defending what we have in the here and now. To the extent we are engaging in any form of class struggle it would appear to be simply to move from one capitalist accumulation regime to another. Even if we do not proclaim this in an outright way, I think the "socialism is not on the agenda" analysis pervades our every consideration on addressing the challenges confronting the working class hence the contradictory stance existing on a matter like BEE.

But in the words of Bob Dylan – “the times, they are a changing”. Latin America, Western Europe and rising working class discontent locally, point in this direction.