9. “Black empowerment” policies: Dilemmas of affirmative action in South Africa

This chapter examines some of the major dilemmas faced by affirmative action policies in South Africa as it attempts to transform itself into a democratic state. The gap between the abstract ideology of equity and the pragmatic world of entrenched human interests has been a major challenge in the post-apartheid reform process.

Apartheid was a form of pro-white affirmative action which was reversed after the change in government in 1994, when pro-black affirmative action became part of the post-apartheid reconstruction in South Africa as a remedial strategy to address the legal and historical exclusion of the black majority (Jeffery 2009; 2010). Affirmative action was a mechanism for “black empowerment,” the term used to ensure higher levels of economic, educational, cultural and political attainment for previously oppressed blacks. A wide range of affirmative action policies were put into place to address issues relating to employment, income, poverty, and education and absence of equal opportunity in education.

As in Fiji and Malaysia, affirmative action has attracted considerable debate. Even in the 1990s concern was raised, ironically by supporters of apartheid, about the creation of a new “victim class” of white professionals, who, if ignored in favour of blacks with lesser skills could be disastrous for economic growth. Some, like Madona Mbathe, a black scholar, even argued that affirmative action was “racism in reverse,” and suggested that competence was not determined by colour but by individual skills and thus there should be encouragement of competition on a level playing field (Kemp 1992). The level playing field argument, often used by neo-liberals, was countered by the argument that it was a facade for the perpetuation of inequality. It has been suggested that the “truth is far worse: we are not even on the same playing field” (Sachs 1993: 107). The historical exclusion of blacks from ownership or active participation in the economic arena was deliberate and totalising; and affirmative action was seen as an imperative for the creation of equity and justice as provided for in the 1996 Constitution.

For the new generation of leaders affirmative action was a necessity if the injustices of the past were to be addressed in order to build a more stable future. President Mandela himself emphasised that “the whole social programme of the new democratic government which we envisage for South Africa will be one of affirmative action” (quoted in Sadie 1995: 180). Affirmative action was deemed
morally justified because it is based on equity creation by way of "levelling the labour market." Despite recent research that shows affirmative action may have led to problems such as inefficiency, patronage and corruption, affirmative action has led to great strides in the black community politically and economically (Jeffery 2009 and 2010).

Affirmative action in South Africa is often associated with the notion of “black empowerment”, a term which parallels the notions of Fijian interest and Malay privilege, except that black empowerment has a more revolutionary connotation which alludes to both economic redistribution and transformation of political power. This chapter examines a number of major affirmative action initiatives which were put in place to address the abject inequality and oppression associated with apartheid.

The chapter discusses some of the historical, economic and political aspects of institutionalized racial segregation in South Africa. It then examines some of the reform initiatives designed to support black empowerment and grow the economy. Of particular relevance is the interplay between the contending notions of growth and redistribution and how they shaped ideological and applied policy approaches to affirmative action. The chapter then examines the relationship between state patronage, privatization and the growth of the black middle class, followed by a discussion of successes and challenges, as well as the influence of the Malaysian experience on South Africa’s affirmative action program.

The apartheid legacy

The economy of the Cape revolved around slavery for 175 years until abolition in 1834. In that year, with 36,000 slaves, 59,000 colonists and 42,000 Khoikhoi and “bastards”, the colony’s ethnicity paralleled its socio-economic inequality. Slavery was the basic social relationship of production and accumulation. Even after slavery was abolished, inequality persisted as freed slaves later made up a class of skilled artisans, forming an underclass in the towns; while rural workers were subjected to even worse, brutal, exploitation.

Major geopolitical changes took place in the 1800s as a result of the British wars of conquest, in part instigated by the discovery of minerals. This led to forced transfer of property ownership and the creation of a new mode of production, resulting from the incorporation of once independent communities under British colonial control in the form of the Union of South Africa (Union). This process had profound effects on Africans: in particular, the emergence of a mission-educated African elite and the inexorable process of black proletarianization on the other side of the social spectrum.
Moreover, although mining was the major economic activity in the early years of the Union, over the years diversification dramatically increased and in the process inequality also grew in other sectors. In many respects the ideology and policies of the political party in power contributed to the growth of inequality. For instance, after the National Party came into power in 1948, deliberate policies for Afrikaner hegemony and ethnic exclusion were rigorously encouraged and practised. The real income of whites in relation to blacks in industry in the first five years of National Party rule rose by more than 10%, while income of blacks decreased by 5%. By 1960, real income of whites had increased by 30% while that of blacks consistently decreased annually by 5%. The large corporations dominated the economy and the National Party government “deliberately appointed National Party Afrikaners to the key positions of control in these corporations to ensure the advancement of apartheid” (Sonn 1993: 7). It was no coincidence that policies of the National Party to encourage the growth of state capitalism since 1948 was tantamount to promotion of Afrikaner business and further marginalization of black workers (Collinicos and Rogers 1977).

The inequality was quite apparent in public corporations. In 1952 about 80% of the employees of South African Railways and Harbours and 68% of public sector employees were Afrikaners. This was despite the growth in the size of the public sector by 50% from 1946 to 1976. In 1968 there were proportionately twice as many Afrikaners in the public sector than there had been in 1948. In 1979 about 35% of economically active Afrikaners were in the public service and around the same time, 90% of approximately 150 key positions in the public sector were allocated to Afrikaners. There was undoubtedly a “direct link between the possession of political power and socio-economic upliftment” (Sonn 1993: 7).

As a result of diversification over a few decades, the South African economy had become “one of the most powerful and sophisticated” in the developing world by 1970 (Yudelman 1984: 2-3). However, this wealth was characterized by massive ethnic and class inequality. The period between 1970 and 1990 saw dramatic changes taking place, as the apartheid state slowly but reluctantly reformed. The pattern of income inequality remained constant from 1924 to 1970, but a substantial process of reform took place in the 1980s. Some of these reforms were encouraged by the corporate sector, which was under pressure from international sanctions and was also beginning to realize the potential market represented by an emerging black middle class. This was, no doubt, a precursor to the pro-black affirmative action in later years.

Interestingly, by 1980 the white share in the economy had decreased to 60%, while that of Africans rose to 29% and this pattern continued well into the 1980s. This trend was largely a result of the redistribution of wage income rather than on fixed assets. In the same period, there was a substantial growth in the number
Politics of preferential development

of blacks in managerial, executive, professional and entrepreneurial high-income positions, resulting from the changing pattern of corporate culture and a greater access to tertiary education for blacks. While these changes facilitated the growth of a business and technical class, it did not alter the general trend and degree of poverty and unemployment. It is true that the ethnic income gap had narrowed, but class differentiation between whites and blacks remained structurally entrenched, supported by repressive laws and a white supremacist ideology.

One of the most overt ways of institutionalizing inequalities and white privileges was through direct state funding of budgetary expenditure (Maasdorp 1992). In 1982/83 the defence sector was allocated 13.57% of Government General Expenditure (GGE), increasing to 13.88% in 1987/88. Public order and safety expenditure in 1982/83 was 6.29% and increased to 6.89% in 1987/88 (Lundahl 1998). Both of these expenditures were important because they played a direct role in maintaining the coercive apparatus of the apartheid state. Apartheid created inequality of “unequivocal and extreme proportions no matter what indicator is used” (Lundahl 1998: 26).

The stark disparities of the apartheid era in basic indicators of social well-being such as monthly household income, education, infant mortalities and electricity usage continued even after majority rule was achieved in 1994. By the time of liberation, the infant mortality rate for Africans was eight times greater than that for whites, while there was a difference in life expectancy of nearly 10 years. The United Nations Children’s Fund (UNICEF) revealed that South Africa’s child mortality rate (number of children per 1,000 live births who died before the age of 5) was 72, compared to the world-wide average of 35 (Sadie 1995: 181). In 1994 only 10% of white households were without electricity compared to 60% of African homes. The National Manpower Commission (NMC) calculated that if the former independent homelands were included in the estimates, as many as 66% of the total population would fall into the category of being illiterate at 13 years of age and above, instead of 46%. The high level of illiteracy amongst the unemployed made many of them virtually unemployable.

In 1996, two years after the elections, the poorest 20% of all income earners received only 1.5% of the total income, while the top 10% had 50% of the total income. In 1995, the poorest 20% of households received only 3% of all household income, while the richest 20% of households had 65%. These national figures need to be understood in the context of poverty being concentrated amongst the Africans and Coloureds, with 95% of Africans and 33% of Coloureds being classified “poor” (South African Parliament 1998c: 1).

In a major shift, affirmative action since 1994 boosted the proportion of urban Africans in the top 20% income group, from 2% in 1990 to 6% in 1995 (South
An ILO assessment in 1994 showed that public sector differentials in South Africa had a ratio of 25:1 from top to bottom. However, this was reduced to 20:1 in 1995 with the deliberate policy of freezing the top strata and raising the bottom strata with the target for 1999 set at 12:1. Attempts were made to persuade the private sector to carry out the same labour market reforms, although private owners took some convincing. The idea was to transfer highly qualified personnel from the public sector to the private sector, due to the compression of wage scales in the public sector.

Despite the political transformation since the 1994 election, racial capitalism, a legacy of apartheid, is deeply entrenched in South Africa. While there was political euphoria and optimism for a new South Africa, the ANC, five years after taking power, had to come to terms with the challenges of dismantling structural inequality:

…1994 did not augur the demise of racial capitalism. The stark reality is that many of the social and economic inequalities brought about by racial capitalism are as acute as ever. South Africa’s wealth is still overwhelmingly concentrated in white hands, despite black empowerment, and the crisis of black poverty in the new South Africa is the unacceptable legacy of Apartheid (South African Parliament 1998a: 1).

One of the difficulties in the process of transformation was the reconfiguration of the legal and political structures which supported apartheid. This is where South Africa differs from Fiji and Malaysia – neither of those countries had a minority-dominated apartheid state. For South Africa, apartheid, or separate development, was reinforced by draconian legislation. We examine that legislation next.

‘Legalizing’ apartheid

The apartheid system was sustained through discriminatory policies, repressive state coercion and deliberate segregationist laws. Even before apartheid became official state policy, segregation laws such as The Natives Land Act No 27 1913, which regulated the purchase or lease of land by blacks, and The Natives (Urban Areas) Act No 21 of 1923, which decreed residential segregation in urban areas, were already in place. Upon assuming power in 1948, the National Party formalized apartheid through various pieces of legislation. Social segregation was enforced through laws such as the Prohibition of Mixed Marriages Act, Act No 55 of 1949 which made mixed marriages illegal, the Immorality Amendment Act, Act No 21 of 1950 (amended in 1957), which prohibited extra-marital sex between whites and blacks and the Population Registration Act No 30 of 1950, which officially classified people into distinct racial categories.
Physical and social separation of people was reinforced through the Group Areas Act, Act No 41 of 1950 and in the same year the Suppression of Communism Act No 44 of 1950 was enacted to curb political resistance. A year later four more acts were passed to further institutionalize segregation. These were the Bantu Building Workers Act, No 27 of 1951, aimed at demarcating racially skilled workers; the Separate Representation of Voters Act No 46 of 1951, which led to the removal of coloureds from the common voters electoral roll; Prevention of Illegal Squatting Act, Act No 52 of 1951, which facilitated forced removal of blacks from public or private spaces; and the Bantu Authorities Act No 68 of 1951 which created separate municipalities for blacks.

A number of laws were passed in succession in the next two years. These included the Native Laws Amendment Act of 1952, which redefined and limited the meaning of the black category and the Natives (Abolition of Passes and Co-ordination of Documents) Act No 67 of 1952, which ensured that every black must carry a pass at all times. These were followed by the Native Labour (Settlement of Disputes) Act of 1953, prohibiting strike action by blacks and the Bantu Education Act No 47 of 1953, which segregated education as well as prescribing an education system which largely reinforced the subordinate and domesticated position of blacks in society. In the same year the Reservation of Separate Amenities Act No 49 of 1953 was passed, paving the way for forced segregation in all public amenities, public buildings and public transport.

These laws laid the legal and political foundation for apartheid and the newly created apartheid constitution was revolutionary in that it totally reconfigured the state and legal system. Inequality was deliberately fostered by law as well as the repressive coercive arms of the state in the form of the police and military. While these apartheid laws were later removed and the state structure which sustained them was progressively dismantled as the transition progressed, the rebuilding process required a deeper process of social engineering and structural reconfiguration through affirmative action.

**Dilemmas of post-apartheid reconstruction**

The collapse of apartheid was a result of a concerted internal and external struggle. For leaders of the African National Congress (ANC) it meant having to adjust to the new political climate and rising expectations. In its opposition days ANC relied fundamentally on the Freedom Charter of 1955 to provide the political and ideological paradigm of resistance, but by the early 1990s, as the prospects of democratic elections loomed, there was increasing pressure to devise new methods of governance for an emerging state (Myburgh 2006). This was a mammoth task because the post-apartheid government “has inherited
One of the problems of reconstruction was how to facilitate the “trade-off between growth and equity” (Terreblanche 1992: 551). In addressing the equity question, two types of inequality needed to be focused on: “firstly, the (structural) inequality in the distribution of property, power, and control; secondly, the unequal opportunities, income, and consumption available to racially defined groups” (ibid: 552). At the same the economy needed to grow to ensure that redistribution was viable. In fact the growth versus equity debate had its origins in the beginning of 1990 and it sharply polarised the left and right of the ideological divide. On one side was the liberation discourse, which advocated growth through redistribution, and on the other was a more conservative stance, which favoured redistribution through growth. After 1994, the ANC, the vanguard of the liberationist paradigm, managed to merge the two arguments together in response to the need to facilitate both the establishment agenda in order to embrace neo-liberalism and integration into the global economy, and redistributive measures such as the Reconstruction and Development Programme (RDP) and the Economic Equity Bill (EEB). In the circumstances, this “mixed economy” seemed to be the most viable, but in the long run, “the problem is how to arrange the mix to satisfy political, social and economic goals” (Maasdorp 1992: 588).

This debate also saw ideological fluidity and contestation within the ANC itself. For instance, at the time of Nelson Mandela’s release in 1990, the ANC had only the Freedom Charter, a largely ideological statement of inspiration, rather than a concrete program of reconstruction, as a written guiding vision for the future. The realisation that liberation meant serious political and economic responsibility led to the first two workshops by the ANC and COSATU in Harare in 1990 and a Discussion Document on Economic Policy resulted from these. The main thrust of the document endorsed the central role of the state as the guardian of economic development. Redistribution was considered “conducive to growth, via a restructuring of demand leading to a creation of mass markets and as a way of satisfying the basic needs of the population” (Lundahl 1998: 28).

However, later the nationalisation agenda was gradually watered down and came to be seen only as a possible alternative in certain given circumstances. In 1991 there was a further shift away from the primacy of redistribution and in 1992 an ANC political guideline, Ready to Govern: ANC Policy Guidelines for a Democratic South Africa was produced. This document emphasised for the first time the desirability of a mixed economy and the importance of the private sector. However, at the same time a research document in 1993 by the ANC-
aligned academic network called the Macroeconomic Research Group (NERG) raised important questions of equity and redistribution which became the basis of the Reconstruction and Development Programme (RDP) of the ANC.

The Reconstruction and Development Programme

The Reconstruction and Development Programme (RDP) was one of the very first affirmative action and re-distributive policies of the post-apartheid state. It promised to provide ten years of compulsory education for everybody; the building of at least one million low-cost houses in the next five years; provision of electricity for an additional 2.5 million households by the year 2000; clean water and adequate sanitation for everybody; improved and affordable health, particularly preventive and primary health care for all; and land distribution to the landless. Based on the Malaysian NEP principles, these were ambitious provisions which were to rely heavily on spin-offs from economic growth.

However, the RDP was confronted with a series of challenges, which led to the closure of its office in 1996, after just two years of operation, thus “raising serious questions about the future of development and the government’s commitment to it” (Caliguire 1996: 5). Although the RDP Office was closed, RDP as a reconstruction program continued and its programmatic and strategic aspects were shifted to the office of then Deputy President Thambo Mbeki, where reassignment of responsibilities to the line departments was to take place. The dismantling of the RDP office itself was politically symbolic in the sense that it “indicates that economic growth, rather than redistribution, has won the day as the national primary tool for change” (Caliguire 1996: 20).

RDP did not have the institutional capacity for management and disbursement of funds. For instance, 2.5 billion rand were budgeted for 1994-95 and this was expected to increase in 1998-99, but 1.7 billion rand was unused and had to be carried over to 1995-96 (Lundahl 1998). From the beginning, there was confusion as to who was in charge of the RDP budget, the RDP office or the Ministry of Finance.

On other fronts, provision of houses, health and education facilities was frustratingly cumbersome and slow. Of 400,000 houses, which were to be built within a two-year period (1994-96), only 15,000 were built (Caliguire 1996). These problems were mostly associated with the budgetary process, resistance and a lack of commitment in the state bureaucracy, lack of support by civil
society organizations and lack of support by the private financial sector for
government policies such as extending loans to low-income blacks, for example
(Michie and Padayachee 1997: 18-19).

RDP projects were to be carried out in co-operation with civil groups and local
government. However, despite the democratised implementation process, it
was revealed that RDP would be costly to implement, especially when public
investment in infrastructure would have to be increased by at least 21 % per
annum. Furthermore, RDP operations came into conflict with existing line
departments, which argued that their portfolios were taken over or duplicated
by RDP. There were also persistent allegations of corruption, which led to the
collapse of some RDP social and physical infrastructural projects, the President’s
R500 million feeding scheme being one of them (South Scan, 18 September 1995).

Probably the most successful RDP project in the 1990s related to the supply
of electricity. More than 300,000 new household connections per annum were
achieved by the state corporation, ESCOM (Fine and Stoneman 1996: 27).
Substantial progress was also achieved in the provision of water: towards the
end of 1995 some 300 projects taking water to 4 million people were scheduled
for completion within 18 months (Financial Times, 21 November 1995).

Neoliberalism and affirmative action

The Growth, Employment and Redistribution Strategy, (GEAR) of 2006 largely
reflected the incorporation of neo-liberal policies into the South African
development strategy (Fitzgerald, McLennan and Munslow 1997: 49). In
implementing GEAR South Africa was mindful of its obligations to the World
Trade Organisation (WTO), which it joined in 1993, while at the same time it
was conscious of its political and moral obligation to redistribution. GEAR
aimed to create almost 1.5 million jobs over five years, as well as to promote
competitiveness through trade liberalisation and productivity measures, to
support direct investment and export orientation, to enhance the social and
economic infrastructure through partnership with the private sector and
improved flexibility in the labour market (Cargill 1996). GEAR’s fiscal policy was
aimed at reducing the deficit by half over a period of six years, while no direct
intervention in monetary policy was envisaged. The entire budget process for
1996 and 1997 was committed to reducing deficit, with a target of 4% (Gelb

GEAR did not adequately address the issue of job creation, which relied heavily
on infrastructural and public works programs. To create 400,000 jobs, a 6%
growth rate was needed; but this could be achieved only if fixed investment
increased 19% to 24% of GDP. Investment needed funding from savings by government, and from the private sector and foreign investors. These were not easy to attract.

Meanwhile, frustrations within the ANC hierarchy over GEAR increased, as there was a strong feeling that focus on growth had undermined the principles of equity and redistribution (Cargill 1996). At the same time, there was a belief that GEAR should fund RDR, but due to the low growth rate (minus 2.2% in 1992; 1.3% in 1993; 2.7% in 1994 and 3.3% in 1995) this expectation seemed to ring hollow. This was a huge contrast to events in Malaysia, where a growth rate of almost 10% in the 1980s provided the necessary resources for the NEP. For South Africa, the “growth before redistribution” neo-liberal transformation has been in part stimulated by multilateral intervention by the WTO and IMF.

ANC’s shift towards the “Washington consensus” caused fractures within the democratic alliance. For instance, two major pillars of the alliance, the South African Communist Party (SACP) and the Congress of South African Trade Unions (COSATU) criticised the ANC-dominated government for “yielding to World Bank pressure on privatisation and the reduction of trade tariffs” (Star, 4 July 1995). The ANC government was in a difficult situation and, given the economic realities, it had to reposition itself to address the looming crisis. One way of doing this was to redefine its strategic alliances to include an enlarged circle of players: the emerging black middle class, certain sections of the white entrepreneurial class (with whom the ANC had a love-hate relationship) and global multilateral capital. To consolidate this partnership, the National Economic Development and Labour Council (NEDLAC) was established as part of the corporatist strategy of the government to engage business, labour and the community in dialogue and to negotiate policy on the economy and social equity. In addition, the National Empowerment Consortium (NEC) and New Africa Investments Ltd (NAIL), which were based on the Malaysian Bumiputera trust companies, were set up to facilitate the black empowerment policy (Kallaway 1997: 38).

The building of this mainstream alliance tested the democratic provisions and resilience of the constitution because it marginalized extreme politics. The excluded political forces included the white right, consisting of the Afrikaner Weerstandsbeweging (AWB) and the Freedom Front (FF) and the black radical groups such as the Pan African Congress (PAC), the Azanian People’s Organisation (AZAPO) and the Black Consciousness Movement in general.

Interestingly, the neo-liberal reforms benefited the emerging black business class through a carefully orchestrated mix of liberalisation policies and affirmative action. An example of this was the preferential award of privatised utilities’
contracts to black companies. While redistribution and poverty alleviation was foremost in the minds of the political elites, there was also a strong belief that building a strong black middle class was imperative for the country’s prosperity.

**Transformation in the labour market: The Employment Equity Act (EEA)**

The Employment Equity Act (EEA) of 1999 was intended to address the specific question of equal opportunities and preferential employment of blacks in the labour market. Section 5 (1) prohibited discrimination in employment on the grounds of “race, gender, sex, pregnancy, orientation, age, disability, religion, conscience belief, political opinion, culture, language and birth.” Apart from targeting employment, the EEA also had implications for black business because it aimed to absorb more blacks into the private sector, where there would be increased chances of directly participating in entrepreneurship. Blacks were fast-tracked to managerial positions so that they could launch their own business careers. The EEA also made businesses more accountable to state regulation, thus ensuring that competition took place within the framework of employment equity. There was an expectation that EEA would generally encourage inter-ethnic integration in the labour force.

The concept of EEA was a revolutionary one in that it linked employment equity to the democratization of the workplace, worker training, recruitment, and promotion and worker empowerment through collective bargaining. The challenge was to transform the racially based and authoritarian nature of the apartheid workplace into a more democratic one which recognized the racial equality of all workers. The EEA also identified blacks, women and the disabled as designated groups who needed to be empowered through a two-pronged approach: firstly, the creation of employment audit or analysis by employers to publish the profile of their entire workforce; and secondly, the creation of an employment plan by employers which, in consultation with the workforce, would outline the targets for employment equity within a one- to five-year period. The plan was to be submitted to government, monitored and reported on regularly and appropriate sanctions were imposed for breach of these provisions. At the state advisory level the EEA established the Commission for Employment Equity (CEE) to provide advice and strategic directions for the Minister.

However, despite these preferential provisions, the EEA made certain concessions and included delicate balancing which proved to be problematic. For instance, there was provision for both state regulation and self-regulation by employers and employees. In addition, there was provision for both rigid targets and
negotiated targets. State regulation through the quota system tended to benefit a small group of individuals who were thrust into management positions in what was perceived to be mere tokenism. At the same time, imposing targets from above did not take into account the actual problems of industries and individual enterprises and had the potential to undermine the collective process of workplace transformation and the workplace empowering process of labour generally.

However, on the other hand, abandonment of state intervention in favour of “self-regulation” proved to be counter-productive, as there were no incentives for companies to implement affirmative action nor disincentive to not implement it. Many private enterprises did not have the political commitment to implement what they perceived as something outside their narrow business interests and there was resistance to the EEA by white employers.

There was a fear amongst the labour unions that the EEA had the potential to reinforce employer hegemony by providing that “a designated employer must take reasonable steps to consult and attempt to reach agreement”, especially when it has been established that the “burden of proof is placed on the employer ... and that the employer has to justify any action that might be considered unfair discrimination” (South African Parliament 1998c). The response to this provision by COSATU was one of reserved suspicion because of the fear that employers were going to drive, and ultimately decide, the employment equity plans and outcomes. This was deemed inconsistent with the principle of a labour market democratized through collective bargaining.

Conservative white critics argued that the EEA would re-racialize South Africa, lower standards, introduce unfair quotas, encourage rigidity in the work place and put an unsound economic burden on business. The Government rejected these criticisms, saying that opponents of the EEA were misled by self-interest and were bent on conspiring to “create fear and insecurity by attacking affirmative action aspects of the EEA” (South African Parliament 1998c).

State patronage, privatization and black empowerment

One of the major lessons which South Africa leant from Malaysia was the complex art of finely balancing the paradoxical interface between state intervention and control on the one hand and liberalization and privatization on the other. The interplay between neo-liberalism and state interventionism helped build a huge and vibrant Malay middle class, which provided the inspiration for South Africa’s move towards the dual system of growth and redistribution. A more
regulated form of capitalism was needed to build up and expand a black middle
class which would not only provide a lucrative market and professional skills,
but also act as a visible political symbol of liberation and empowerment.

The ‘hows’ of privatisation were outlined in the 1995 Discussion Document by the
Government of National Unity on the Consultative Implementation Framework
for the Restructuring of the State Assets, which attempted to deal with the
complex question of privatising government assets worth between R30 billion
and R120 billion. Five key areas of concern in the privatisation debate were
identified. These related to meeting RDP goals, including black empowerment;
addressing trade union concerns related to debt and interest payment relief;
preventing big business domination; mobilising local and foreign capital; and
improving managerial efficiency. Initially, there was a fear that privatised state
assets would end up with white-dominated conglomerates and privatised para-
statals. That would not be in the best interest of the rural and urban poor and
would undermine the re-distributive and developmental aims of the RDP and
the ideological thrust of the ANC.

However, there was a strong argument that privatisation could in fact be an ideal
vehicle for affirmative action and black empowerment by ensuring preferential
black shareholding of privatised enterprises and by allowing black professionals
to fully participate in the privatisation process (Thomas 1995). There was
growing pressure from the emerging African middle class for a greater share
in privatisation assets and, in response, by 1997 the government had already
earmarked 10% of the para-statal telecommunication company TELKOM for
black empowerment groups (Adam, van Zyl Slabbert and Moodley 1997: 217).

The group which was most sceptical about privatisation was COSATU, which was
angered by the government’s privatization of crucial areas of the public service.
There was fear that job rationalisation and tougher labour relations would hit
the unskilled and poor hardest. The other faction of COSATU, especially those
who had benefited from the new alliance with the white corporations, argued
that privatisation would be a “golden opportunity to establish participatory
management and more enlightened labour relations” (Thomas 1995: 6).

Pressure had been mounting from multilateral institutions, private corporations
and groups within the government to speed up the privatisation process because
of escalating public debt and the need for growth. Accumulated debt has been
blamed on the “irresponsible spending” of the apartheid regime (South African
Parliament 1998b: 2). Foreign debt made up 2.2% of GDP in 1996, while domestic
debt was 56.0% of GDP. South Africa needed to spend 6.5% of its GDP to pay
for interest on these debts. Around R39, 643 billion was spent on servicing the
interest alone. Growth in the 1990s was slow but steady. The economy grew by 3.1% in 1996, the fourth consecutive year of growth, but the general picture of the economy was still one of mixed fortunes.

To enhance growth and support black empowerment, reform in strategic areas of the economy was critical. The provisions for reform included an increase in funding for industrial development and research and technology, from R454 million to R604 million; setting up of a new Competitive Fund and sectoral partnership facility to enable firms and organisations to draw on consultant advice in advancing competitiveness; and creating a new short-term Export Finance Guarantee Scheme for small and medium-sized firms.

The impact of neo-liberal policies on affirmative action was quite direct. The African bourgeoisie or “liberation aristocrats”, as Adam et al. (1997) called them, were the most direct beneficiaries of the privatised assets. Some of them were independent entrepreneurs while a sizeable number were “black” fronts for white companies (or “Ali Baba” companies as the Malaysians called them). An emerging trend was the consolidation of entrepreneurial links between the white and the black middle class. Often blacks were used as token representatives to enable white-run companies to acquire privatized assets. Recruitment of blacks into the managerial ranks of white corporations was found to be advantageous “both for a progressive public relations image and the utilisation of an additional pool of talent, but above all for the advantages black management bestows in marketing to a fast growing black consumer market and establishing linkages with government for state contracts” (Adam et al. 1997: 210). By 1997, just three years after the ascendancy of the ANC, black conglomerates controlled 10% of market capitalisation in the Johannesburg Stock Exchange (JSE). A powerful and wealthy black middle class, increasingly isolated from its original political base, and progressively identified with the corporate status quo had firmly consolidated itself.

While there was a phenomenal rise in a black middle class which benefitted from privatisation and preferential policies, there was also a growing mass of poverty-stricken citizens, which posed a direct challenge to the new political order. A lot of the poor were recent arrivals from the countryside and did not have any formal employment whatsoever. This underclass was not being addressed adequately by the EEB because of its primary focus on the formal sector. That worsened the socio-economic inequality and led to an escalation of violent crime.

The situation was made more critical by the loss of jobs as a result of privatization. GEAR’s aim of creating 1.5 million jobs within five years was mocked by the actual net loss of 80,000 jobs emanating from GEAR’s own privatization policies. Although 11,000 posts were reserved for affirmative action candidates in the
public service in 1994, the cost-cutting rationalisation process led to a net loss of jobs. This trend continued, even after the government’s *White Paper on Transformation of the Public Service* (1996), which identified a number of relevant policy areas such as the introduction of a minimum wage, equal pay for equal work value, reduction in differentials, development of appropriate career paths, occupational transformation and improvement of conditions for women and the disabled.

Meanwhile, privatization continued to help the black middle class to expand into diverse sectors of the economy, classified by Iheduru (1998) into seven categories: (a) holding/listed companies, or what white stockbrokers derogatorily referred to as “black chips;” (b) potential listed companies; (c) portfolio investment trusts; (d) professional women investors; (e) micro and small enterprises (MSE) ranging from registered unlisted companies to “closed corporations” to sole proprietorships and partnerships; (f) the informal sector, where the majority of black entrepreneurs operated; (g) political business entrepreneurs. The majority of black businesses were MSE, which numbered one million, or informal sector businesses, with a total of 2.5 million: but because they were so small and had few resources they had to struggle hard to survive. On the other hand, the companies listed on the Johannesburg Stock Exchange (JSE) were the most prominent in terms of the publicity they received. Although only eight black-owned companies were listed on the JSE in July 1997, this number increased steadily over the years.

It is worth noting that the development of the black entrepreneurial class had its roots in the 1960s, when a number of black business organisations were formed. The first was the Greater Soweto Chamber of Commerce and Industries (GSCCI), from which the National African Chamber of Commerce (NAFCOC) emerged, and others followed. Membership of these business organisations varied from 300,000 to 400,000 in the case of the Foundation for African Business and Consumer Services (FABCOS) to 40, as in the case of the Western Cape Black Builders’ Association (WCBA) (Sidiropoulos 1994). FABCOS and NAFCOC were in fact umbrella organisations, to which other small organisations were affiliated. The leaders of these organisations were closely linked to the ANC leadership and were part of the emerging middle class discussed earlier.

NAFCOC’s affirmative action plan, accepted during the 1990 annual conference, provided for the following targets for corporate changes by the year 2000: (a) 30% of all board members of companies listed on the Johannesburg Stock Exchange (JSE) should be black; (b) 40% of all shares on the JSE should be black-owned; (c) 50% of the value of all outside purchases by the companies listed on the JSE should come from black suppliers; (d) 60% of top management in JSE-listed companies should be black (Nkuhlu 1993: 16). FABCOS’s membership comprised individuals from different political parties such as ANC, Azanian People’s
Organisation, Inkatha Freedom Party and Pan-Africanist Congress. It was set up primarily to negotiate with the government for the removal of all discriminatory laws and policies; ensuring the establishment of independent companies and institutions for the purpose of fostering black economic advancement; and raising awareness about the need to extend the free enterprise system to the black community. Both NAFCOC and FABCOS have been criticised for being too undemocratic, “top heavy”, and based on “petty hierarchies” dominated by clique loyalties (Sidiropoulus 1994). Despite their own conflicts, their newfound power in the form of their alliance with the ANC and membership of the National Economic Forum (NEF) provided them with the necessary political legitimacy.

The proliferation of black entrepreneurship was encouraged by the lifting of various restrictions which once prohibited black participation in business. An example was the abolition of the Group Areas Act, which had prohibited black businesses from operating in white areas and vice versa. Paradoxically, during the apartheid era, the state poured money into black business, principally for the purpose of building a large black middle class that would become a willing ally of the apartheid state and to overshadow the radicalised urban political and youth leadership (Iheduru 1998). Black business was also boosted after many official restrictions on business ownership by blacks disappeared by the 1980s and by the removal of many of the pillars of apartheid by President F.W. de Klerk, facilitated by the passage of the Abolition of Racially Based Measures Act of 1991.

Many black businesses were voluntarily integrated with white companies and black businessmen quickly developed corporate skills in acquisition, equity purchase and takeovers in respect of dozens of existing white and black businesses in the areas of banking, insurance and other financial services, transportation, construction, print and electronic media, tourism, health care and manufacturing. Some black businessmen also formed close links with African and American diplomats, politicians, sports and entertainment superstars, business people and legal luminaries and broadened their shareholdings in the process.

The potential listed enterprises, which were mostly founded in the 1990s, were the fastest growing black holding companies. Their interests ranged from financial services, tourism and aviation, entertainment and leisure to industrial holdings in catering services, computers, educational publishing, properties, and printing (SouthScan, 16 June 1995). A number of the founders and directors of these companies were ex-guerrillas and former anti-apartheid activists who later forged ties with mainstream white business.
Black entrepreneurs consolidated their interests with ease. For instance, in 1991 blacks occupied only 30 (less than 2%) of the 2,550 directorships available in the top 100 companies listed on the JSE. This number increased to 120 in 1993 and by May 1995 black males held 276 directorships. This accelerated growth was accompanied by a debate about “integration” and “parallelism.” Should black business integrate with white business or maintain a separate identity? Economic pragmatism and political imperatives dictated that there should be increasing integration to boost the national economy as well as to provide black entrepreneurs with the skills and resources they needed. Integration rather than isolation was critical for black empowerment.

Results and challenges of black empowerment

The optimism of the early years of affirmative action after 1994 could not be matched by the complex realities. Some of the targets were met while some were not. For instance, in 2008, despite attempts to improve the level of education to match the demand for blacks to enter the higher levels of management, only about 379,000 Africans, or 1.8% of the African population, had completed higher education (Jeffery 2010). Despite this shortcoming, a concerted effort to achieve the aims of black empowerment led to accelerated transformation of the labour market. By 2008 blacks, who made up 74% of the economically active population, were well represented in public sector management positions, where they held 76.41% of the total public service positions compared to 11.31% for whites, 3.2% for Asians and 8.74% for coloureds. For senior management positions, blacks made up 57.31%, compared to 26.87% for whites, 7.81% for Asian and 7.59% for coloureds (Business Day, 11 February 2008).

The original target for black managers in the public service was 50%, but this was increased to 75% in 2003, to be achieved by March 2005. Of these, 30% were to be women. By 2005 these targets had been more or less achieved, with blacks accounting for 70% of senior management posts, 29% of whom were women (President Thabo Mbeki, State of the Nation address to Parliament, February 2006). This provided the platform for ambitiously increasing the target for women to 50%. However, part of the problem was that, while there was intense political will for the empowerment of blacks and women, the level of education and skills in the target population could not match up and this led to a failure to meet targets (Jeffery 2010).

The proportion of blacks in the civil service varied from department to department. For instance, in 2009 more than 80% of the top posts in the Department of Home Affairs, Department of Science and Technology and the Independent Complaints Directorate of the South African Police Service (SAPS)
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were held by blacks. This was a comparatively high proportion, given the fact that blacks made up 79% of the population and 74% of the economically active population (Business Report, 9 April 2010).

The impact of affirmative action in the corporate sector has also been significant. In September 2009 black executives held an estimated 25% of senior management positions, a major increase compared to 5% in 1994. Nevertheless, this was still a long way from the initial target and only a slight increase compared to 22% in 2004. The inability to reach the target was due to a skills’ shortage, lack of suitably qualified black executives and “job hopping” by affirmative action appointees who tended to change jobs due to “atraction premiums” paid to affirmative action appointments (P-E Corporate Services (SA) Pty Ltd 2009). Also, in 2009, about 32% of middle management positions were held by blacks compared to 7% in 1994. Once again there was only a modest increase since 2004, when blacks held 28% of middle management positions. This was far below the government targets. At the same time, the proportion of blacks at the lower management level increased from 26% in 1994 to 55% in 2009. This was a rather slow increase given the 49% level in 2004 (P-E Corporate Services Pty Ltd (SA) 2009).

The emphasis on black employment equity targets meant that businesses had to configure their employment structure in a pro-active way. The targets included 60% for senior management within a ten-year period and 80% for junior management, also within 10 years. This is a big ask, given the fact that less than 17% of Africans are of senior managerial level age (40 to 64 years) and only 1.8% of them hold degrees. In 2006 blacks with degrees made up 28% of legislators, senior officials and managers and 41% of professionals. This is an indication that skilled blacks were already established in certain positions (Jeffery 2010).

A survey by the Unilever Institute at the University of Cape Town showed that the black employment equity strategy has helped consolidate a “black diamond” class, which in 2007 was estimated to number about 2.6 million, with a spending power of R180 billion. Within a year the black diamond class had grown to 3 million people, with an increased spending power of R250 billion. This analysis was based on the definition of middle class as those, including civil servants, earning at least R5,000 a month. This definition has been criticized for being too broad. The alternative definition, which puts the required income at R16,700 a month, yields a much lower figure of 322,000 “core” black middle class in 2004 (15% of total core middle class); 454,000 in 2007 (20% of total core middle class) and 788,000 in 2009 (31% of total core middle class) (Jeffery 2010).

It has been argued that affirmative action has been used by the ruling ANC as a tool for hegemony. One such case refers to the “cadre deployment” program, in
which ANC supporters were assigned headship positions in local government, government institutions and other areas of political significance as a way of overseeing the operations of those organisations and linking up to the central state apparatus. This has led to cronyism and has undermined efficiency in governance and productivity. It also contradicted Section 197 of the Constitution, which made illegal favouring or prejudicing a person “because that person supports a particular political party or cause,” an argument supported by a recent High Court decision in the Eastern Cape (ConsWatch 2008: 1–3).

While cadre deployment was categorized as an affirmative action program, it was seen by political opponents of ANC as a political instrument of control. As the leader of the Democratic Alliance, Helen Zille, argued:

Cadre deployment went undetected for what it was for so long because it was disguised by the fig leaf of affirmative action. Now, more and more South Africans are beginning to see the policy for what it really is: a means to centralise power, accumulate wealth corruptly, and subvert the Constitution (Zille 2009: 1).

ANC's attempt to control the public service and different levels of governance and the drive to create a black middle class has created distortions within the economy and greater society. Many unqualified people are being thrust into senior positions and as a result there has been visible degradation of the standard and quality of service, infrastructure and neglect of the lower end of society. About 19.65 million people are still in poverty and subsist on an average of about R3,000 a month for a household of eight members or more. About half of the youths between the ages of 15 and 24 are unemployed and this has helped to escalate the problem of crime and violence. Crippling poverty, inadequate education, high crime rate and the HIV/AIDS crisis have all given the ANC heightened challenges.

A further problem is the issue of the foreign labourers who have been attracted to South Africa since the early 1900s. Initially most of them were from Mozambique, Malawi, Botswana, Lesotho and Swaziland; over the years workers have come from other countries. In 1971 there were about half a million foreign workers in South Africa, more than double since the first decade of 1900 (Prothero 1974). This grew over time as the South African economy prospered, attracting both skilled and unskilled foreign workers. Some employers gave preference to skilled foreign workers over locals and this caused considerable opposition, which led to racial violence.
The Malaysian connection

South Africa imported the celebrated “Asian Renaissance”, to use Malaysian Prime Minister Mahathir Mohammed’s term, to provide inspiration for what former president Thambo Mbeki referred to as an ‘African Renaissance.” The new South African leaders saw in Malaysia a vision for what they wanted: economic growth and economic empowerment of the indigenous population (Hyslop 1997). Mbeki’s political adviser reinforced this thinking, stating that, “The advent of the East Asian Economic miracle is one of the most important socio-economic developments of the 20th century…This miracle has offered hope to the people of Africa that economic development can be rapid” (Sunday Independent, 15 June 1997).

After 1994 Malaysia became the fastest growing source of investment in South Africa within a short time. Malaysian companies initially invested in hotels and in the leisure and tourism fields and later expanded into investment in petrol, telecommunications, baking and stock brokering. The cumulative effect was that South Africa increasingly came under considerable Malaysian influence (Hyslop 1997). During his 1996 visit to Malaysia, Mandela praised Malaysian affirmative action for overcoming the legacy of colonialism and poverty and the economic policies which made economic development possible; and suggested that South Africa had a lot to learn from Malaysia in the areas of training and technology, in creating an investment climate, in privatisation and in affirmative action (Gopher://gopher.anc.or.za, 7 March 1997). The Bumiputera middle class inspired the ANC to focus its attention on building a black middle class within the shortest possible time. Stell Sigacau, the Minister responsible for the privatisation of public industries, suggested that South Africa must emulate the Malaysian affirmative action target of 40% of Bumiputera ownership of the economy in 20 years and suggested that 40% of the South African economy should be in black hands by the year 2000 (Business Day, 9 May 1995).

South Africa’s incorporation into the “the globalisation of Bumiputeraism” has been described by Hyslop as “almost hegemonic:”

The Malaysian intervention in South Africa has involved the export of not only economic but also socio-political organization. Some South African business ventures have become incorporated into the structure of Malaysian business empires. Forms of economic indigenisation have not only been copied from Malaysia, but also undertaken in co-operation with Malaysian companies. Malaysian companies have become entangled with South African patronage networks (Hyslop 1997: 16).

A number of so-called “empowerment partnerships” between Malaysian and black entrepreneurs were entered into. The formation of the Black Economic
Empowerment Commission (BEECom) in 1998 as the powerhouse for the creation of a black middle class through direct state intervention was based on the Malaysian NEP. The links between the emerging South African and Malaysian middle classes have been consolidated over the years through joint investments and the formation of business and friendship societies.

A National Empowerment Trust (NET) was also set up to facilitate this partnership. Among its projects was the development of a new bank and a shipping line, in cooperation with Malaysian concerns. Although a number of deals relating to awards of contracts by both sides were based on cronyism, this was seen as important in growing and consolidating transnational alliances between the Bumiputera and black middle classes.

Conclusion

Affirmative action in South Africa involves a major social engineering project aimed at reconfiguring the political power structure and the economy and transforming society at different levels to meet high expectations locally as well as internationally. While the political triumph of Mandela and the ANC over white minority rule is an epic moment in world history, the actual process of transformation to ensure black empowerment continues to be a momentous challenge as poverty continues to increase and crime reaches record high levels. Although affirmative action has transformed the political and economic face of the once-apartheid state, it has not been the awaited saviour for many poor and marginalized citizens.

Indeed, there is pressure to withdraw some preferential policies. However, the ruling ANC is not in a position to turn the clock back, because affirmative action has served a very important political function in consolidating ANC power and hegemony. The challenge is to devise ways and means to address the rising poverty, inequality and crime. The ideology of a people’s democracy and multiculturalism has been politically unifying but the hard realities of economics means that constant adjustments and negotiations between contending positions need to continue in order to look for a consensus. Consensus is becoming increasingly difficult because of the continuing political differences within the country.

Nevertheless, by and large the strides made for blacks have been momentous, as can be seen in the public service and corporate sector, where the initial targets have been achieved. However, the political imperative to achieve equity is often complicated and at times is undermined by the lack of higher education and expertise amongst blacks. The fact that politically defined objectives and targets have to be achieved means that compromises have to be made and, at times,
quota fulfilment takes precedence over quality. This has led to deterioration in the area of services and infrastructure and provoked criticisms of patronage, corruption and inefficiency. However, the push for dramatic transformation of the system is inevitable, given the high expectations driven by the mass euphoria of the post-apartheid era. Nurturing and consolidating a black middle class is a desirable political tactic to assimilate and appease disgruntled and potentially disruptive educated blacks and intelligentsia, thus lessening the prospect of intra-communal tension and instability.

Unlike Fiji and Malaysia, where affirmative action has more or less reached saturation point, in South Africa, despite continuing problems, there is still political demand for more affirmative action. The rise in poverty and crime means that a more substantive focus should be placed on addressing the plight of the poor, rather than just focusing on empowering the black middle class. The dilemma is how to create a balanced affirmative action paradigm which addresses the divergent interests of opposite ends of the social spectrum.