

# Press

# Release

## 30 May 2019



South African Institute of Race Relations

*The power of ideas*

---

**Media Contact:** Anthea Jeffery, Head of Policy Research Tel: 011 482 7221 Ext. 2015  
Email: [aji@sairr.org.za](mailto:aji@sairr.org.za)

**Media enquiries:** Michael Morris Tel: 066 302 1968 Email: [michael@irr.org.za](mailto:michael@irr.org.za); Kelebogile Leepile Tel: 011 482 7221 ext: 2018 Email: [kelebogile@irr.org.za](mailto:kelebogile@irr.org.za)

### **Time to model a new empowerment strategy in the mining sector – IRR**

While the legal status of the 2018 mining charter is being resolved before the courts – a process likely to take some time – the mining industry could take the bull by the horns and embark on a pilot study to explore what the benefits of shifting from BEE to ‘EED’ in mining would be.

So says the IRR – which has for some years been developing an alternative EED (Economic Empowerment for the Disadvantaged) strategy – in the latest of its *@Liberty* policy reports, entitled *A New Empowerment Strategy to Liberate the Poor*.

‘EED has three core features,’ explains Dr Anthea Jeffery, IRR Head of Policy Research and author of the study.

‘*First*, EED would encourage and reward entrepreneurship by giving mining companies (voluntary) EED points for all jobs and salaries provided, as well as for all contributions to capital investment, tax revenues, export earnings, R&D spending, and successful innovation.’

As Jeffery points out, ‘these are by far the most important contributions the private sector can make to the upward mobility of all South Africans. The BEE scorecard ignores them, but EED would give them the priority they deserve’.

An EED scorecard in mining would also reward companies for their contributions in the labour, environmental, and community spheres. Companies would earn additional points for upholding safety standards, limiting environmental harm, and helping communities implement innovative low-cost housing technologies, for instance.

*Second*, EED would reach down to the grassroots by providing low-income households with tax-funded vouchers for schooling, housing, and healthcare. These vouchers (paid for by redirecting revenue, not increasing taxes) would give the poor real choices. They would also encourage schools and other suppliers to compete for their custom, pushing up quality and

holding down costs. Under this leg of EED, mining companies could earn additional points for helping to improve the quality of teaching in local schools, for instance.

*Third*, EED (like the social grants system) would rely on a means test to determine disadvantage and stop using race as a proxy for this. Disadvantaged whites would gain as well, but they make up only 0.16% of those living in poverty. Hence, EED benefits would still go overwhelmingly to black South Africans, while the Constitution's commitment to non-racialism would be respected and upheld.

'The need to shift to EED is particularly urgent in the hard-pressed mining sector,' says Jeffery. 'Many mining companies are battling to survive under unpredictable electricity shortages, rising input costs, largely stagnant resource prices, and an ever-escalating BEE burden.'

At the same time, the legal challenge to the 2018 mining charter – mounted by the Minerals Council South Africa in March 2019 – provides an opportunity to launch a pilot study into the benefits of EED in mining.

The council (or individual mining companies) could easily develop a voluntary EED charter along the lines earlier described. Mining companies could then total up the points they could earn under an EED system for their vital economic contributions, as well as their important inputs in the labour, environmental, and community spheres.

As part of this pilot study, the likely impact of introducing tax-funded vouchers for schooling, housing, and healthcare in a particular mine community could also be modelled. Mining companies in that area could then outline the further contributions they could make under a voucher system – and how many extra EED points they could notch up in this way.

Adds Jeffery: 'As part of the pilot study, opinion polls could also be commissioned in one or more mining communities to test people's views on the voucher option. Such polls would supplement the IRR's field surveys, which have already found high (and accelerating) support for the voucher system among the general population.'

'In December 2018, 93% of black respondents in an IRR field survey (up from 86% in 2016) supported the idea of education vouchers. Black support for healthcare vouchers came in at 91% (up from 83% in 2016), while support for housing vouchers was strong as well, at 83% in both years. In addition, 85% of black respondents (up from 74% in 2016) said these vouchers would be more effective than BEE in helping them to get ahead.'

'As the IRR field surveys confirm, the case against BEE in mining (and elsewhere) is becoming overwhelming. BEE has helped only a relatively small elite, while greatly harming the poor.'

'Far from helping to "unleash the full potential of all South Africans to contribute to wealth creation" – as the ANC earlier promised BEE would do – current empowerment policies have added to inequality, promoted crony capitalism, encouraged corruption, and generated an entitlement mentality. They have also become a leg-iron on the economy and a major bar to the investment, growth and jobs most needed by the poor.'

'While the legal status of the 2018 mining charter is being resolved before the courts – a process likely to take some time – the mining industry could take the bull by the horns and embark on a pilot study to explore what the benefits of a shift to EED in mining would be.

'Few policy changes could be more vital to the “new dawn” our new president has promised than finding an effective and non-racial formula for helping the disadvantaged to get ahead.'

Read the full report [here](#).

**Ends**