

Press Release

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South African Institute of Race Relations

The power of ideas

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SA's poor will remain economic 'outsiders' unless empowerment policy is revised

The latest report from the Institute of Race Relations (IRR), *Economic Empowerment for the Disadvantaged – A Better Way to Empower South Africa's Poor*, makes the case for thorough-going reform of the country's approach to empowerment.

The report addresses the profound failures of Black Economic Empowerment (BEE) in overcoming persisting disadvantages that continue to lock millions of people, particularly black South Africans, out of the formal economy. It proposes in its stead an alternative Economic Empowerment for the Disadvantaged – or EED – policy that focuses directly on disadvantage rather than on the numerical racial targets that have signally failed to help the poor.

The report focuses particularly on the benefits to be derived from empowerment policy reform in the country's mining industry, an embattled sector which nevertheless could make a much greater contribution to the country as a whole if it were freed of counterproductive race-based empowerment targets imposed by the government.

Author of the report, IRR campaign manager Marius Roodt, writes that the 'noble objective' of post-apartheid empowerment policy, such as affirmative action (AA) or employment equity (EE) and black economic empowerment (BEE), have in most cases failed to 'level the playing field'.

'The evidence is clear: a relatively small proportion of people have been able to benefit from the South African economy, which unfortunately locks out many people. The latter – overwhelmingly black, and denied opportunities in the past – have been doomed to remain economic "outsiders".'

The report notes that while the living standards and education levels of black South Africans have improved markedly, a consequence of the current empowerment approach is evident in black South Africans having the highest levels of intra-race inequality, suggesting that 'any increase in incomes for black South Africans has been skewed to those at the upper end of the income distribution – those who are already earning fairly high salaries'.

It goes on: 'Those who are still being left behind – in terms of poverty and unemployment – are poor black South Africans. They are those without degrees and contacts, or high-level skills to sell. They, a majority of South Africa's population, remain "outsiders" for whom the promise of freedom has not (yet) been fulfilled.'

The report says that from as early as 2012, senior figures in government and in the ruling Tripartite Alliance have sharply criticised the failure of BEE and its consequences, described by the SACP as 'increasing poverty for the majority, increasing racial inequality, and persisting mass unemployment'.

Yet, the government has persisted in increasing the 'empowerment' burden at the expense of economic competitiveness and investment. This is especially true of the mining industry, a sector with huge potential, but hobbled by onerous regulations and restrictions, many relating to 'empowerment' targets, unilaterally imposed by government.

'EED would shift away from a focus on numerical targets, but rather look to provide the inputs which would improve the lives of poorer people. This policy would focus on four 'Es' – rapid economic growth, excellent education, more employment, and the promotion of vibrant and successful entrepreneurship.'

Under an EED policy, the current BEE scorecard would be replaced by an EED scorecard that would reward businesses for the investments they make, the profits they generate, the jobs they sustain or create, the goods and services they buy from other suppliers, the innovation they help to foster, and the contributions they make to tax revenues, export earnings, and foreign currency inflows.

This would encourage rather than discourage investment, increase employment and stimulate growth. In addition, an integral part of EED would be a system of government-funded vouchers available to all means-tested South Africans earning below a certain amount, which they could use to access education, healthcare, and housing of their choice, giving lower-income families options many middle class people take for granted.

Companies could top up these vouchers and earn extra EED points on their empowerment scorecard.

The report concludes: 'South Africa has a long history of exclusion and dispossession, the consequences of which still affect the country today. Looking for ways to correct these historic wrongs is morally correct. However, doing this in ways which will harm the economy and lead to poor South Africans losing work and income is ultimately counterproductive.'

Read the full report [here](#)

The IRR invites all South Africans to join it in striving for a better South Africa by SMSing their name to 32823.

Ends.