

Race, growth, and development

On 22 August 2007, CDE inaugurated a new series of public debates about the key challenges facing South Africa. In an opening address, CDE's executive director, Ann Bernstein, said:

'Democracy needs strong institutions, a free press, an independent judiciary, and observance of the rule of law. It also needs opportunities for citizens to engage with one another, to learn from each other's experiences and perspectives, and to disagree – but also to discover that they sometimes have more in common than they suspected.

'CDE has always encouraged robust but civil debate among people with different histories, and from different places in our society. We need to talk about the most difficult issues and the most controversial topics, because those are often the most important taboos to break, and the biggest obstacles to progress.'

The first CDE Conversation involved four speakers who were asked to think about the following key question in preparing their remarks:

Race-based policies of redress are a prominent feature of our society. The need for redress is undisputed, but do we have the right policies? Are they impacting negatively on another imperative, namely accelerating the rate of economic growth which is an essential pre-condition for improving the social and economic circumstances of the bulk of the population?

The speakers were:

- **Sipho Pityana**, chairman of Izingwe Capital and former director-general of the departments of Labour and of Foreign Affairs;
- **Ferial Haffajee**, editor of the *Mail & Guardian*;
- **Bobby Godsell**, then chief executive officer of Anglogold Ashanti, and chairman of BUSA; and
- **Brian Figaji**, CDE board member and former rector of the Peninsula Technikon.

Their remarks were followed by an open discussion. The proceedings were moderated by **John Perlman**, former host of the popular After Eight Debate on SABC.



■ PANELLISTS' PRESENTATIONS

■ Siphso Pityana

Siphso Pityana's starting premise was that the problem did not lie in the domain of public policy – 'we have a plethora of policies' – but in the unwillingness and/or inability of the country's corporates to embrace with enthusiasm the post-1994 imperatives of racial integration and the advancement of previously disadvantaged individuals and groups.

'Black professional services firms are told that they are too small or too inexperienced to be hired'

He observed that surveys of the employment equity scene all focused on numerical trends, and argued that, while these were unfavourable enough, the picture would look far worse if qualitative aspects were explored. Such an analysis would reveal 'tokenism and ... appointments where there is little ... regard for expertise, no expectations on performance, ... marginalisation of black seniors, [and] a never-ending battle for recognition, appreciation and award'.

Similarly, many 'rich and telling stories' would emerge of black people occupying seemingly very senior positions but, apart from having personal assistants, large offices and smart cars, without the resources and certainly not the authority to play meaningful roles. And where highly qualified blacks – even those with engineering, IT, legal and other skills central to the business – were used, they were placed in non-core areas such as human resources, corporate affairs, and government relations.

The area of procurement was no better. Black professional services firms found that they could not penetrate the system – they were told that they were too small or too inexperienced to be hired. The prejudice of the corporates was such that the only

contracts they awarded to black firms were for such services as cleaning, catering, courier, and security.

Racial prejudice applied to black ownership too. At start-up, black investment companies were discriminated against because of a weak balance sheet and a limited track record; once they had accumulated some assets and had a solid basis on which to transact, they were labelled 'usual suspects', and hence regarded as ineligible investors. Such attitudes were never applied to wealthy white individuals.

Pityana concluded by noting that the biggest challenge in South Africa was the skills shortage, and that the problem was being compounded by racism in the workplace. The marginalisation of blacks resulted in the misallocation of skills, and a serious waste of talent. The country's business leaders should have more conversations about these kinds of problems if the challenge of skills was to be successfully addressed.

■ Ferial Haffajee

Ferial Haffajee began by asking why South Africans polarised the debate: why it was always either/or – race advancement or growth, empowerment or development – rather than both/and? Why was the common assumption made in financial magazines and in suburban talk shows that black people were in positions of authority and influence only because of the laws, and that, despite lack of evidence, continuing this practice would jeopardise economic growth?

The evidence she had was to the contrary. For instance, she had recently appointed a black woman to a very senior position purely on the basis of merit; she had stood out 'by a mile' from the other candidates, of whom all but one were white males. Then there was the case of a young man who left a job at Telkom in order to start a business that would support his extended family, and who now employs 70 young people. If one looked at car sales and retailers, one could not but conclude that 'employment equity and economic growth have been very happy twins'. This would surely not have happened without the laws.



Observing that, despite some advances, the old business networks still held sway, Haffajee expressed a fear that the pressure for a sunset clause in respect of employment equity was being increased long before the country's human potential had been unleashed. 'How many more Trevor Manuels might be out there?' she asked rhetorically. And imagine the impact on growth if the proportion of blacks in senior management were 25 per cent and not the current figure of less than 10 per cent. Given this, why was BEE still regarded as a risk?

She cited her own experience as one of the 'bright young democrats' who, having previously eschewed working for the SABC, descended on Auckland Park in 1994. Suddenly the 'old mandarins', who had ruled the roost for too long, had to compete in a bigger pool of talent. No doubt they felt their careers had been halted by a policy of equity; her own view was that they had simply taken their rightful place in a system based on merit.

While Haffajee thus explicitly saw benefits in the employment equity laws, not least because of their nurturing of a black middle class which was essential for stability and growth, she was deeply critical of their complexity and the difficulties of complying with them – 'the people who drew up the plethora of advancement laws have never run a business. It's a tangle of reporting madness.' Consequently, the laws urgently needed streamlining. Similar criticisms could be levelled at the 'fundamentally unworkable system' of SETAs.

She concluded by citing the outstanding business achievements of Monhla Hlahla at ACSA and Maria Ramos at Transnet. Clearly, the debate was *not* either/or.

■ Bobby Godsell

Bobby Godsell grouped his thoughts around three organising ideas. The first was the imperative that South Africans find a constructive and honest way to talk to one another about race. He suggested that they were not doing very well on this score. At one level there was a denialism (among whites) that racism ever

existed, along with an impatience that the issue was ever raised. At another level there was an unspoken premise that what was previously white – leadership, ownership, whatever – would progressively and definitively be replaced by black.

Of course, it was not easy to conduct such conversations. It was not only because race is a 'social construct ... without scientific meaning'. It was also because for more than three centuries whites had had power, wealth, status and citizenship, while blacks had been subjects, poor, and second-class. Both blacks and whites needed to recognise the powerful racial

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prisons in which they had been held, and then commit themselves to escape from them. Whites in particular needed to strip out the assumption of privileged, prejudiced superiority that had defined them for so long. The latter included looking critically at the extensive use of European images in everyday but profoundly defining matters such as street names and architectural styles.

Godsell observed that Steve Biko, in urging black South Africans to define their own identity in their own terms, had understood these matters in the 1970s. Now it was up to all South Africans to give a new and positive meaning to culture, language, history and tradition – those very things that were used as a shorthand for race. In doing so, they should distinguish (as did the Afrikaans poet N P van Wyk Louw) between being a nationalist – somebody who thought well of himself – and a chauvinist – somebody who thought he was better than other people. He cautioned that black South Africans now risked falling into the same trap of chauvinism that had bedevilled the thinking of whites for so long.



His second organising theme revolved around the skills required to drive the economy. The country's wealth-creating machine had historically drawn on the energy, creativity and wisdom of some five per cent of the nation's gene pool, namely the male half of the white group. A hundred percent of this gene pool could now be accessed. But it would be folly to go down the road of blind demographic representativeness, just as it already was to engage in 'fronting'.

Godsell rejected any notion of a trade-off between diversity and growth. His experience was that today's graduates and apprentices – albeit not enough of them – were better educated, more IT-competent, more global in outlook, more responsible, and more

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exciting than the equivalents of his day. It was a major problem that this was not recognised by 'a group of ageing white men', who too readily equated differences in performance with race and gender.

The final theme was about the destination of the national journey. The challenge remained to build a non-racial, non-sexist society. This would take time, but certainly stood as the kind of society the next generation would want to live in. We would know when we were getting close to this ideal when both blacks and whites were as comfortable with the label of African as with South African, and when blacks stopped using the word African as a synonym for black.

■ Brian Figaji

Brian Figaji started by setting out a framework of 'generally accepted comments' which would underpin his analysis, namely:

- Since political change was negotiated, South Africa had chosen evolution over revolution.
- Eradicating the feelings of superiority by the previously privileged group would take a long time.
- The previously oppressed would make increasing demands for access to the benefits the new order offered.
- It would take a large investment over many years to make up for the neglect of education and training of the bulk of the population.

He agreed that the case for redress was not in dispute. The questions were how to achieve this, over what time period, and with what priority. He recognised the inevitability of 'birth pains' in the evolution of this new society born out of a negotiated settlement, and therefore the huge challenge of keeping in balance the imperatives of redress, growth and development, political stability, and the satisfaction of the electorate.

His central proposition was that affirmative action was not the problem. Rather, the real problems derived from a complex mix: an element of patronage in some appointments that therefore did not yield the best person for the job, a seemingly absolute fear of getting rid of black people when they proved to be incompetent – he lamented evidence of this at the highest level of authority in the country – and a reluctance to give meaningful opportunities to black people within the private sector. His real cause for concern was thus not affirmative action or redress, but inappropriate human resources practices in not dismissing incompetent blacks or promoting competent blacks, and a general lack of planning within the public sector.

Figaji referred to developments in the education sector, with which he was familiar. He recalled the aspirations expressed in the mid-1990s by the National Commission on Higher Education, which were similar to those expressed today by AsgiSA and JIPSA. They called for large investments in education; revitalising the FET sector; improving high-level technical skills, particularly among black students; and other measures, in order to expand and enhance the existing system. He contrasted these with what had subsequently actually happened, including:



- ‘Dabbling’ in outcomes-based education without properly training teachers and education managers.
- Placing a limit on the pay of science and maths teachers in the interests of equality.
- Establishing a national qualifications framework despite international evidence of the complexity of its implementation.
- Establishing a system of education and training authorities with large and assured revenues but weak implementation, and no action strategies.
- The loss of experienced teachers through the unnecessary provision of severance packages.
- Introduction of a new funding formula for higher education, which concentrated greater power in the minister and allowed the manipulation of funding.

In sum, many inappropriate actions had been taken without proper resourcing and strategic direction. These actions had ‘changed the system’, but had failed to improve the quality or number of outputs. It was only recently, through the new emphasis on growth and the associated thrusts of AsgiSA and JIPSA, that South Africans were revisiting the issues addressed some ten years ago. They had also failed to recognise that in pursuing economic growth there had to be a parallel and equally vigorous pursuit of education excellence at the primary, secondary and tertiary levels.

Clearly redress, corrective action, growth and development and the satisfaction of the electorate had to be held in the right balance. If South Africa had undergone a revolution, it would have spent large sums of money to repair the inevitable damage. In the absence of such a revolution, it had not spent a fraction of the money that the real reconstruction of its society required, and hence its education system had remained weak and its skills levels unsatisfactory. Because it had not spent sufficient money on its people, there had been problems in their taking rightful advantage of affirmative action.

■ DISCUSSION

Following these presentations the conversation was opened to the floor, with the panellists having the opportunity to respond to specific points as well as to make final comments. Many different views were expressed, some challenging, some reinforcing the lead-in speakers, and others introducing entirely new ideas. What follows is an attempt to capture the main themes that emerged, rather than comprehensively covering all that was said.

CDE was widely commended for organising the event. Several speakers welcomed the fact that it took place at all, after a long period in which it had been

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uncomfortable and politically incorrect to talk directly about race, noting that the evening’s discussion had been open and honest and that space had been afforded to offend one another. One speaker said that the debate had now been ‘well and truly entered’; more generally, it was felt that the momentum had to be maintained not least through ensuring the participation of new ‘voices’, including those of young people with whom the country’s future lay.

Concern was expressed about the terms and the tone of some of the contributions. What underlay this was a strong sense that the ‘absolute generalisations’ about the pervasiveness of racism in the corporate sector in particular were unhelpful. Unless there was some recognition of the progress, no matter how inadequate as yet, that had unquestionably been made, business leadership (which was by no means still only white) would find it difficult to engage in the debate that was now so profoundly needed.

One corporate leader suggested that a little encouragement would not go amiss, in place of



the aggressive criticisms – a point noted by other discussants – that had been made not only that evening but also more generally by the Black Management Forum and the Public Investment Commission. A further comment was that such criticisms were divisive, causing people to talk past rather than to each other.

Varying perspectives were offered on the (white) corporate sector in this context. Siphon Pityana's views, namely that the prejudices entrenched in established networks were fundamentally inhibiting black career advancement as well as marginalising black talent,

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were forcefully echoed by several members of the audience. This led to the argument that the onus was on the corporate sector itself to get beyond the numbers game and more broadly to change the environment in which black people did business, whether as employees, suppliers or investors. Participants argued that the business sector had to stop being defensive and, in a situation where not enough progress had been made, give bold leadership in changing matters.

Further, if South Africa was ever to attain the goal of a non-racist society, the corporate sector had no option but to be part of the concerted effort to achieve this. These last sentiments were shared by some business people. One went further, arguing that it was in the sector's strategic interest to take the initiative by clearly and concretely articulating how much demographic change was possible, over what period, with what competence outcomes, and by setting its own targets accordingly. If it did not do this, it would risk even more political intervention and perhaps the imposition of increasingly unattainable targets – witness the hardening of requirements from the mining charter to the later BBBEE codes.

This view was reinforced by a speaker who asserted – despite his admission that (white) dinner-table conversations had not changed much since 1994 – that real transformation would happen in the private sector, because it was the one place where everybody was drawn together by a shared goal of performance. This was in contrast to the public sector, where patronage prevailed.

Questions were raised about the lack of balance in people's attitudes, with excessive attention being focused on transferring existing wealth rather than creating new businesses and generating new wealth for the country. The government had in fact created considerable space for the emergence of new entrepreneurs. In this context, why was there so much emphasis on helping black South Africans to 'do deals' that would enable them to become part of existing companies rather than building new enterprises led from the outset by black entrepreneurs? The international experience was clear. Most smaller companies started as family businesses, and often remain such for a long time. Expecting such companies to prosper and simultaneously bring in new empowerment partners might often not be an effective approach.

Finally, questions were raised about the lack of balance in the government's approach to the creation of new wealth compared to the transfer of existing wealth. While space had been created for the emergence of new entrepreneurs, why was there so much emphasis on helping previously disadvantaged individuals get a part of the existing pie, rather than on helping them to build new companies? Concomitantly, why was there so little recognition of the universal pervasiveness and strengths of family businesses, which would struggle to deal with new partners from outside?



■ CONCLUDING COMMENTS

In reflecting on the meeting as a whole, CDE would like to raise four issues:

The first is that there was little in-depth discussion of the question that had been posed, namely whether policies of racial redress were impeding the drive for growth and development. There was no exploration of the content and consequences of present policies of 'redress', whether and in what way they may have negative or unintended consequences, whether there are alternative policy choices, and whether the politics of the transition are such that race-based policies are inevitable and appropriate.

Second, it would seem that South Africans are not yet comfortable about having conversations in public about race. Despite the provocative nature of some of the points made in the course of the evening, the audience was generally timid, and one had the sense that views were being held in check.

Third, at the same time, there was a palpable sense of relief in some quarters that deeply held views, notably about racism in the workplace, had at last been brought out into the open.

Finally, and most importantly, the country's harsh realities were only modestly recognised. Notwithstanding impressive achievements on the macroeconomic front, and higher rates of economic growth, these realities include extremely high rates of unemployment – close to 40 per cent in general, and over 60 per cent in the 18–30 age group – and the fact that in some 80 per cent of public sector schools only one person a year on average is achieving a maths pass sufficient to enter university. One would think that any discussion about race and unemployment has to start with these facts, and how we are going to change them.

Furthermore, international experience unequivocally points to the central economic role of entrepreneurship and family businesses; by contrast, South Africans are obsessed with transforming the corporate sector. An unintended consequence of this is that we are falling behind in creating a dynamic and

entrepreneurial society. South Africa's competitiveness compared with other developing countries is slipping; while so much attention is focused on employment equity in existing companies, we are not creating enough new companies.

South Africa will not become the country it could and should aspire to if we cannot communicate and speak honestly about race, growth and development. Important and tough choices lie ahead. South Africans need to engage a lot more honestly on these and other difficult issues. ■

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