

Economic empowerment in firms: Evidence from the eThekweni Medium & Large Firm Survey

Research Report 2017 No 15

Authors: Stephen Olivier, Sarah Bracking

Author Contact: Sarah Bracking, University of KwaZulu-Natal, School of Built Environment and
Development Studies. Email: Bracking@ukzn.ac.za



This work is based on the research supported by the South African Research Chairs Initiative of the Department of Science and Technology and National Research Foundation of South Africa. The work was also produced with the assistance of the Programme to Support Pro-Poor Policy Development (PSPPD Phase II) a Partnership between the Presidency, the Republic of South Africa and the European Union under the project *Analysis of 2014 firm survey data, from the greater Durban area, in order to contribute evidence to local, provincial and national policy for manufacturing firms to contribute to inclusive growth* Europe Aid/134258/M/ACT/ZA PSPPD2/CfP2/2014/15/60 The contents of this work are the sole responsibility of the authors and can in no way be taken to reflect neither the views of the European Union nor the National Research Foundation.

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ISBN: 978 1 86840 593 0

DST/NRF SARCHi Chair in Applied Poverty Reduction Assessment

University of KwaZulu-Natal

<http://appliedpovertyreduction.ukzn.ac.za/>

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1. Introduction

Black Economic Empowerment (BEE) and later Broad-Based Black Economic Empowerment (B-BBEE) are policies that impose certain conditions on businesses in South Africa in order for them to promote black empowerment, where 'black' here can variously mean people who were disadvantaged during the Apartheid years. BEE was introduced as a means to ameliorate the economic injustice and enforced inequalities of the past that were official government policy in South Africa before 1994. 'Apartheid' not only meant a separation of racial groups by location but also economically. People of colour were systematically excluded from the economy leading to the impoverishment of the majority of the population. Successive rounds of the National Income Dynamics Survey (NIDS) show that since 1994 there has been very little redistribution of income and wealth, and according to estimates, the number of black South Africans who remain in poverty is extremely high, at around 23 million, over 56 per cent of the population (StatsSA, 2014). The BEE and later B-BBEE policy was designed as a corrective policy that would redistribute income by encouraging firms to employ historically disadvantaged people, change their supply chains to buy more from black-owned firms, and transfer part of the ownership of firms to black people in some cases. Certification was rolled out across the country but there remain few studies that have systematically reviewed or evaluated the policy, while a higher number lambast BEE for its assumed associations with corrupt behavior.

Because of the lack of empirical data, this study was able to take advantage of the Durban Firms survey to assess the effect of BEE on the firms' structures over time. The challenge to this exercise is that when the original survey was designed it did not include this objective, so the data available relies on a small number of indirect variables on ownership, and on qualitative responses given in the first and second waves. Also, as with any policy analysis, it is difficult to determine whether it was the policy that is causing various changes, or whether these would have happened anyway, or in spite of the policy, or whether there are other missing variables that have not been taken into account. At most, we can only assert that the policy has contributed to certain changes, rather than a stronger result that we can attribute these changes to the policy.

2. Context and background

At the onset of democracy in 1994 and the birth of the new South Africa it became apparent that the new government needed to implement a policy aimed at redressing the situation of chronic inequality and poverty in the country. The response came in the form of the Reconstruction and Development Plan (RDP) and part and parcel with this was Black Economic Empowerment (BEE). However, the full implications of the RDP and the type of BEE envisioned by it were soon undermined by the shift to a new policy, the Growth, Employment and Redistribution (GEAR) strategy, which took a more neoliberal market oriented approach to development, and this in turn influenced how BEE would be seen to operate in the long run (Ponte, Roberts, & Van Sittert, 2007). The aim of BEE was to empower previously disadvantaged individuals by allowing them entry into the market place through ownership (Ponte et al., 2007). The immediate problem faced by previously disadvantaged individuals entering the market place was that in order to become owners of companies they needed capital, which by definition they did not have. The solution to this problem, largely driven by a group of South Africa's leading businesses, was to come up with various 'BEE transactions' and Special Purpose Vehicles to allow blacks to become shareholders of businesses without capital (Chabane, Goldstein, & Roberts, 2004; Gqubule, 2006). The resulting deals were often criticised for being vulnerable to lower stock performance and for being overvalued, in other words bad deals (Ponte et al., 2007). However,

one outcome of this policy has been to create a 'black capitalist class' which has been used as an example of how empowerment is working, and as an outcome that gives legitimacy to the BEE process (Southall, 2007). However, the policy perhaps relies too much on ideas about empowerment trickling down from the new elite class and uplifting the classes below (Ponte et al., 2007).

In fact, the claim that gradual empowerment is occurring has been subject to severe criticism with people seeing it as a tool for preserving the status quo in economic systems and policies. Another concern about BEE was the too narrow conception of who should be the target of empowerment programs. Related criticism has pointed out that the close ties between the black capitalist class and the ANC government provide an ideal environment for corruption to flourish (Malikane & Ndletyana, 2006), and the state capture debate of 2017 has given many illustrations of how BEE vehicles have been used by state owned enterprises to liquidate private firms for the benefit of persons connected to the political elite. Much of the criticism of BEE has been of this form, that it simultaneously causes corruption while lacking the means to address the real structural inequalities present in South Africa. These associations between BEE, corruption, cronyism and state capture are most unfortunate in relation to the avowed policy objective of economic restitution and redistributive justice, the foundational objective of BEE policy. Historically disadvantaged persons still require jobs and a chance for inclusive growth.

These concerns and others, alongside the ubiquitous and obvious need for such a policy, led to an expansion and refinement of BEE to a broader based scheme that would address a greater variety of issues rather than just ownership. Thus in 2007 legislation was enacted to implement Broad-Based Black Economic Empowerment (B-BBEE) covering a wider range of pathways towards empowerment. B-BBEE focuses not just on ownership but also management, skills development, enterprise and supplier development, and socioeconomic development, with these forming the categories by which successful implementations of B-BBEE are judged. Along with the new categories of BBEE, legislation was passed that entailed the creation of accreditation agencies whose job it is to rate businesses in accordance with the B-BBEE principles (Ponte et al., 2007). Businesses are rated according to levels from level 8 to level 1, with 8 being the worst level and 1 being the best level. Businesses with low BEE levels gain greater access to government contracts and profit from other benefits.

However, criticism of the policy has accompanied this phase of the roll out as well. Critics have found much to criticize about the implementation of BEE and B-BBEE. Often they compare it unfavourably to more effective empowerment programs such as the economic advancement of Afrikaners during the period in South Africa of Afrikaner Nationalism with its more effective use of parastatals, and to the 'Malaysian Model' which both had a greater degree of state involvement and it had poverty reduction as a stated goal (Ponte et al., 2007). In addition to the creation of a black capitalist class there has also been an emergence of a black middle class but the benefits have not been felt by the working class, despite them being the ones most in need of empowerment and development. The outsourcing of accreditation to accreditation agencies has been criticised as changing the goals of BEE causing them to take a back seat to managerialism and the focus on the technical details around how to score and implement accreditation services to the detriment of less easily measured outcomes that are the actual stated goals of BEE (Ponte et al., 2007). This ultimately leads to a shift in goals away from the empowerment of previously disadvantaged individuals to a more abstract process of making sure that businesses obtain low BEE levels. Blame for the ineffectiveness in the

implementation of BEE becomes a technical issue and shifts responsibility away from the government and to accreditation agencies¹.

The business studies literature also reports negative perceptions of BEE among business managers in South Africa (Kruger, 2014), implementation difficulties (Hiam et al., 2017) and little or no productivity gains from firm practices or disclosures (Mebratie & Bedi, 2017; Ntim & Soobaroyen, 2013). However, a recent study by Mehta and Ward (2016) of all Johannesburg Stock Exchange listed companies that were BEE compliant between January 2009 and September 2015 shows an abnormal return pattern in the short-term associated with a change in BEE score, while in the long term, companies with the best BEE scores generated lower returns than those with worse scores. The authors attribute this to the high costs of BEE compliance, and say that their analysis adds to the body of literature questioning the efficacy of BEE (see also Chopra, 2017). Thus, the debate surrounding BEE points to issues of efficacy at the policy level, while the policy itself generates a much wider and politicised debate on economic empowerment and economic justice, or the lack of it. It is within this context that this study can make a contribution.

3. Description of the eThekweni Large and Medium Firm Survey

The eThekweni Medium to Large Manufacturing Firm Survey was largely based on a previous survey the Durban Large Firm Survey done by the World Bank in 2003 (World Bank, 2003) see below for link) on manufacturing firms around the eThekweni area. The aim of the 2013 eThekweni Large and Medium Manufacturing survey (UKZN, 2013) was to gain an updated picture of the manufacturing in and around eThekweni and to gain insight into the changes that have taken place in the 10 years between the two surveys. An extensive list of manufacturing firms within the eThekweni area was created, including the firms from the previous 2003 survey. From this list a total of 132 firms responded and agreed to take part in the survey. The survey consisted of 3 modules: module 1 to be filled out by the CEO or managing director, module 2 the finance manager, and module three the HR manger. These responses were then entered into a database and then went through an extensive cleaning process.

Demographics of Sample

The total sample size for the survey was n=132 firms. This compared unfavourably to the previous World Bank survey which obtained a sample of n=225 though the project has established a reduction in the number of relevant firms in the population of large and medium manufacturing establishments in eThekweni. Nevertheless, the relatively small number of firms for which data have been captured is due to firms refusing to take part in the survey. This is besides firms having gone out of business in the interim period between surveys, and changes in firms that made them ineligible to take part in the survey (e.g. moved away from manufacturing, moved away from the study area). In order to make it comparable to the previous survey a threshold of 50 full time employees (FTES) needed to

¹ These technical issues can be reviewed at http://www.thedti.gov.za/economic_empowerment/bee.jsp. Summary of the B-BBEE Codes of Good Practice: https://www.thedti.gov.za/economic_empowerment/docs/Inside.pdf

be met reducing the eligible number of firms to n=106. Below is a list of the sample size of firms by each sector along with the weighted sample size focusing on those firms.

Table 1: Description of firm sample, 2003 & 2013

| | Sample Size 2003 | Weighted Sample Size 2003 |
|--------------------------------------------|------------------|---------------------------|
| Chemical products | 22 | 120.6 |
| Electrical and electronic machinery | 13 | 31 |
| Food processing and beverages | 18 | 67.69 |
| Iron and steel | 5 | 7.99 |
| Leather and footwear | 9 | 26 |
| Metal products | 14 | 49 |
| Non-metallic mineral products | 17 | 22.92 |
| Paper and furniture | 32 | 83.47 |
| Textiles | 36 | 154 |
| Vehicles and automotive components | 15 | 37.67 |

| | Sample Size 2013 | Weighted Sample Size 2013 |
|--------------------------------------------|------------------|---------------------------|
| Chemical products | 21 | 96.6 |
| Electrical and electronic machinery | 32 | 97 |
| Food processing and beverages | 5 | 14 |
| Iron and steel | 9 | 55 |
| Leather and footwear | 6 | 19 |
| Metal products | 2 | 17 |
| Non-metallic mineral products | 3 | 24 |
| Paper and furniture | 4 | 28 |
| Textiles | 17 | 63 |
| Vehicles and automotive components | 7 | 24 |

Figure 1: Distribution of number of employees

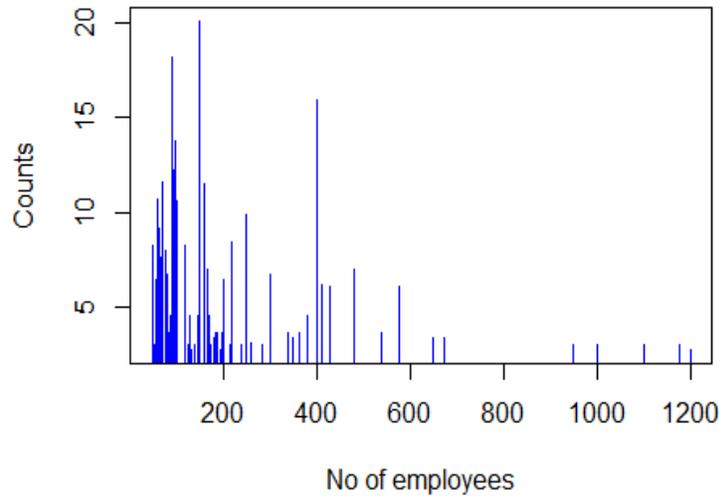


Figure 1 shows the distribution of the number of employees in the Large and medium Manufacturing Firm survey showing that the majority of firms have somewhere between 50 and 300 employees with a mean of around 229. Figure 2 shows the numbers of firms by size measured by the number of full-time employees.

Figure 2: Pie chart showing the different size of firms by FTE

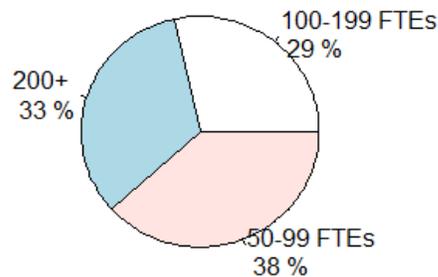


Figure 2 shows that the majority of the firms surveyed have 50-99 employees, with these making up 38% of the sample. However, firms with 200+ FTEs also made up 33%, a large proportion of the sample. Table 2 begins to show how the proportion of previously disadvantaged individuals (PDI) ownership has changed between the first survey in 2003 and the second in 2013. It shows a shift from 62% of firms who had no PDI ownership in 2003, to a drop to 46% who still had no PDI ownership in 2013. Those firms at the top of the scale, in the bracket 95–100 % of ownership, however, showed a very similar 25% of PDI ownership in 2003, only moving fractionally to around 26% in 2013.

Table 2: PDI ownership comparison between 2003 and 2013

| Percentage Ownership | PDI | |
|----------------------|-------|-------|
| | 2003 | 2013 |
| 0% | 62.36 | 46.15 |
| 1 % to 5% | 0.86 | 1.54 |
| 5% to 10% | 0.77 | 2.92 |
| 10% to 15% | 0.00 | 2.31 |
| 15% to 20% | 0.58 | 0.00 |
| 20% to 25% | 1.76 | 2.09 |
| 25% to 30% | 2.54 | 7.78 |
| 30% to 35% | 1.94 | 0.86 |
| 35% to 40% | 0.00 | 1.47 |
| 40% to 45% | 0.89 | 0.76 |
| 45% to 50% | 0.00 | 0.80 |
| 50% to 55% | 1.27 | 1.69 |
| 55% to 60% | 0.00 | 0.00 |
| 60% to 65% | 0.00 | 0.80 |
| 65% to 70% | 0.00 | 0.00 |
| 70% to 75% | 0.25 | 0.00 |
| 75% to 80% | 0.70 | 0.00 |
| 80% to 85% | 0.00 | 2.31 |
| 85% to 90% | 0.70 | 0.76 |
| 90% to 95% | 0.00 | 0.00 |
| 95% to 100% | 25.43 | 25.56 |

*Percentage PDI Ownership of Firms by year

4. BEE Levels of Firms

The majority of manufacturing firms have BEE levels of 3 to 5. Around 25% percent of manufacturing firms in eThekweni have a BEE level of 4. 18% of firms have a BEE level of 3 and 13% have a BEE level of 5.

Figure 3: BEE Levels in eThekweni firms

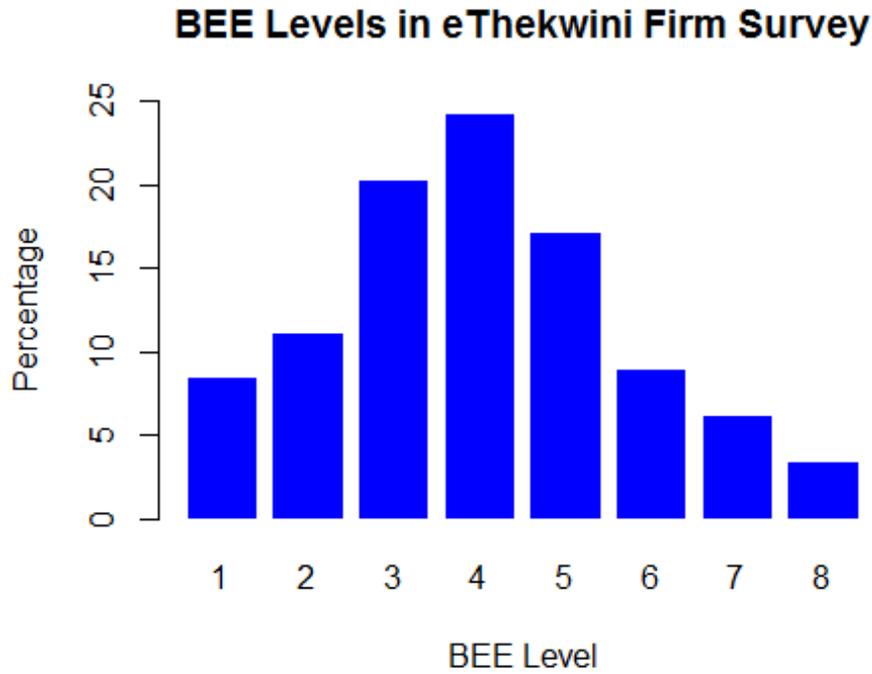
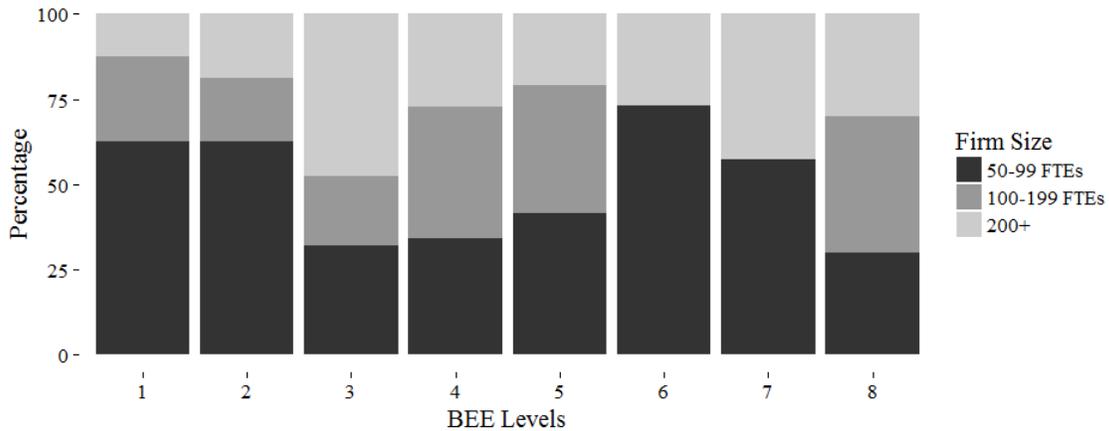
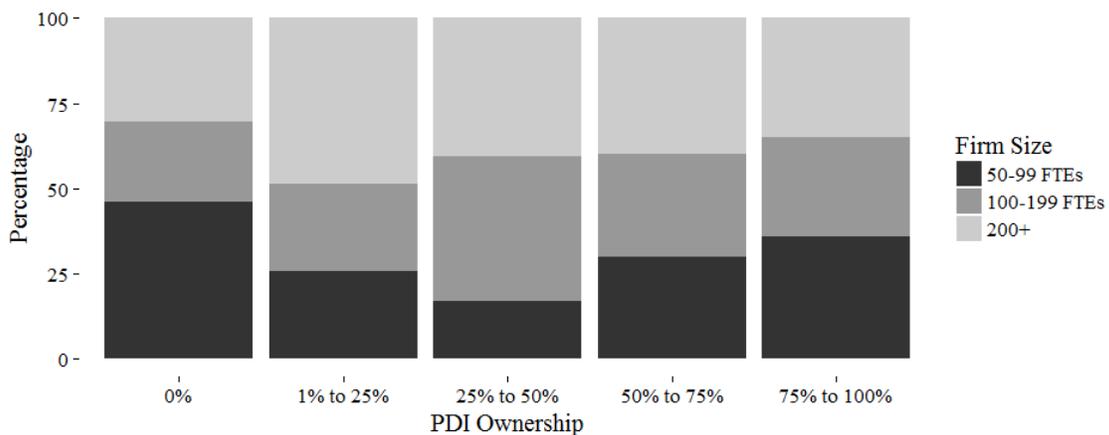


Figure 4: Size of the firm and its relation to BEE



A BEE level of 1 or 2, the better levels, were associated with smaller businesses with 50-99 FTEs. BEE Levels of 3 and 4 were associated with businesses with 200+ FTEs and 100-199 FTEs respectively. BEE levels 6 and 7 were associated with fewer firms with 100-199 FTEs.

Figure 5: Size of the firm and its relation to PDI



Firms that have 50-99 FTEs are more likely to have 0% PDI ownership. Firms with greater numbers of employees were associated with higher PDI ownership. For example, firms with 100-199 FTEs were more likely to have 25% to 50% PDI ownership. This perhaps reflects the legacy of white family owned firms who are wholly private and do little work for government. These have less motivation to seek higher BEE compliance levels.

In terms of how the industrial sector affects BEE levels and PDI ownership, we see that clothing and textiles and non-metal minerals have the higher levels of BEE, with food processing, leather and footwear and metal products with no high classifications.

Figure 6: Sectorial Differences in BEE

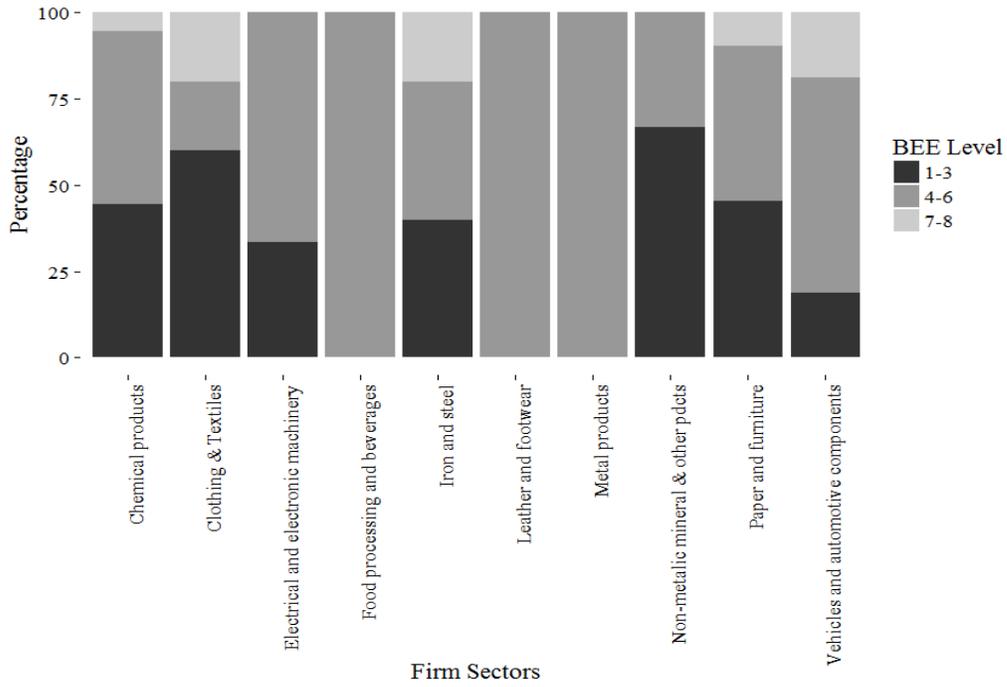
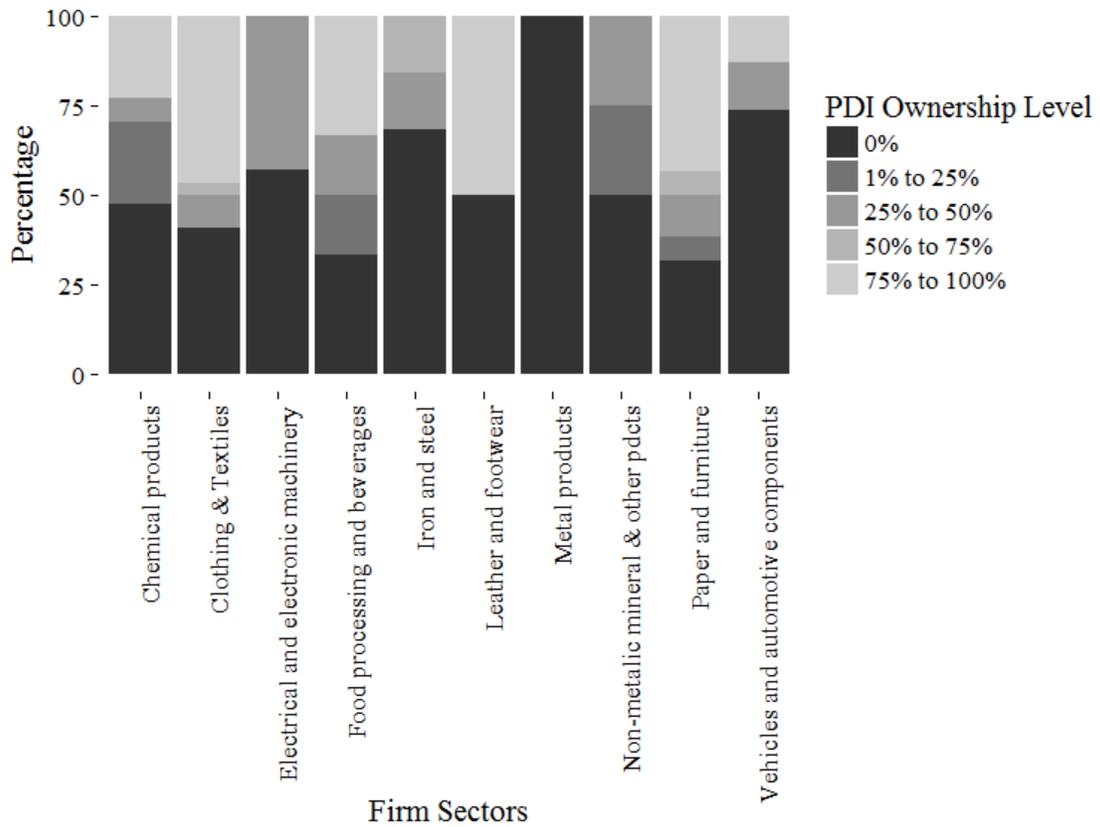


Figure 7: Sectorial Differences in PDI Ownership

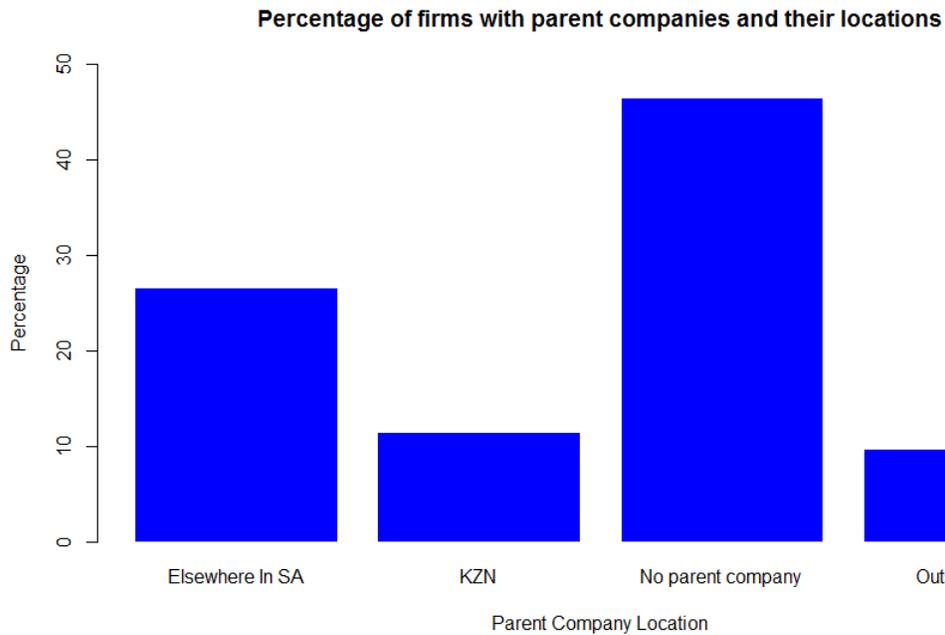


In terms of the effect of industrial sector on PDI ownership, the survey shows that in some industries there are no previously disadvantaged persons with any share holdings, notably in metal products. Clothing and textiles and paper and furniture have the highest PDI ownership levels.

The effect of parent companies on PDI ownership and BEE

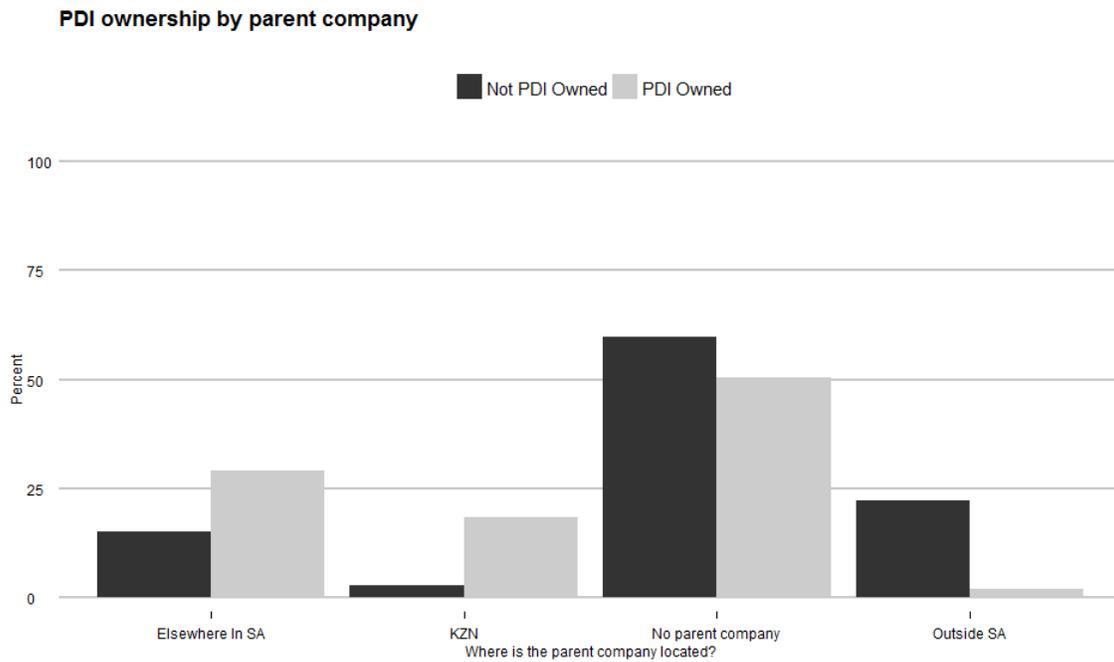
In this section we will examine the effect of having a parent company on PDI ownership and BEE levels, and whether the location of the parent company makes a difference.

Figure 8: Percentage of firms with parent companies and their locations



Over half, at 53.5%, of firms in the survey had parent companies with 9.7% of them being outside of South Africa, 26.6% being elsewhere in South Africa and 11.4% being located in KwaZulu-Natal.

Figure 9: PDI ownership by parent company

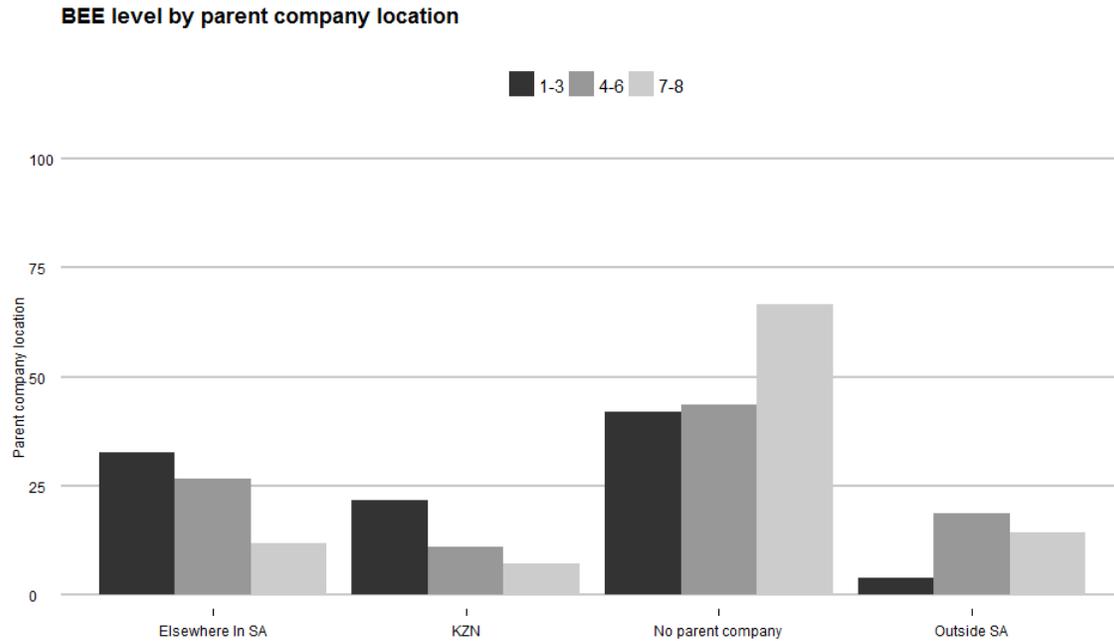


Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|-----------------|
| 86.13 | 3 | 1.486e-18 * * * |

There is a significant association between parent company location and PDI ownership levels ($\chi^2 = 86.129$, $p = 1.486 \times 10^{-18}$). The most striking result shown in figure 9 is that having a parent company outside of SA is highly associated with not having any PDIs in the ownership structure of the local business. This suggests that FDI and foreign parents are not a good driver of BEE. This situation compares to a much greater likelihood of PDI ownership in firms with a parent company in South Africa, which is associated with being partially or fully PDI owned. Also, having no parent company shows not much association with PDI ownership or lack thereof.

Figure 10: BEE level by parent company location



Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|-----------------|
| 30.05 | 6 | 3.849e-05 * * * |

Not surprisingly this is also seen when we look at BEE levels broken down by location of parent company, this too is significantly associated ($\chi^2 = 30.05$, $p = 3.849 \times 10^{-5}$). Higher BEE levels (4-6) are associated with businesses that have parent companies outside SA and lower BEE levels (1-3) are associated with businesses with parent companies within SA. This shows that national firms are investing in better BEE compliance than foreign firms, who may have less interest or see fewer benefits of the domestic legislation. Having no parent company is associated with BEE Levels of 7-8, where these are also likely to be the smaller companies in the sample.

There is also good news when the changes in PDI managers between 2003 and 2013 are explored, as shown in table 3. This shows that in 2003, only a third of firms had PDI managers, which had risen to just over half in 2013. The highest number of PDI managers were in positions of managing production processes at 79%, while overall board membership had also risen from a low of 30% in 2003 to 37% in 2013, lagging behind the figures for being a manager in the different departments.

Table 3: PDIs in management positions within the firms, 2003 & 2013

| | 2003 (n=496) | 2013 (n=406) |
|------------------------|--------------|--------------|
| General Manager | 33% | 51% |
| Production | 50% | 79% |
| Human Resources | 39% | 54% |
| Finance | 41% | 61% |
| Marketing | 36% | 35% |
| On the board | 30% | 37% |

**Percentage of firms that have PDIs in managerial positions*

5. Firm performance and BEE

In terms of firm performance and its association with BEE the following figure 12 reports on self-reported performance levels.

Figure 11: Self-reported financial performance and BEE level

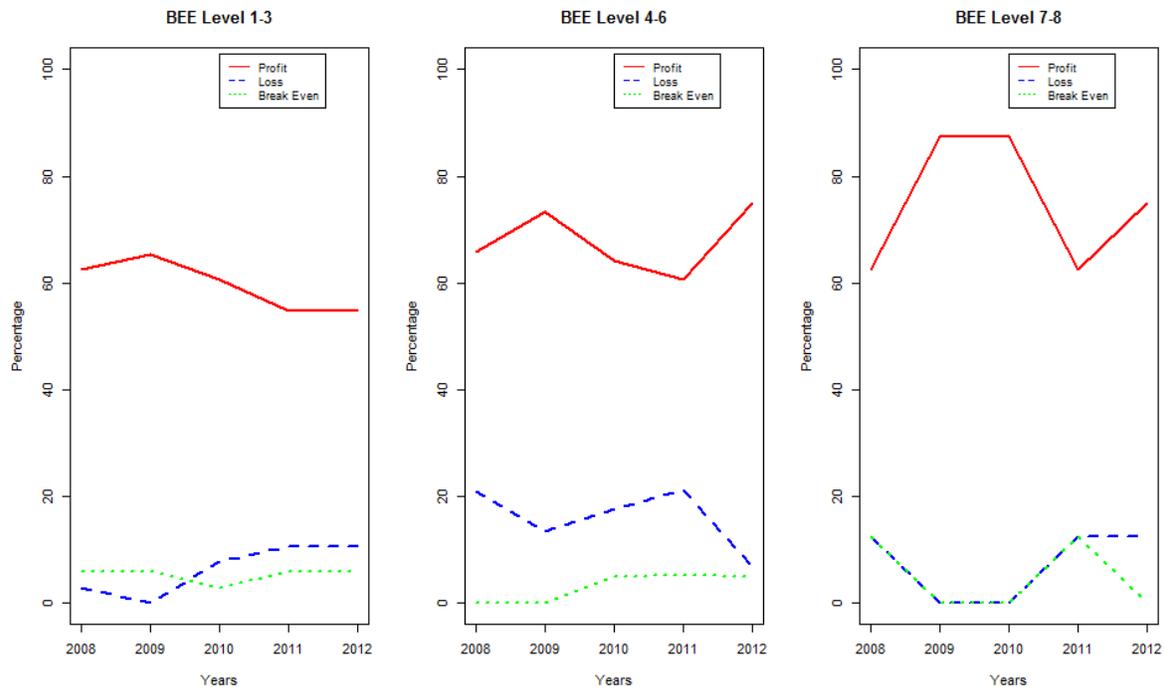
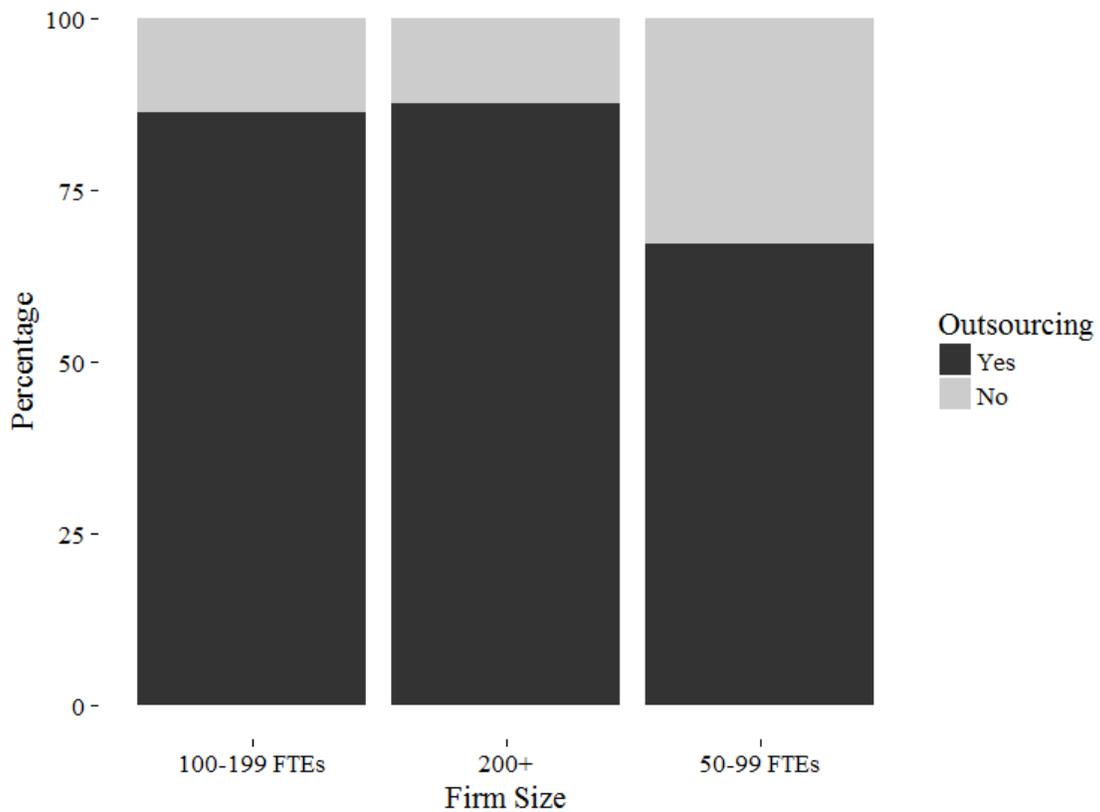


Figure 12 shows self-reported financial performance over the years by BEE Level. Firms were asked to report whether they had 'made a profit', "made a loss" or 'broke even' for the years 2008-2012. The percentage of firms reporting profits, losses or breaking even is plotted. Having a BEE level of

1-3 was slightly less profitable particularly when comparing outcomes in the year 2012. However, firms with BEE Levels 4-6 showed greater susceptibility to reporting a financial loss.

6. Outsourcing

Figure 12: Outsourcing and the size of the firm

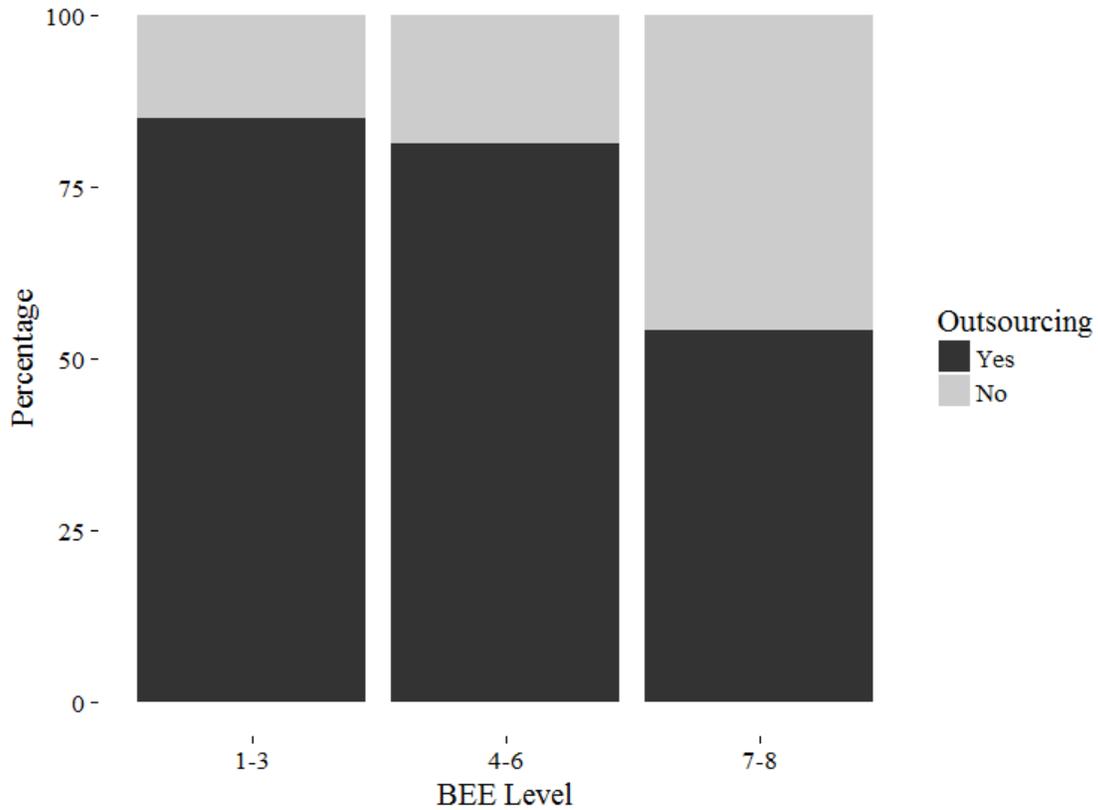


Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|---------------|
| 22.72 | 2 | 1.165e-05 *** |

Outsourcing was significantly associated with the size of the firm. Firms with 50-99 FTEs are less likely to outsource.

Figure 13: Outsourcing by BEE Level



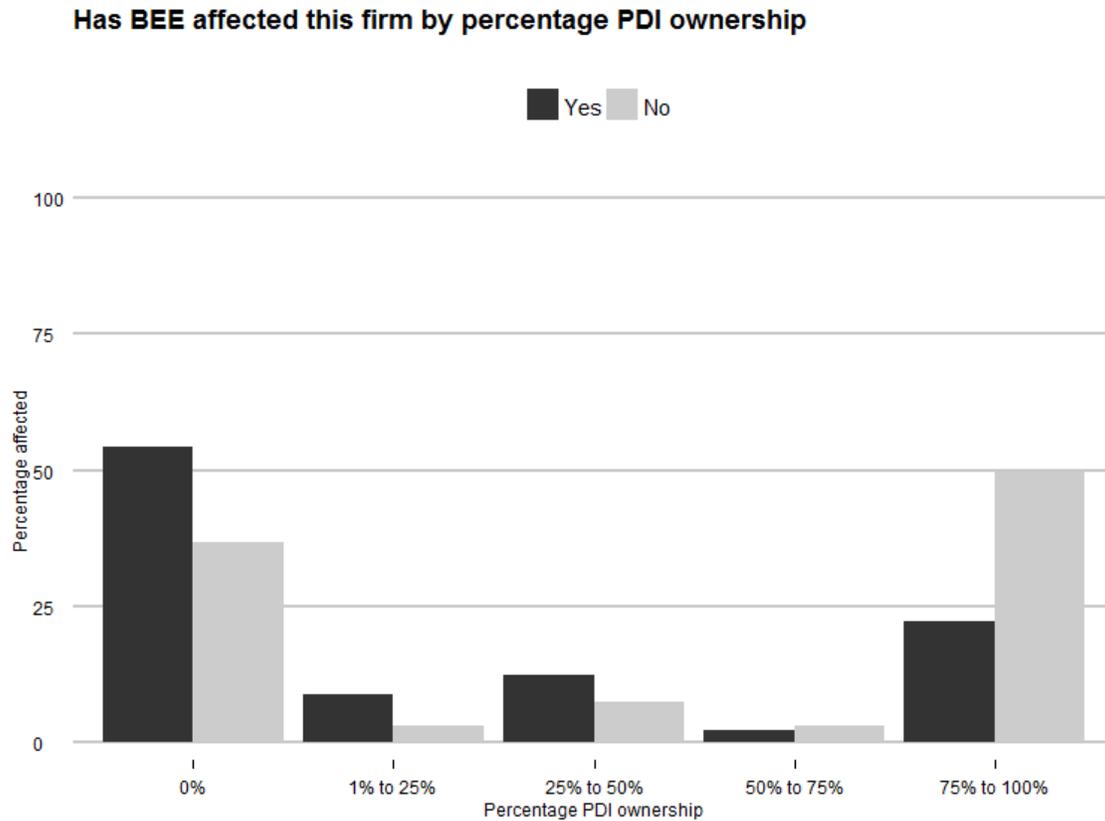
| Test statistic | df | P value |
|----------------|----|-------------|
| 12.19 | 2 | 0.002255 ** |

Outsourcing was significantly associated with BEE level, firms with BEE levels of 7-8 were less likely to outsource

7. Perceptions of BEE

The survey asked whether BEE had had an effect on the firm and the results are shown in Figure 15, plotted in by percentage of PDI ownership.

Figure 14: Perceptions of BEE

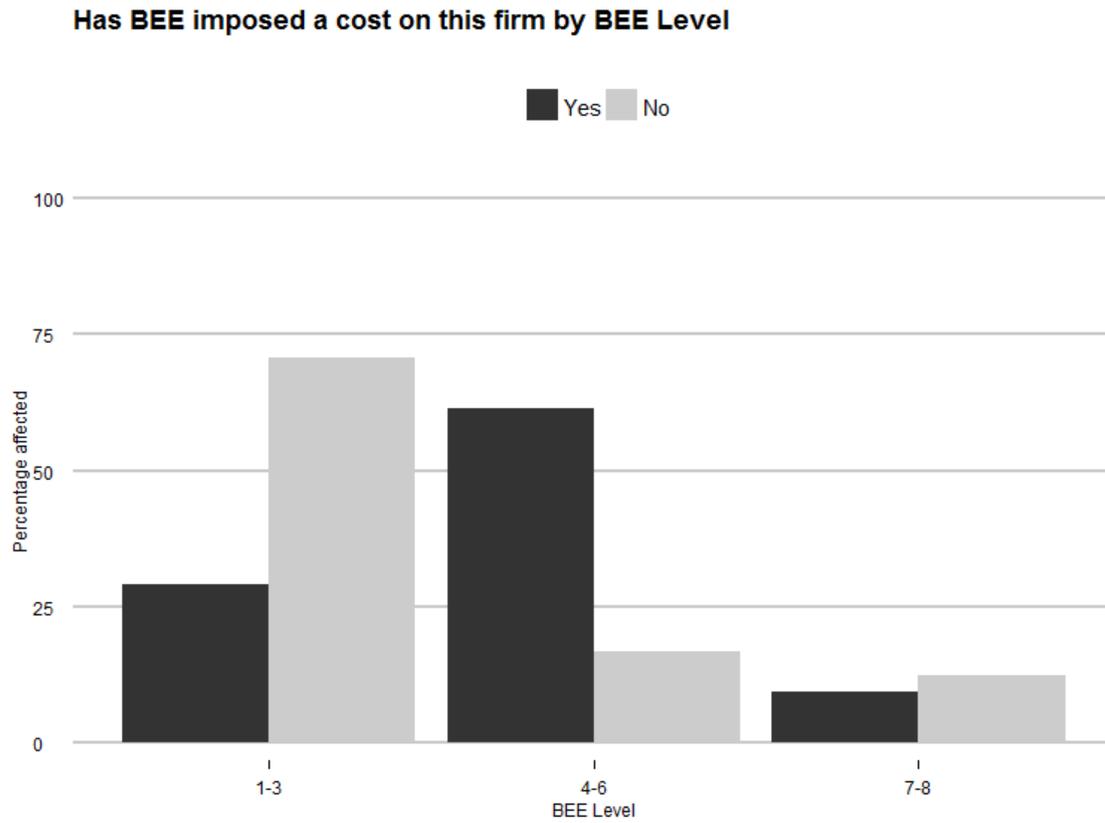


Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|---------------|
| 34 | 4 | 7.466e-07 *** |

Firms reporting being affected due to BEE were associated with their percentage PDI ownership ($\chi^2 = 34$, $p = 7.466e-07$). Firms that reported being most affected by BEE were likely to be 0% PDI owned. At the opposite end of the PDI ownership scale, firms with 75% to 100% levels of PDI ownership were associated with being less affected by BEE. The survey also asked whether BEE had imposed a cost on the business, and the results here are shown in Figure 16 in relation to BEE level and in Figure 17 in relation to PDI level.

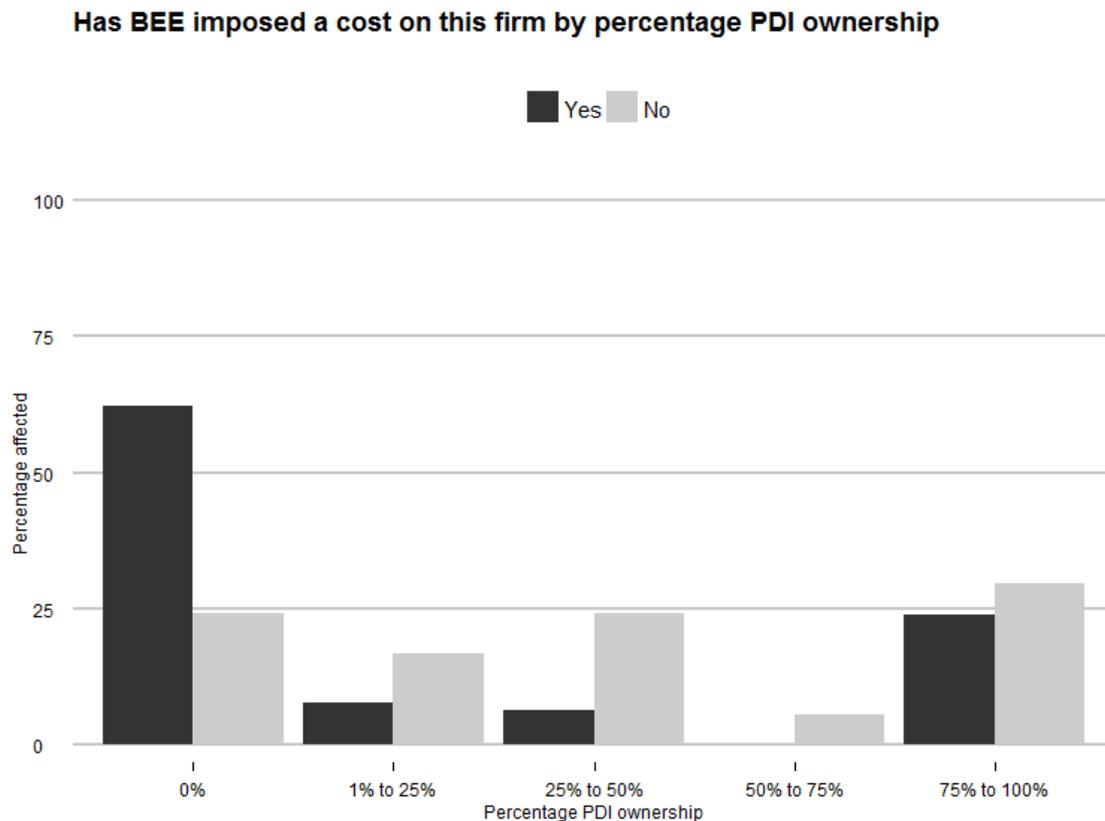
Figure 15: BEE and costs to businesses by BEE level



Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|---------------|
| 31.43 | 2 | 1.498e-07 *** |

Figure 16: BEE and costs to businesses by PDI ownership



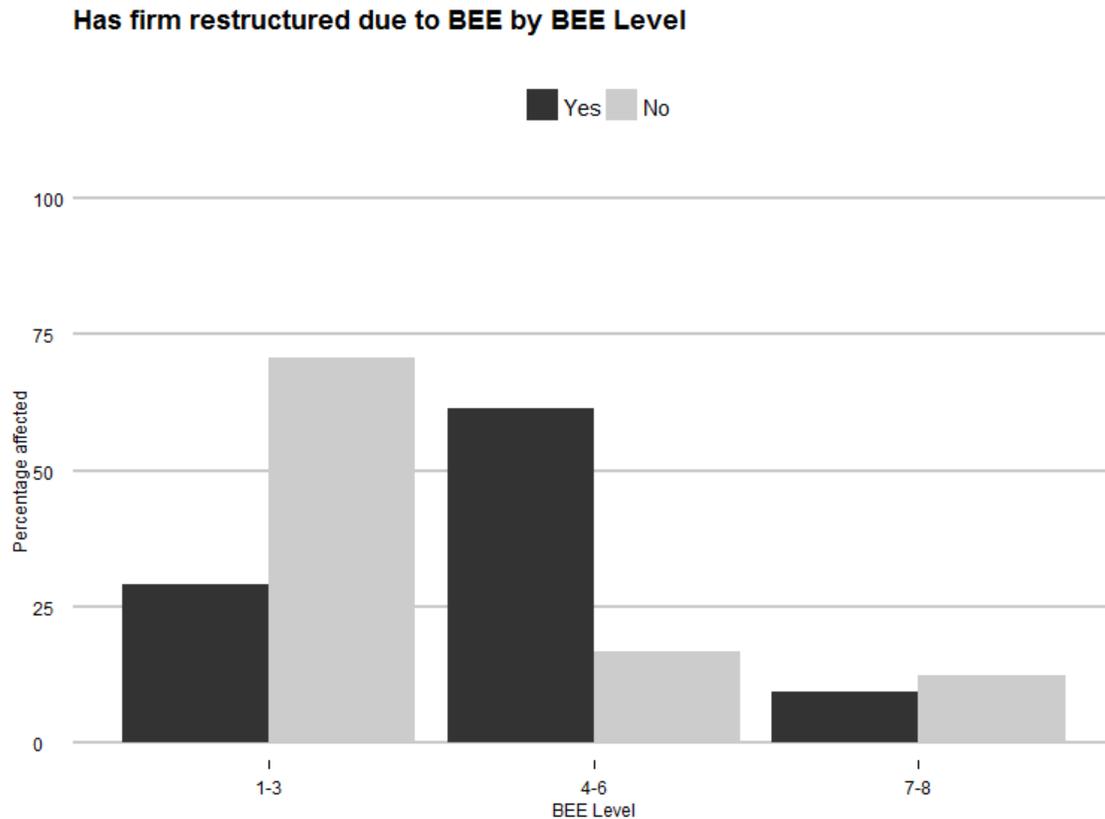
Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|----------------|
| 41.14 | 4 | 2.51e-08 * * * |

Percentage PDI ownership is also significantly associated with firms reporting that BEE has imposed a cost on them ($\chi^2 = 41.14$, $p = 2.51e-08$). Firms with 0% of PDI ownership were more likely to report that BEE imposed a cost upon them but PDI ownership levels between 25% and 75% were less likely to report a cost. High PDI ownership levels (75% - 100%) showed no significant association in reporting of cost or no cost. Qualitative responses on how BEE has imposed a cost on the firm are illustrated below: Many firms reported that the audit costs for obtaining and maintaining BEE status were high. “Audit costs associated with maintaining status and need to comply” and, “maintaining scorecard is difficult”, and “Audit/consultant cost and training costs”. Another theme that appeared was that the cost of training that BEE imposes is high, “Skills development [for BBBEE] costs money”, “Cost and training cos.”, and “Increased social & training expenditure to get to current BBBEE level” appeared as responses. These reflect the fact that businesses are having to change in reaction to BEE and BBBEE and provide skills to PDI employees.

A further question asked was whether BEE had required the firm to restructure, and the results are shown in Figure 18 by BEE level and Figure 19 by PDI ownership.

Figure 17: BEE and restructuring by BEE level

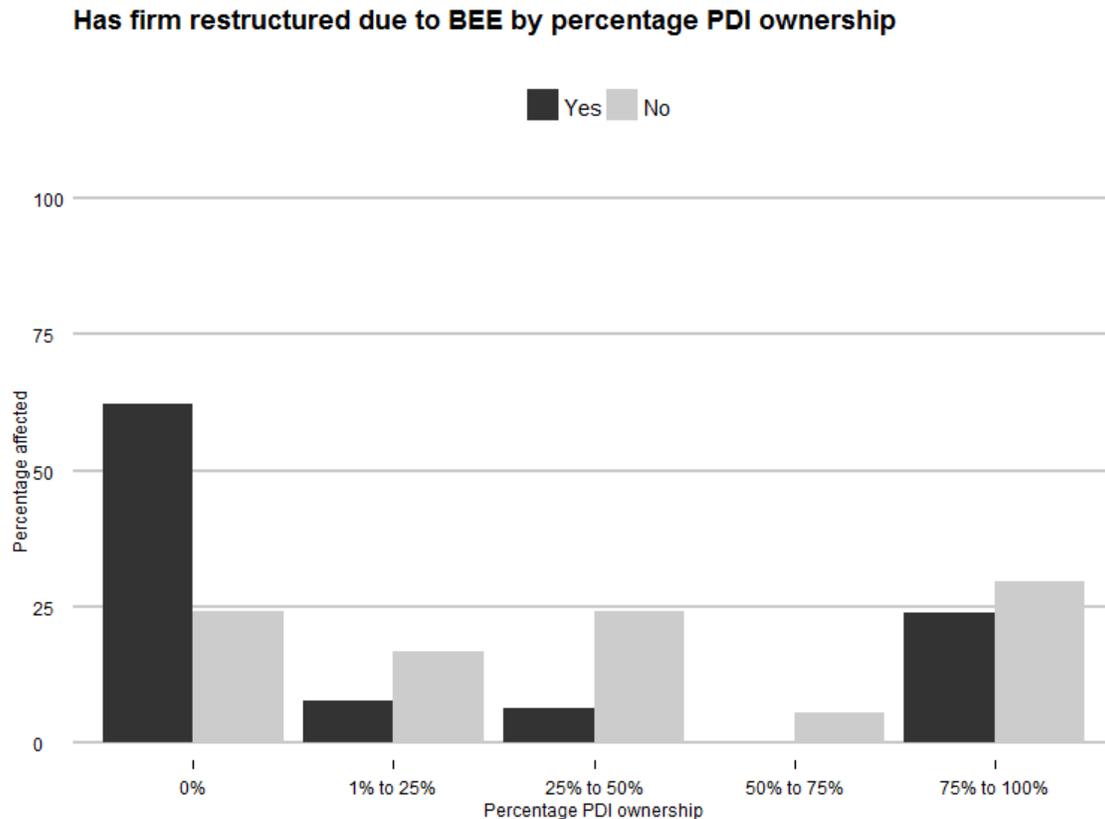


Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|---------------|
| 31.43 | 2 | 1.498e-07 *** |

Firms reporting the need to restructure due to BEE were associated with their current BEE level ($\chi^2 = 31.427$, $p = 1.498 \times 10^{-7}$). Firms who reported the need to restructure were more likely to be in BEE levels 4-6 and firms that reported they did not need to restructure were more likely to be in BEE level 1-3.

Figure 18: BEE and restructuring by PDI ownership level



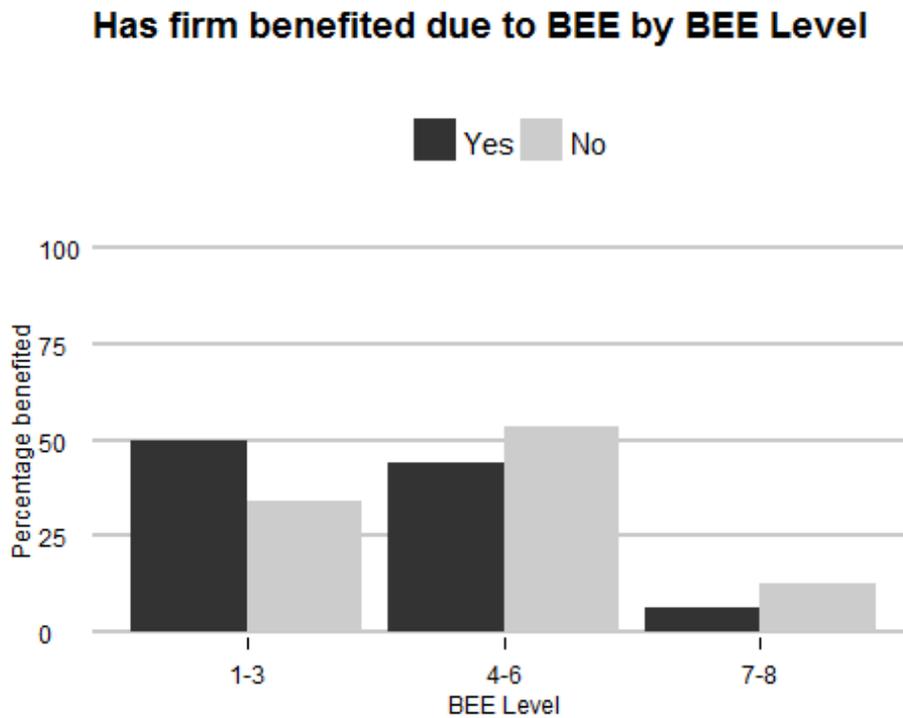
Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|----------------|
| 41.14 | 4 | 2.51e-08 * * * |

Firms that reported that they needed to restructure due to BEE requirements were also significantly associated with percentage PDI ownership of the firm ($\chi^2 = 41.14$, $p = 2.51e-08$). Firms with PDI ownership of less than 25% were more likely to report a need to restructure due to BEE, however firms from 25% to 75% reported less need to restructure. Qualitative responses to how the firms have had to restructure are illustrated below. Firms reported that they had to restructure their employment structure, for example one firm reported “High turnover of qualified skilled mid-level managers” others reported “People reshuffling” and “Changes to management structure,” and another firm reported, “Just increased the number of PDIs in the est”. These indicate that a big part of the restructuring within firms has to do with PDI employees and the erratic nature of their employment. Another firms reported, “Sold a stake of the company to a trust (workers),” this reflects the push to increase the amount of PDI ownership.

When asked whether BEE had benefitted the firm the results appear to be weakly in favour of yes by BEE level shown in Figure 20.

Figure 19: Benefits of BEE by BEE level

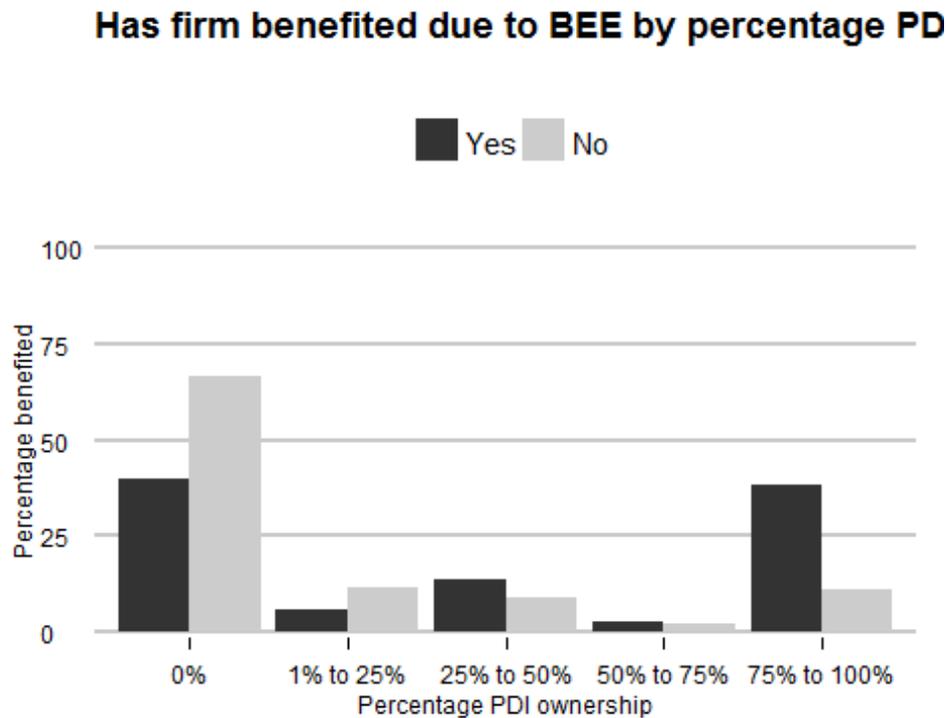


Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|-----------|
| 6.536 | 2 | 0.03808 * |

Pearson's Chi-squared test: tab Whether the firm reported that they had benefited from BEE was slightly associated with BEE level ($\chi^2 = 6.536$, $p = 0.038$). Firms with a BEE level of 1-3 were slightly more likely to report benefiting from BEE.

Figure 20: Benefits of BEE by PDI ownership



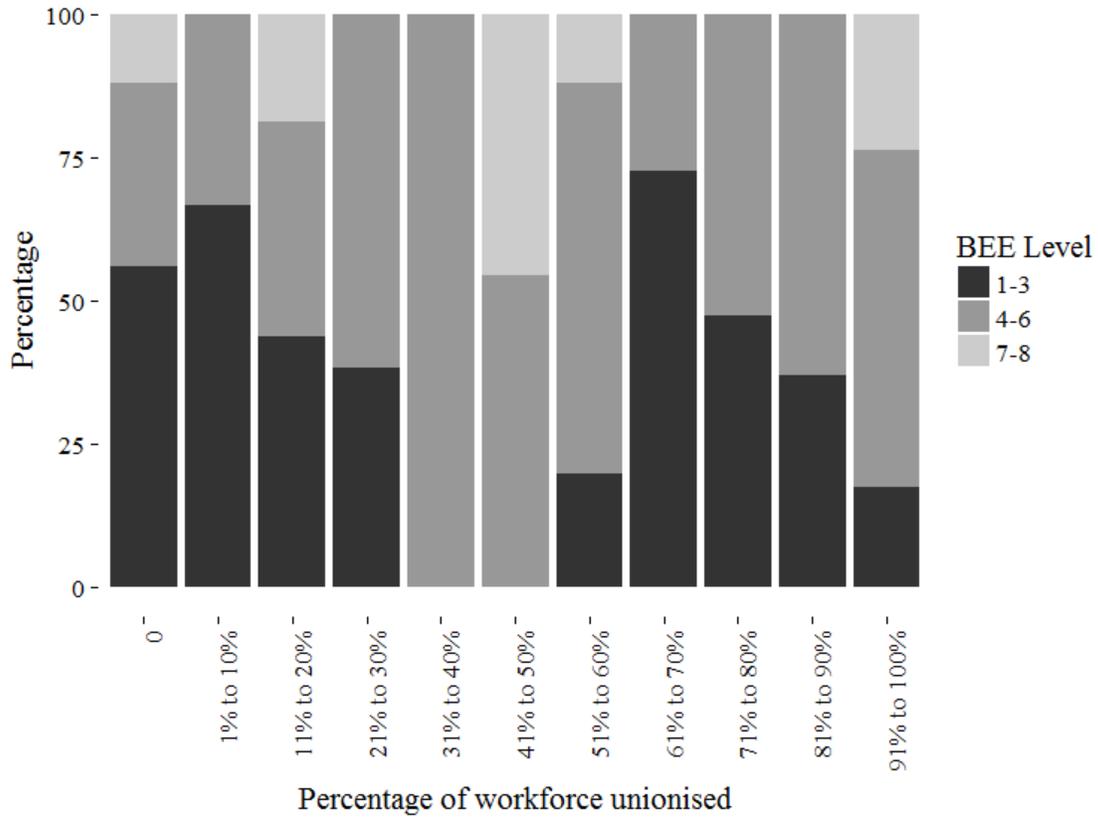
Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|---------------|
| 34.85 | 4 | 4.984e-07 *** |

Whether a firm reported benefiting from BEE was significantly associated with the percentage of the firm that was PDI owned ($\chi^2 = 34.85$, $p = 4.984e-07$). Firms with 0% PDI ownership were less likely to report benefiting from BEE. These firms, perhaps unsurprisingly since they often cited high costs, were likely to see BEE as unhelpful to them. Firms that had high levels of PDI ownership (75% - 100%) were more likely to report benefiting from BEE. Qualitative responses show that firms benefitted from BEE in these ways: It opened up opportunities for new contracts and other business opportunities, "Being able to contract with corporate [firms]", "New contracts/government orders can be secured or have been secured," and "Enables BEE companies to be more competitive." Another benefit reported was in terms of credibility gained from being BEE compliant, "Has assisted in gaining credibility with customers," and "Customers do not worry about rating," and "Customers require acceptable BEE status." This shows that one of the motivations for firms obtaining BEE accreditation is the perceived credibility they gain from it in the eyes of their customers.

8. Unionisation and BEE

Figure 21: Labour regulations and BEE



Having no unionisation is mostly associated with firms with BEE levels of 1-3. Very high levels of unionization are associated with fewer firms with BEE levels of 1-3, but with those having less compliant BEE levels. Firms with midrange BEE Levels are associated with 21% - 60% unionisation levels.

Figure 22: Unionisation and firm size

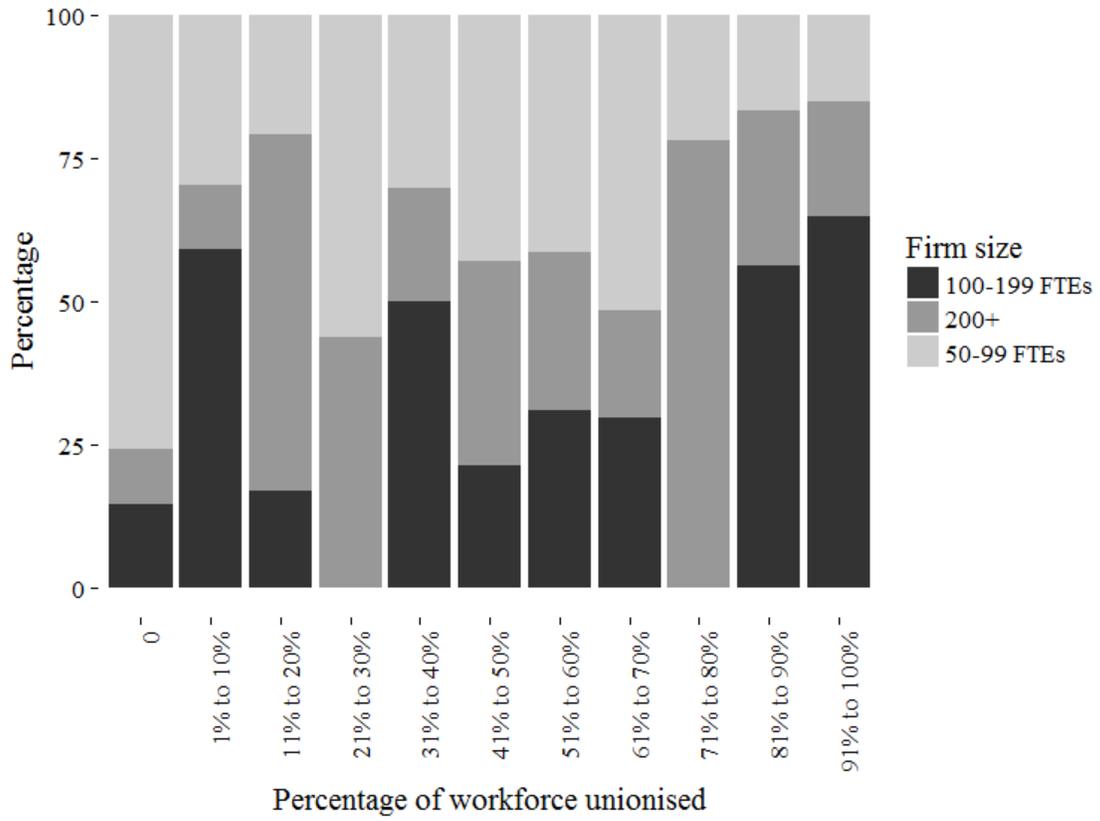
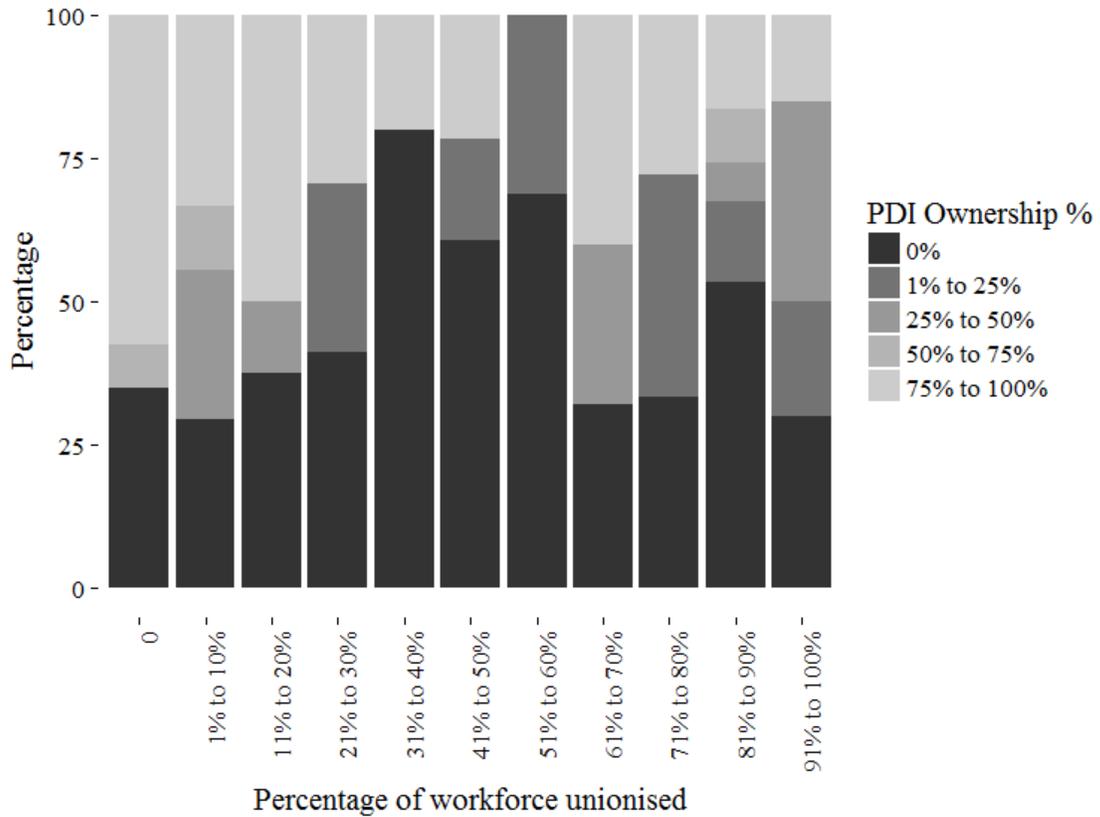
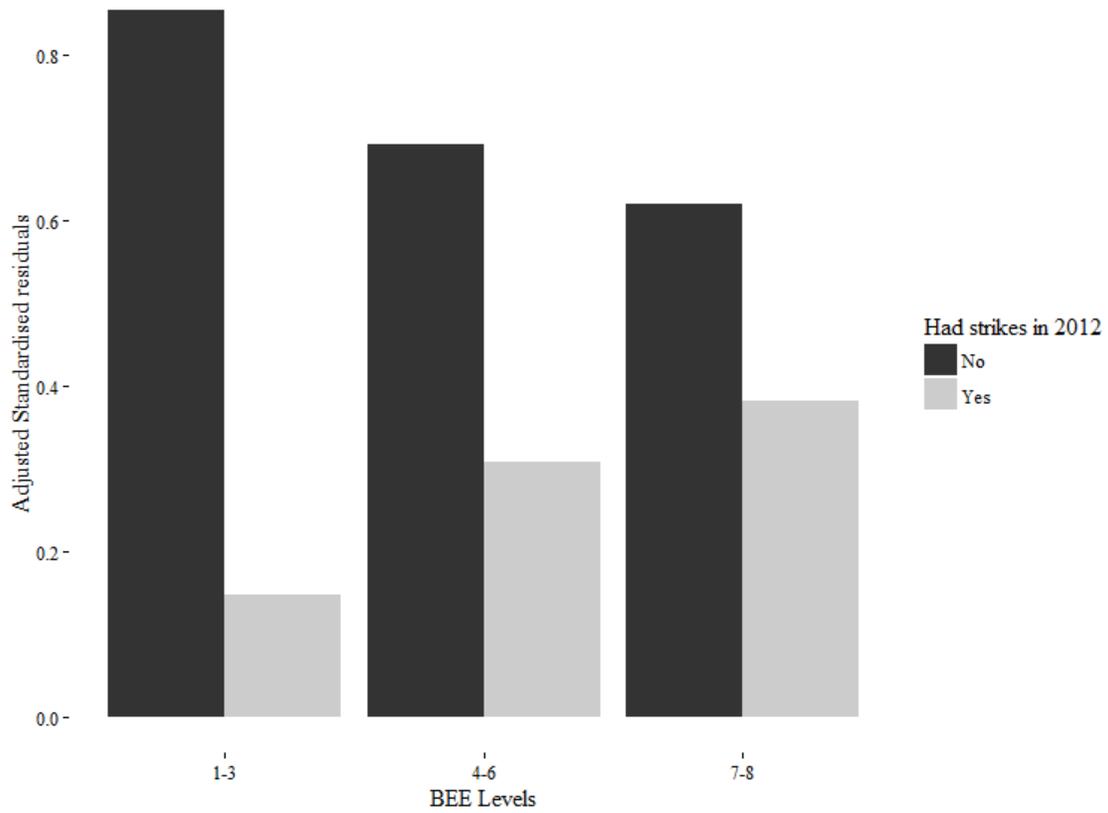


Figure 23: Unionisation and PDI Ownership



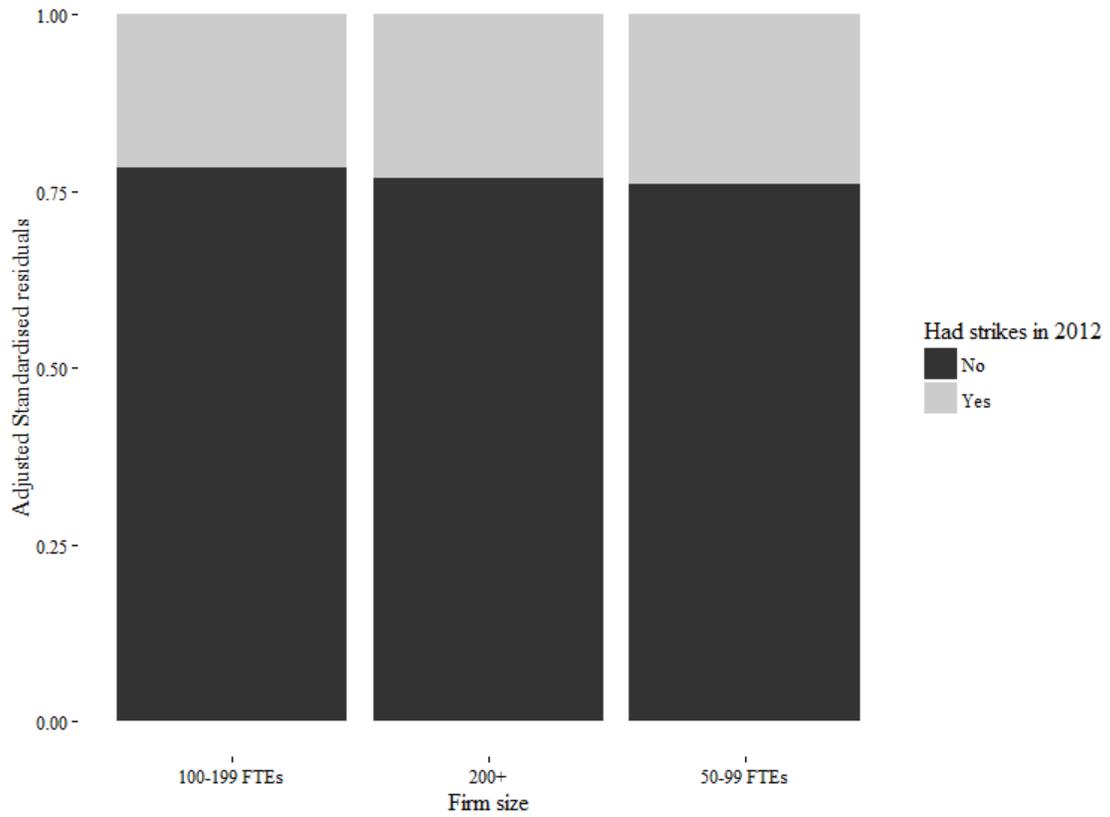
Having no unionisation was also associated with high levels of PDI ownership (75% to 100%) The greatest levels of unionisation were seen at the 25 to 50% PDI ownership level. The 0% PDI ownership level was associated with middle range unionisation of 31-40% and 51-61%.

Figure 24: BEE and Strikes



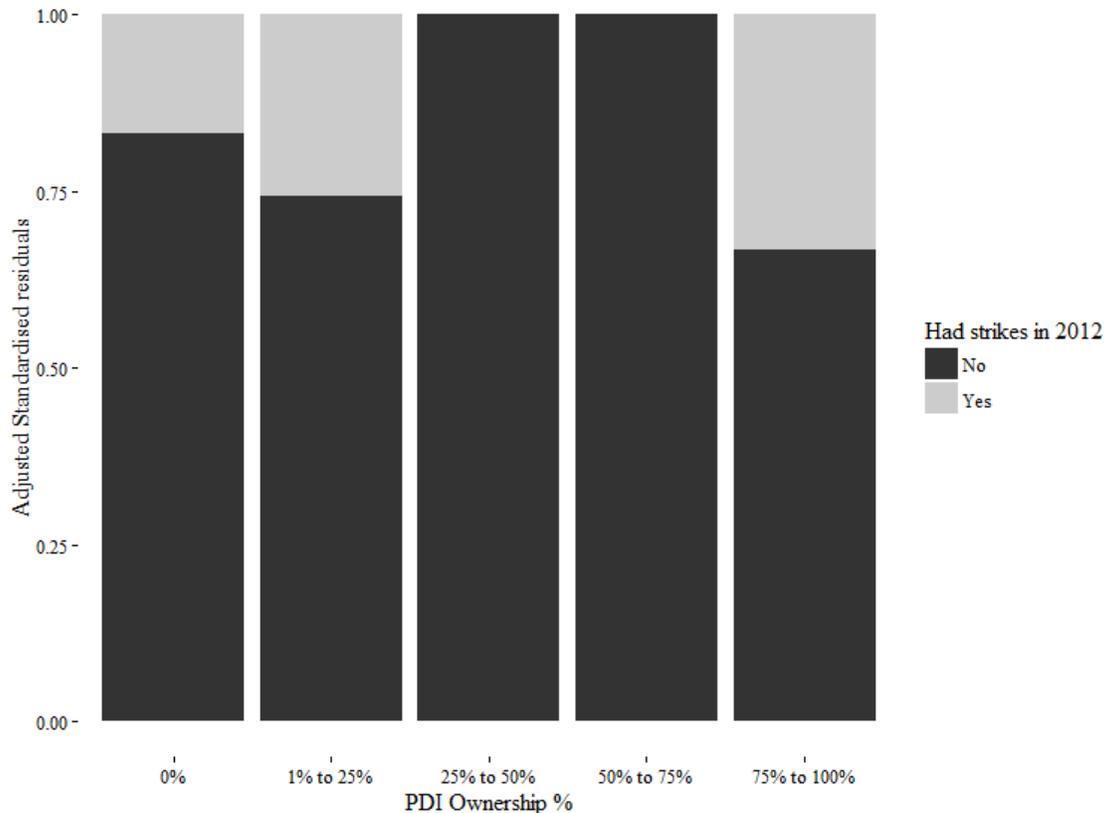
BEE levels of 1-3 were associated with not having a strike in 2012. BEE Levels 4-6 and 7-8 are associated with a greater numbers of strikes in 2012.

Figure 25: Strikes and Firm Size



Firms size was not significantly associated with whether they the firm had a strike in 2012 or not.

Figure 26: PDI Ownership Levels and Strikes



Pearson's Chi-squared test: tab

| Test statistic | df | P value |
|----------------|----|----------------|
| 22.31 | 4 | 0.000174 * * * |

PDI Ownership levels of 75% to 100% were associated with higher levels of strikes in 2012. In fact 8 of the 22 strikes reported in 2012 were at firms with 100% PDI ownership.

9. Conclusion

We have looked at all the variables in the Durban Firms Survey in both 2003 and 2013 that relate to BEE policy and its implementation. Perhaps of most interest is the finding that national firms, in comparison to foreign parents, are more likely to have higher levels of compliance. Those firms with PDI ownership and better BEE levels are also likely to view BEE policy in a more favourable light than those with low PDI levels who appear to see only its negative costs. Larger firms are also likely to see BEE in a better light. In relation to the overall debate about the consequences of BEE to growth and competitiveness, the good news from this survey is that PDI ownership is improving, although it is still slow and only 37% of PDI were appearing at board level, while the relationship between BEE and overall firm profitability is mixed, but low performers on BEE were more likely to self-report losses in 2012.

While this report can only make a small contribution to the wider literature, it seems accurate to note that many of these associations are quite weakly proved, which also indicates that whatever effects BEE is having they are pretty marginal and certainly not the worst case scenarios offered by detractors of BEE. There is a case to be made that economic transformation will need a strengthening of deliberative policy in favour of equity if further improvements to economic justice are to be made. The data here shows that if PDI have ownership and management positions the firms they head are more likely to be actively pursuing this through BEE compliance.

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