



**BLACK ADVANCEMENT MONITOR (BAM)
PROJECT REPORT**

PHASE 1

THE PUBLIC SECTOR, THE JSE AND INSURANCE

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BLACK ADVANCEMENT MONITOR (BAM)

1 Introduction

The aim of this project is to measure in an accurate, comprehensive and objective manner and to continue to monitor Black Advancement in South Africa as a result of changes brought about by democracy.

What is black advancement? There is no consensus on this topic, but in the context of this study it will mean true progress in all aspects (economic, social, political etc) made by Blacks compared to other racial groups since 1994.

1.1 Black Advancement Monitor (BAM)

BAM will provide statistical evidence of the progress made by black South Africans alongside other racial groups since 1994. Research will be broken down into several phases, each phase concentrating in a certain sector of the economy. In this study, PHASE I, the sectors covered are:

The Public sector,
Black ownership of the JSE,
Ownership of insurance policies.

1.2 Black Advancement Index (BAI)

Using the above cornerstones as a compass, an index of black advancement will be constructed.

In order for a sector to achieve a high BAM rating, its data must show that, since the transition to democracy, there has been a real increase in the number of Blacks (Africans, Asians and Indians) employed and appointed to the various levels of decision making, as well as an improvement in the quality of black advancement (such as greater ownership of assets and participation in decision making) compared to Whites. Tables and graphs will be used to demonstrate the level and/or progress made in black advancement in a given sector.

1.3 The use of terminology

This study uses data covering the years 1993 to 2008. Over this period there has been a change in the meaning of given terminology with reference to the use of 'Indian/Asian' and 'African/Black'. This clarification is very significant for the understanding of this report.

Before the introduction in 1998 of the Employment Equity Act and new reporting

structures enforced by the government, most government departments generally used the word 'Black' to refer to black (skin colour) South Africans and 'Asian' when referring to South Africans of Asian descent.

After 1998, the reporting structure changed with the specification of 'African' to refer to black (skin colour) South Africans and included two additional categories, 'Indian' and 'Coloured'. These three classifications make up what is now called 'the broad definition of Black' in South Africa today. White refers to South Africans with white skin colour.

In this study, the following classification of the various racial groups will be used, African, Coloured, Indian (includes all Asians), and White. When Black is used, it will represent all previously marginalised groups, African, Indian, and Coloured.

It must also be noted that in line with the use of Black before 1998, the general public sector as at 1994 and 1996 will be analysed where Black refers to black skin colour.

1.4 **Background to study**

Racial segregation has been one of the defining characteristics of South Africa. Apartheid structures seriously limited the economic and social opportunities of Non-Whites, leaving few from this vast group able to participate in the formal¹ economy. Since the transition to democracy, new administrations have taken on various initiatives to adjust this skewed racial profile. From policy changes in personnel recruitment to how suppliers of goods and services are selected or what type of enterprise development and social engagement is to be conducted, these administrations have taken a keen interest in reorganising South Africa's social, political, and economic structures.

But what have been the benefits of these actions? Have the people who were previously disadvantaged by the policies of the apartheid regime gained from new-found freedom and new policies? There appears to be no consensus regarding the extent to which or the mechanisms through which previously disadvantaged South Africans have benefited from the transition to democracy. Some authors argue that freedom from apartheid has not had a substantial impact on the social and economic development of Black South Africans. Others hold the view that for these people to succeed, they need further government assistance through programmes such as Reconstruction and Development Programmes (RDP) and Black Economic Empowerment (BEE).² Yet there are others who think that the core ingredients for the true realisation of human potential is economic freedom and the development of a strong legal framework, a robust infrastructure, and human security.

This study. Phase I, documents the actual progress made by the different racial groups

¹ Formal economy refers to all economic activities that are officially registered to operate and counted/recorded in government statistics, while informal businesses are often not registered, do not pay tax, and yet contribute to the economy.

² Broad definition of Black includes Indian and Coloured.

in the Public Sector, the JSE and Insurance Funds since the transition to democracy. First, it examines historical data on racial disaggregation of the employee base of the sectors concerned to assess what changes have occurred in the racial profile of their workforce. Second, it considers what the impact of these changes has been on the broader political economy. Third, it explores alternatives to the current model for addressing past wrongs.

1.5 **Data collection methodology**

1.5.1 **The public sector**

In 1994, the South African government consisted of 28 departments. During the past three administrations, the number fluctuated, with departments having to amend their titles and functions to accommodate the changes. This year, 2009, on his election, President Zuma and the current administration announced and put into action the establishment of more departments, so that, today, the public service consists of 40, an increase of 42%.³ Again, to accommodate this increase, many existing departments have had to undergo a change in title and function.

This observation is important as it reveals the difficulty of researching each and every department since the transition to democracy. It would be an arduous task to institute corrections at each interval where titles and functions changed. This would also leave some room to question the validity and reliability of the findings. Instead, this study will analyse first the entire public service as at 1996 (two years into the transition to democracy) to obtain an initial view of the public service. Secondly, key departments, many of which have seen minimal change over the last 15 years, have some publicly available data, perform core functions of the State, and have a large employee base and are therefore more representative of the Public Sector, will be analysed.

The departments selected were: Correctional Services, Foreign Affairs, Defence, Public Enterprises, Housing, Justice and Constitutional Development, Provincial and Local Government, National Treasury, Government Communication and Information Systems, Independent Complaints Directorate, Department of Science and Technology, Home Affairs, Department of Trade and Industry, as well as the National Intelligence Agency (NIA), and the South African Revenue Service (SARS).⁴

The data as documented in the Human Resource Management Section of the departments' annual reports was used to analyse the change of race composition within each department. The graphs used to illustrate the racial transformation in the various sectors were drawn by the author.

Two levels of analysis are presented. The first is of Black representation as a percentage

³ See <http://www.info.gov.za/aboutgovt/dept.htm>.

⁴ The choosing of these departments does not imply that other departments perform a lesser role in the functioning of the government.

of the total employee force compared to that of White. The second examines the advancement of Blacks to top management and decision-making positions.

1.5.2 The JSE and insurance ownership

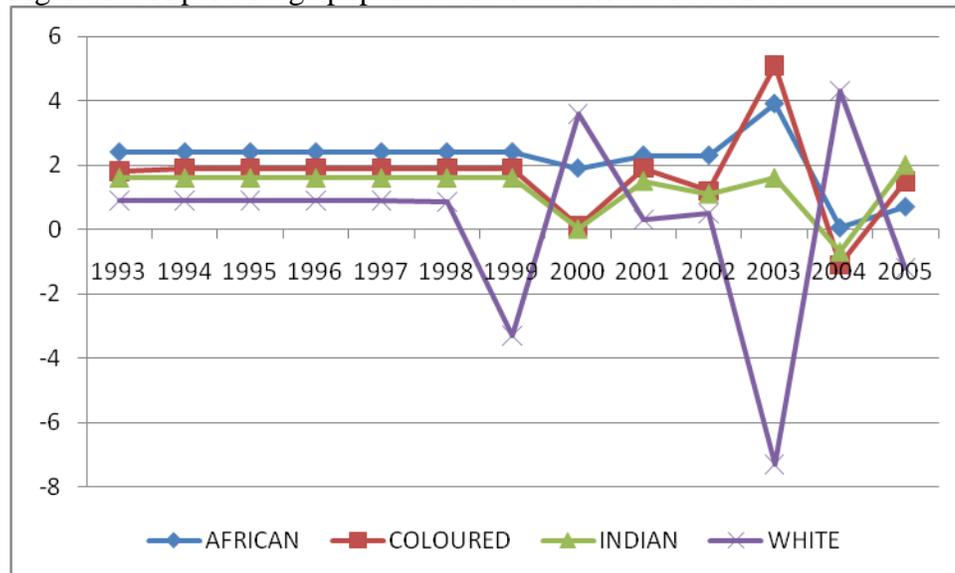
As far as information on JSE share ownership is concerned, the data was collected from Who Owns Whom in South Africa. Data from 1987 to 2007 was disaggregated according to ownership. Data from the South African Reserve Bank quarterly reports and Cazenove's⁵ report was also used to further disaggregate the JSE material to obtain a clearer understanding of the ownership structure and to measure Black ownership on the JSE and of other financial products such as insurance policies.

2 Black advancement in the public sector

2.1 South Africa's population racial analysis

Figure 1 shows that since 1993 there has been growth in the SA population in all racial groups. The Black population increased by 2.3%, the Coloured population by 1.68%, the Indian population by 1.19%, and the White population by .01%.

Figure 1: SA percentage population increases from 1993-2007



Source: South African survey 2008 Stats SA

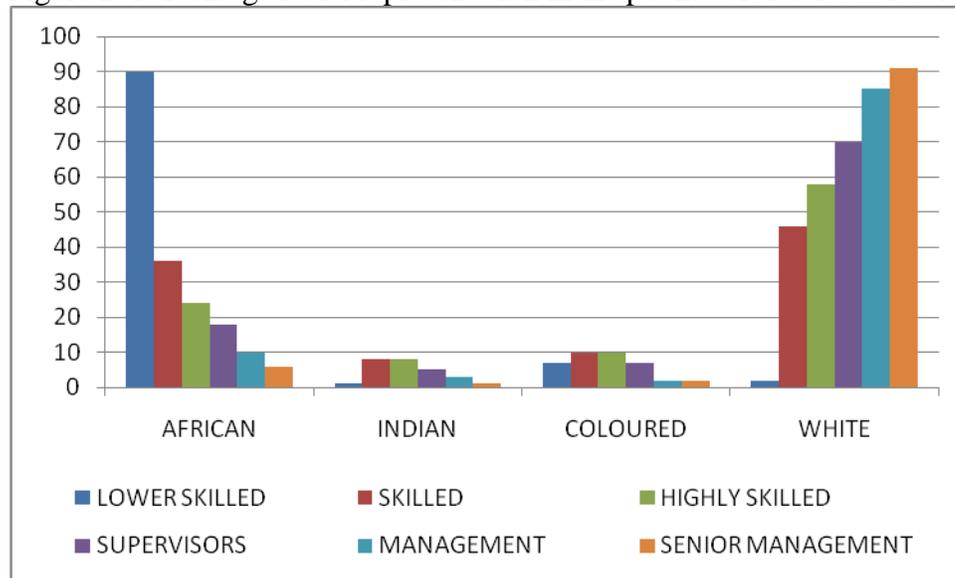
⁵ Cazenove report (2002): Black economic empowerment, South Africa Economic Research, Oct, 2002

2.2 Black advancement in the public sector

The public sector consists of 40 government departments, parastatals, government agencies and employs a significant portion of the labour force of South Africa. This makes it a good focus for the purpose of this study

2.2.1 Racial representation in the public service Comparison between 1994 and 1996

Figure 2: Percentage racial representation in the public service 1993/1994

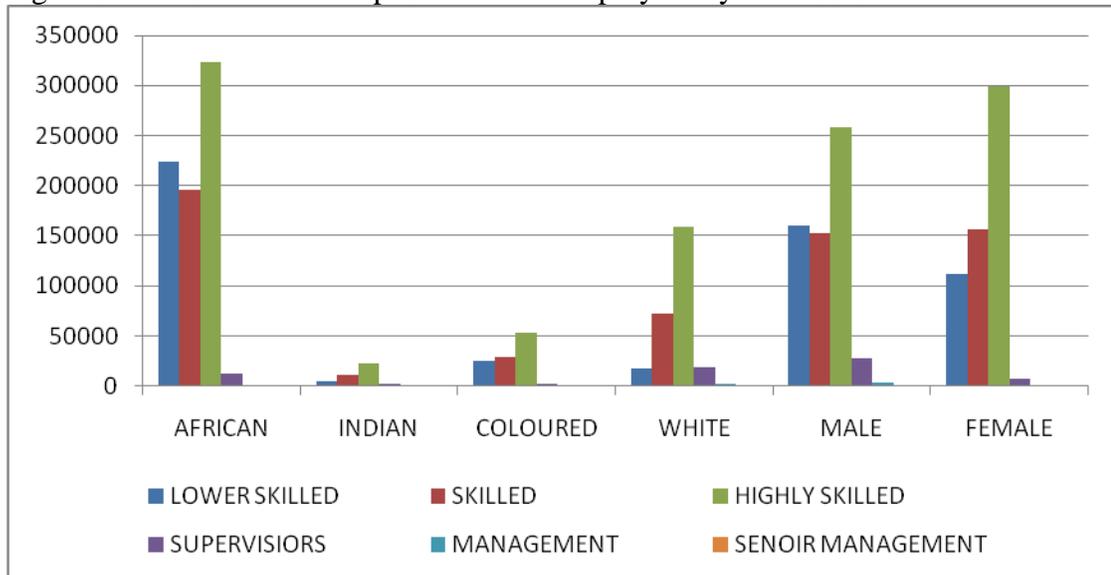


Source: Data from Payroll Statistics 1993/994

Figure 2 shows that Africans made up 42% of the public service in 1994. Indian representation was 2%, Coloured representation 4% and White representation 52%. Africans made up 90% at lower skilled levels of the public service, against 1% Indians, 7% Coloureds and 2% Whites. At the skilled level, Africans made up 24%, Indians 8%, Coloureds 10% and Whites 58%. At management level, Africans made up only 10% as compared to 3% Indians, 2% Coloureds and 85% Whites. And at senior management level, Africans made up 6%, Indians 1%, Coloureds 2% and Whites 91%.

In 1993/1994, at the time of the transition to democracy, Blacks were not well represented in management, especially top management positions, leaving much room for advancement.

Figure 3: The South African public service employees by race 1996



Source: Pay roll stats November 1996

Figure 3 shows that of the total workforce in the public service in 1996, 65% were Africans (775,956), 3% Indians (39,845), 9% Coloureds (110,221) and 23% Whites (269,816). At the lower skilled levels, Africans still made up the majority, 83% against 2% Indians, 9% Coloureds and 6% Whites. At the skilled level, they made up 63%, Indians 4%, Coloureds 9% and Whites 24%. African representation at management and senior management levels was 33%, compared to 5% Indians, 7% Coloureds and 55% Whites, and 32% compared to Indian 3%, Coloured 2% and White 63% respectively.

From the above, it can be noted that there was an immediate change in the composition of the public service. By 1996, more Blacks filled the various positions in the public sector from lower skilled levels to senior management.

African representation increased from 42% in 1994 to 65% in 1996, Indian from 1% to 2%, and Coloured from 7% to 9%, while White representation decreased from 52% to 43%.

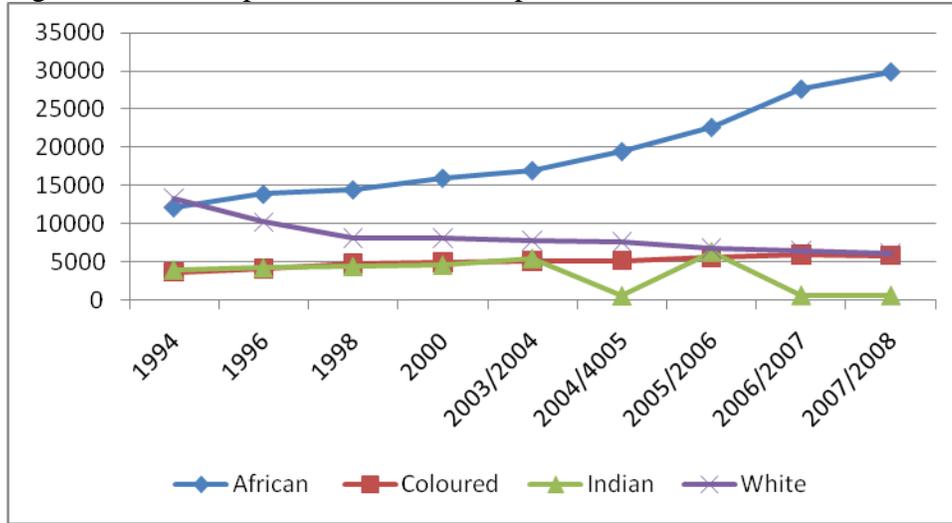
The following changes in representation at management and senior management positions also took place. African representation increased from 10% in 1994 to 33% in 1996 of management, Indian from 3% to 5%, Coloured from 2% to 7%. Again White representation decreased from 85% to 55%. At senior management African increased from 10% in 1994 to 33% in 1996, Indians from 1% to 3%, Coloureds remained the same at 2%, and Whites decreased from 91% to 63%.

In two short years, overall in the Public Service, Black advancement took place at quite a rapid rate.

2.2.2 Analysis of selected government departments

2.2.2.1 Department of Correctional Services

Figure 4: Racial representation at the department of correctional services 1994-2008

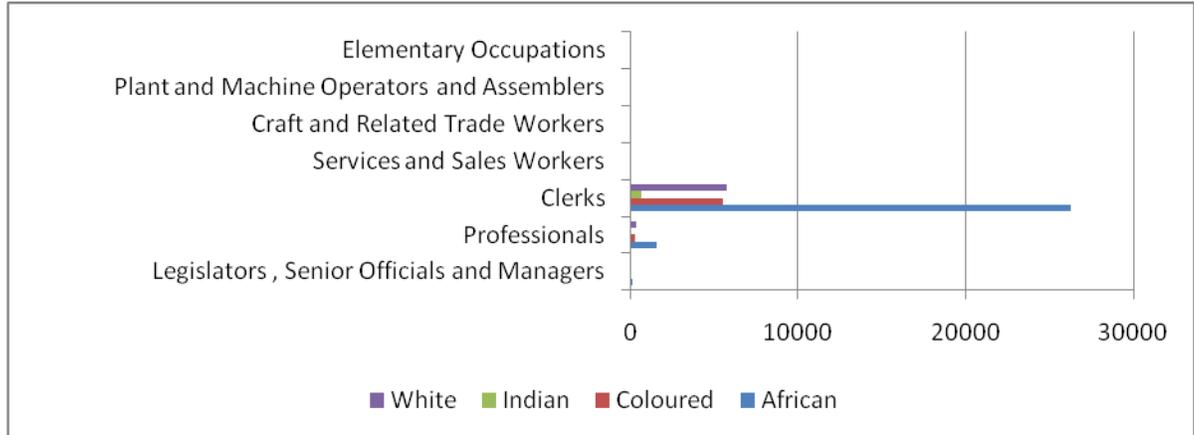


Source: Data from department of correctional services annual reports, 1994-2008

In Figure 4, it is shown that since 1994 there has been a continuous increase in the size of the Department of Correctional Services. While White representation decreased from 13,360 (40%) in 1994 to 6,117 (14%) in 2008, African representation increased from 12,139 (37%) in 1994 to 29,914 (70%) in 2008 (an increase of 33%). Indian and Coloured representation differed slightly from 3,994 (12%) and 3,670 (11%) in 1994 to 656 (2%) and 5,845 (14%) in 2008 respectively.

The increase in Black representation in this department shows that there has been Black advancement from 1994 to the present. To better examine the degree of Black advancement to managerial positions, the 2007/2008 data was decomposed further to reveal the representation of the various racial groups at different levels of management.

Figure 5: Racial representation by occupation level at the Department of Correctional Services 2007/2008

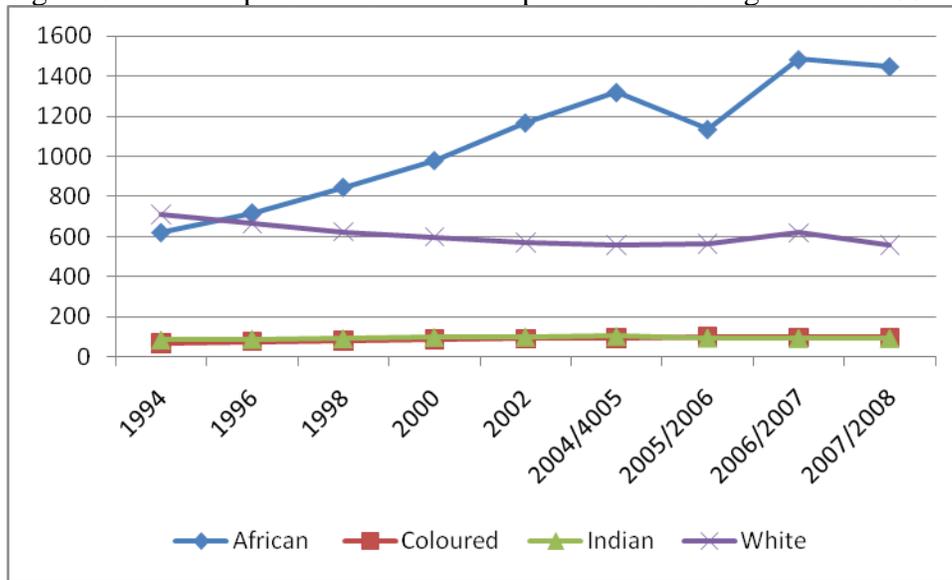


Source: Department of Correctional Services annual report 2008

Of the workforce total of 40,530 in the Department of Correctional Services in 2008, Africans make up (27,914) 69%, Whites (6,117) 15%, Indians (656) 2% and Coloureds (5,543) 14%. In top levels of management, Africans make up 69% of the legislators, senior officials and managers, Whites 15%, Indians 2%, and Coloureds 13%. In 1996 African representation was only 33% in top managerial positions. In terms of the broader definition of Blacks, Black advancement has taken place in this department since Blacks, Indians and Coloureds now make up 85% of the workforce at top managerial level.

2.2.2.2 Department of Foreign Affairs

Figure 6: Racial representation at the Department of Foreign Affairs 1994-2008

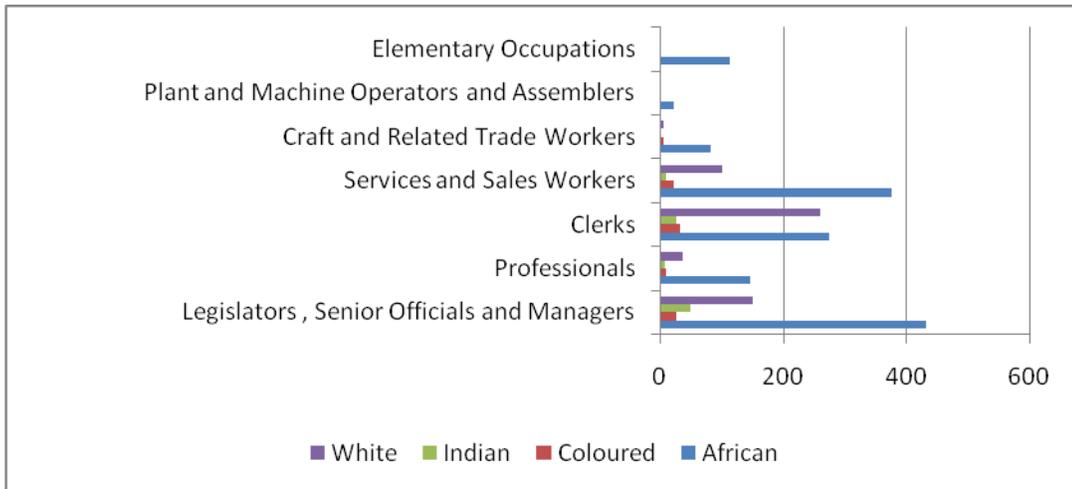


Source: Department of Foreign Affairs annual reports 1994-2008

In between the years 1994 and 2008, African representation at the Department of Foreign Affairs increased from 620 (42%) to 1,449 (66%), and Coloured from 40 (4%) to 98 (5%) but Indian representation decreased from 85(6%) to 94 (4%) and that of Whites from 710 (48%) to 557 (25%).

These figures indicate that generally there has been significant Black advancement in this department but in order to establish whether Black advancement has occurred in managerial positions further disaggregation of the 2007/2008 data was required.

Figure 7: Racial representation by occupation level at the Department of Foreign Affairs 2007/2008

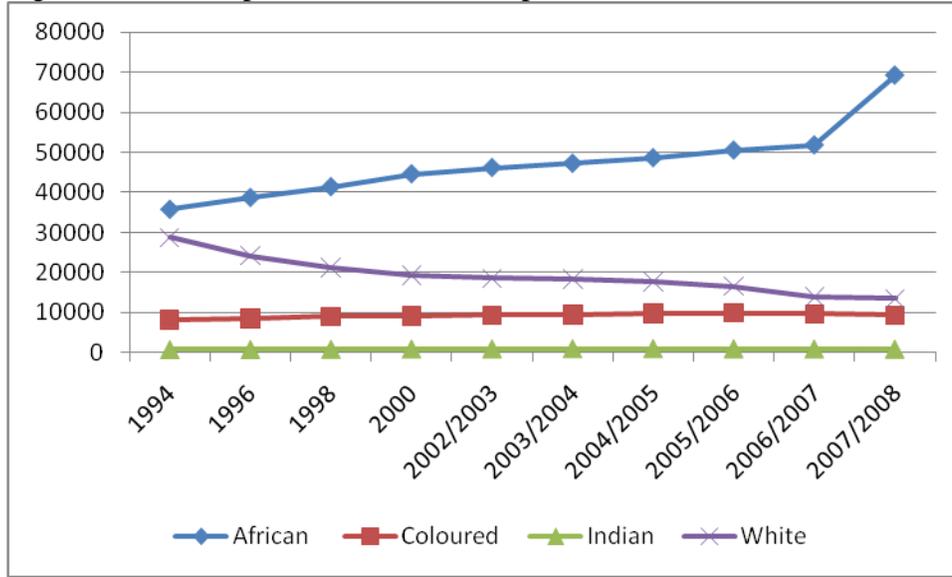


Source: Department of Foreign Affairs annual report 2008

Out of the 2,198 employees of the Department of Foreign Affairs as at 2008, 1,449 (66%) were African, 557 (25%) White, 94 (4%) Indian, and 98 (5%) Coloured. Africans represent the majority at all levels of employment. They are also the most represented at the top management level at 66%, with Whites 23%, Indians 7% and Coloureds 4%. This again shows significant Black advancement from the 33% in 1996 to 77% using the broad definition of Blacks, or 66% advancement for Africans only.

2.2.2.3 Department of Defence

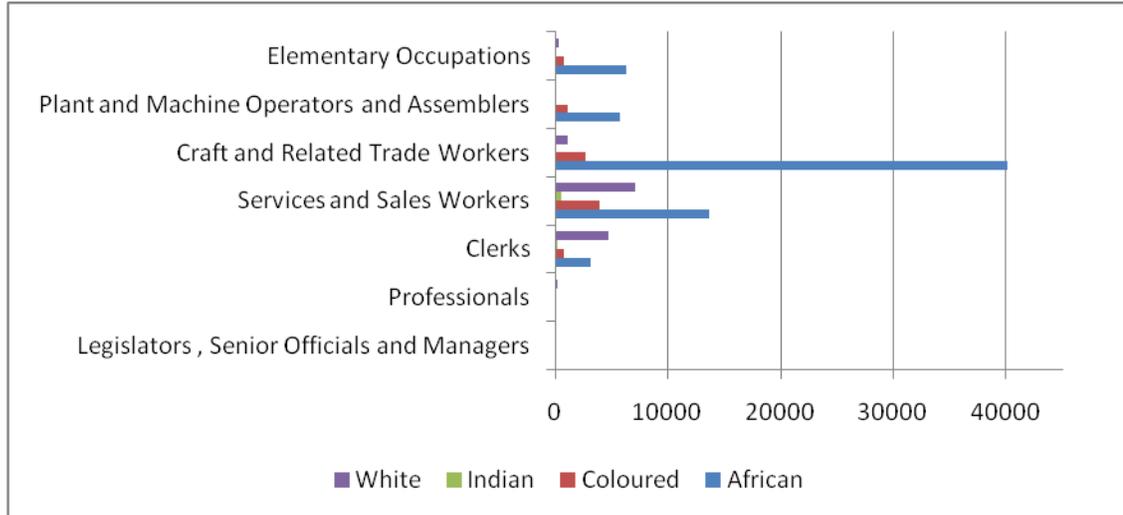
Figure 8: Racial representation at the Department of Defence 1994-2008



Source: Department of Defence annual report 2008

Figure 8 shows that the Department of Defence grew from a total workforce of 73,285 in 1994 to 92,855 in 2008. White representation decreased from 28,730 (39%) in 1994 to 13,474 (15%) in 2008, but African representation increased from 35,690 (49%) in 1994 to 69,179 (74%) in 2008. Indian and Coloured representation remained fairly stable with only slight changes from 732 (1%) in 1994 to 875 (1%) in 2008 and 8,133 (11%) in 1994 to 9,335 (10%) in 2008 respectively. While generally there has been Black advancement in this department since 1994, Figure 9 examines whether there has been an increase in the number of Blacks employed in top managerial positions.

Figure 9: Racial representation by occupation level at the Department of Defence 2007/2008



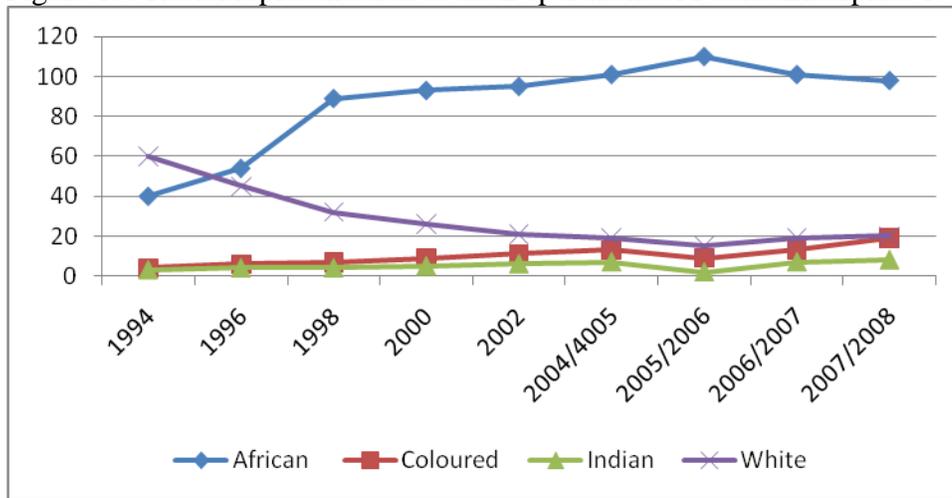
Source: Department of Defence annual report 2008

Figure 9 shows that out of a total labour force consisting of 92,855, Blacks are well represented at all levels of management.

Africans in top management positions represent 76% (22 of the 29 officials), Whites represent 17%, Indians 7%, and there are no Coloureds. According to the broad definition of Black, Blacks then represent 85% of the total workforce, and 83% of top management in the Department of Defence. A significant advance from 9% in 1994 to 85%.

2.2.2.4 Department of Public Enterprise

Figure 10: Racial representation at the Department of Public Enterprise 1994-2008



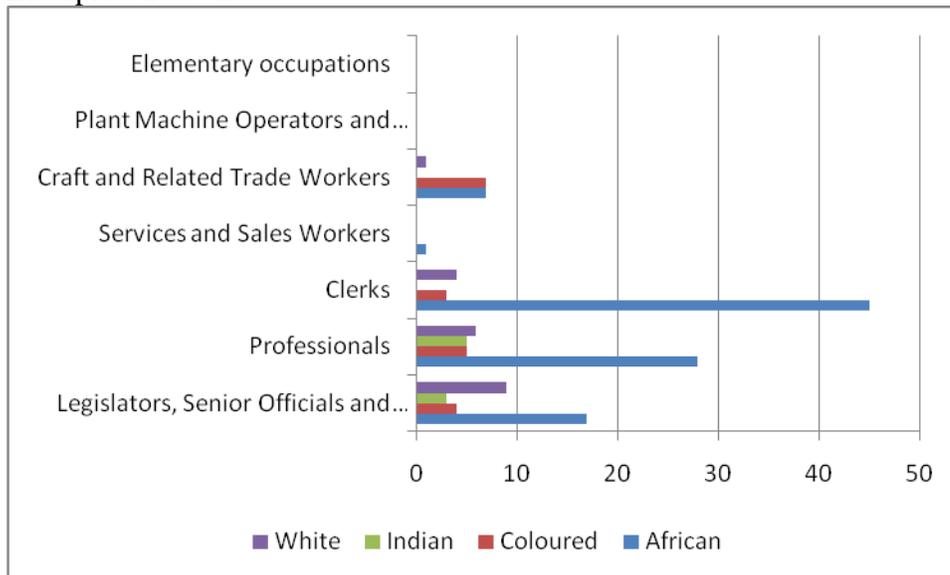
Source: Data from Department of Public Enterprise annual reports 1994-2008

Figure 10 illustrates that between 1994 and 2008, in the Department of Public Enterprise, White representation decreased from 60 (56%) in 1994 to 20 (20%) in 2008, and that of Indians and Coloureds increased from 3 (3%) in 1994 to 8 (8%) in 2008 and from 4 (4%) to 19 (19%) respectively, African representation increased from 40 (72%) to 98 (68%).

There has been significant Black advancement in this department, since, in 1994, Blacks represented only 42% of the public service of which a majority were at the lower skilled level and by 2008 the representation increased to 80%. The decrease in African representation between 2004 and 2008 could be an indication that the department was trying to reduce in size to increase efficiency.

Despite the increases in Black representation in the Department of Public Enterprise since 1994, this cumulative figure may be misleading as the increases in the number of Blacks may not mean advancement to managerial positions. To better understand the degree of Black advancement to various managerial positions, the 2007/2008 data was decomposed to show representation of the various racial groups at different levels of management in the department.

Figure 11: Racial representation by occupation level at the Department of Public Enterprise 2007/2008

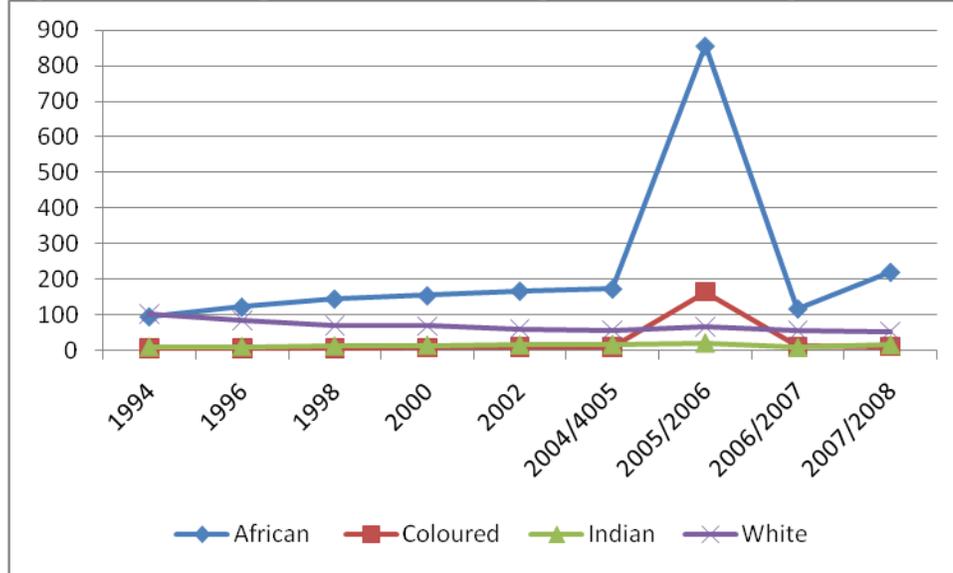


Source: Department of Public Enterprise annual report 2008

Out of the 145 employees of the Department of Public Enterprise, Africans represent 68% (98), Whites 14% (20), Coloureds 13% (19), and Indians 5% (8). It could also be noted that Blacks are in the majority at all levels of management in this department. Black advancement to top managerial positions is represented by 52% for Africans, 12% Coloureds and 9% for Asians, totalling 73%. Whites form 27% of top management.

2.2.2.5 Department of Housing (Department of Human Settlement)

Figure 12: Racial representation at the Department of Housing 1994 – 2008

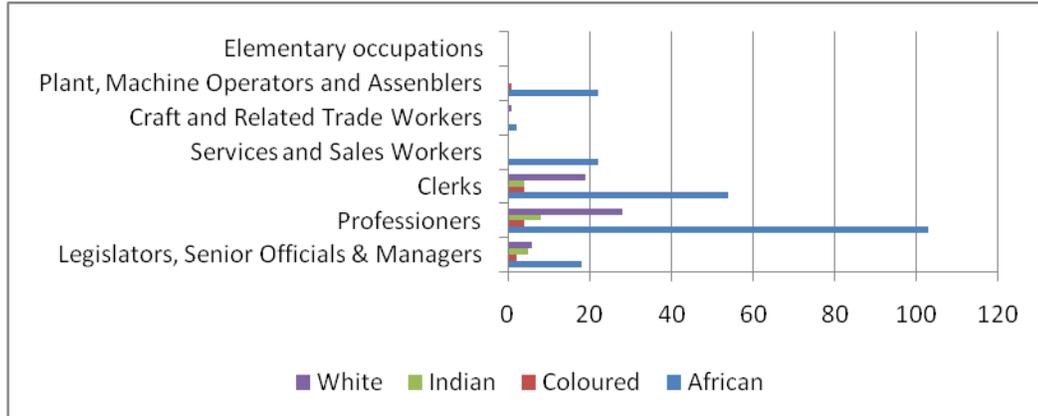


Source: Department of Housing (now Human Settlement) annual reports 1994-2008

Figure 12 shows that African representation increased from 96 (45%) in 1994 to 221 (72%) in 2008, Indians and Coloureds increased slightly from 11(5%) and 6(3%) in 1994 to 17 (5%) and 10 (4%) in 2008 respectively. The figure highlights an abnormal increase in employee size in 2005. In this year alone the number of Africans in this department increased from 174 to 856, Coloureds from 10 to 165, and Indians from 17 to 21. Africans are the dominant racial group in this department.

To assess whether these increased figures mean an advancement to decision making positions by the various racial groups, the 2007/ 2008 data was decomposed to show racial representation at various managerial levels. One must also note that the name of the Department of Housing has been changed to the Department of Human Settlement by the Zuma administration.

Figure 13: Racial representation by occupation level at the Department of Housing 2007/2008



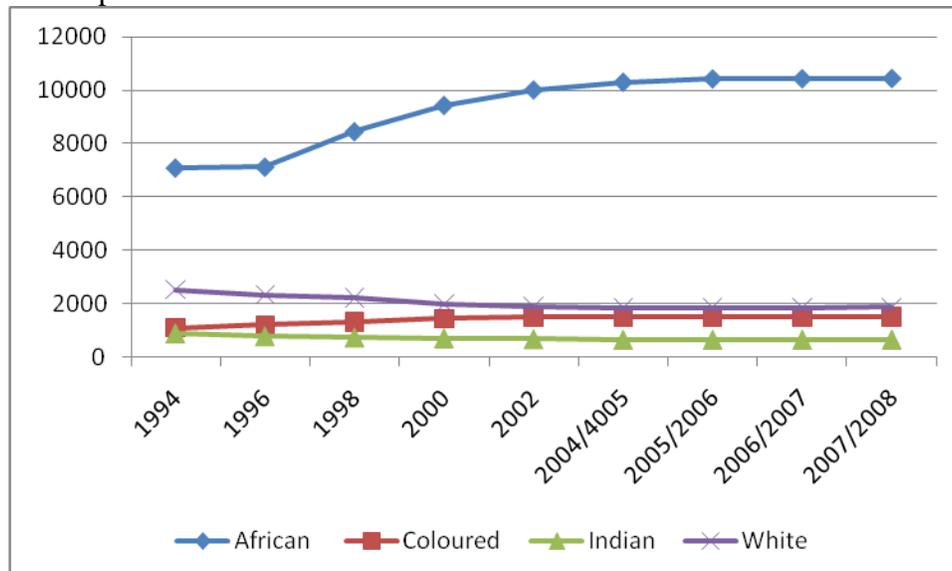
Source: Department of Housing annual report 2008

According to Figure 13, out of the 303 employees in the Department of Housing, 221 (73%) were Africans, 11 (4%) Coloureds, 17 (5%) Asians, and 54 (18%) Whites. Blacks are dominantly represented at all levels of management. At the top level of management, Blacks represent 81% (Africans 58%, Coloureds 7% and Asians 16%) and Whites 19%. This Department therefore also shows significant Black advancement at 81%, compared to 33% in the public service in 1996.

2.2.2.6 Department of Justice and Constitutional Development

2.2.2.6.1 Department of Justice and Constitutional Development

Figure 14: Racial representation at the Department of Justice and Constitutional Development 1994-2008

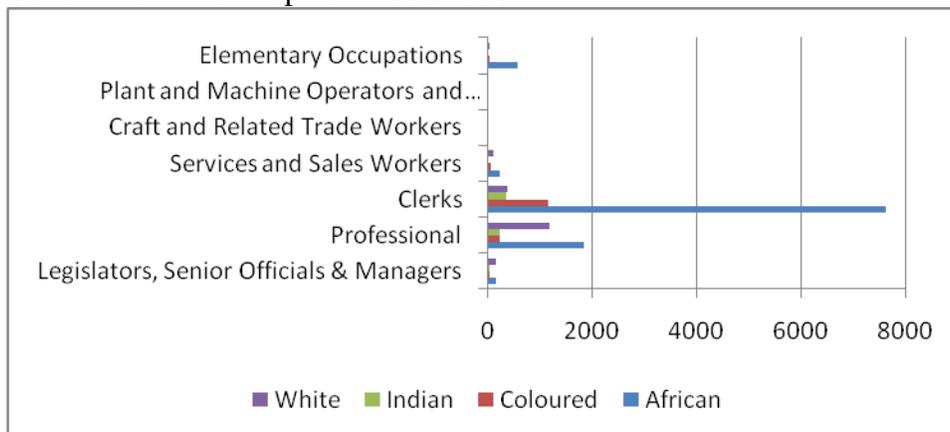


Source: Department of Justice annual reports 1994-2008

From Figure 14, it can be seen that there has been significant Black advancement in the Department of Justice and Constitutional Development. While White representation decreased from 2,539 (22%) in 1994 to 22 (13%) in 2008, African representation increased from 7,100 (61%) in 1994 to 10,438 (72%) in 2008. Indian representation remained fairly stable with a slight decrease from 890 (5%) in 1994 to 665 (10%) in 2008 and that of Coloureds from 1,100 (9%) in 1994 to 1,508 (5%) in 2008.

Despite the increase in Black representation in the Department of Justice and Constitutional Development, this cumulative figure may be misleading because the increases in the number of Blacks may not mean advancement to managerial positions. To better understand the degree of Black advancement to various managerial positions, the 2007/2008 data was decomposed to show representation of the various racial groups at different level of management in the department as illustrated in Figure 15.

Figure 15: Racial representation by occupation level at the Department of Justice and Constitutional Development 2007/2008

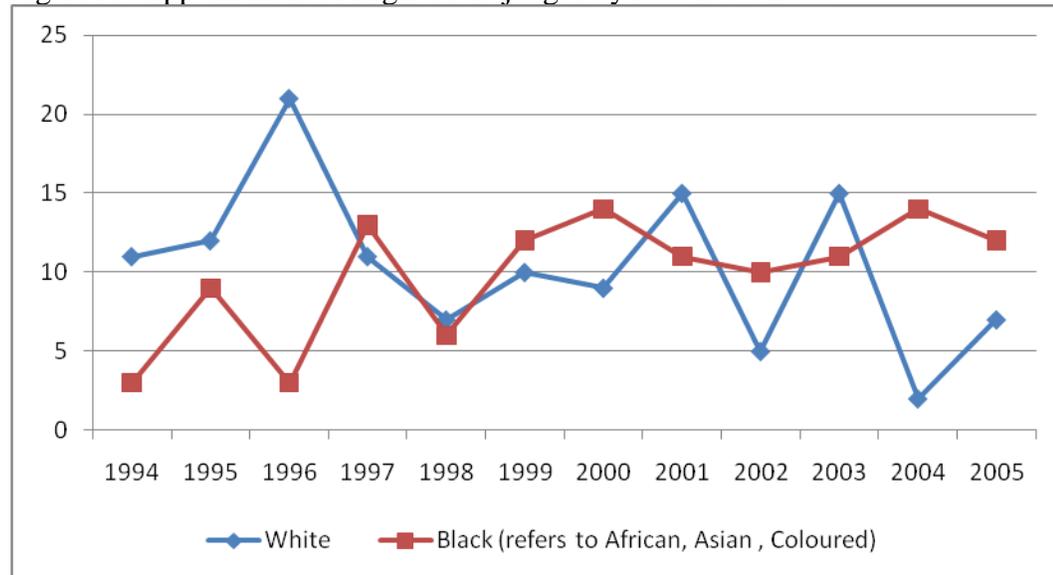


Source: Department of Justice and Constitutional Development annual report 2008

From Figure 15 it can be noted that generally Blacks (African, Asian, and Coloured) are the dominantly represented population group in the Department of Justice. Africans represent 10,438 (72%) of the total employees, while Whites represent a mere 1,878 (13%), Coloureds 1,508 (10%), and Indians 665 (5%) of the 14,489 total employees of the Department. At top management level, Africans represent 42%, Whites 41%, Coloureds 8% and Indians 9%. At the top level of management in this department, Blacks represent 59% as against 41% White. There is also significant Black advancement in this department compared to the 1994 figures.

2.2.2.6.2 High Court judges

Figure 16: Appointment of High Court judges by race 1994-2005

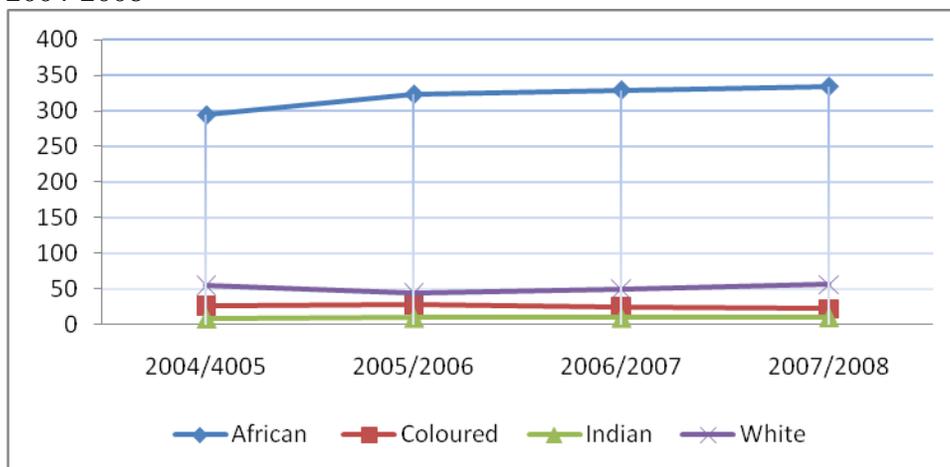


Source: 2006/2007 SAIRR South Africa Survey, p466; South Africa Yearbook 2006/2007, p392

Figure 16 shows that since 1994 there has been an increase in the appointment of high court judges in all racial groups. According to the trend line equations over the years, the rate of increase in the appointment of Black judges to the high court is 0.7063, while that for White judges is 0.639. Black advancement has therefore taken place in terms of the appointment of high court judges. The growth is calculated using the equation $y = 0.7063x + 5.2424$. In lay language, the graph shows about a third fewer white judges appointed at the end of the period and a four-fold increase in the appointment of black judges.

2.2.2.7 Department of Provincial and Local Government

Figure 17: Racial representation at the Department of Provincial and Local Government 2004-2008

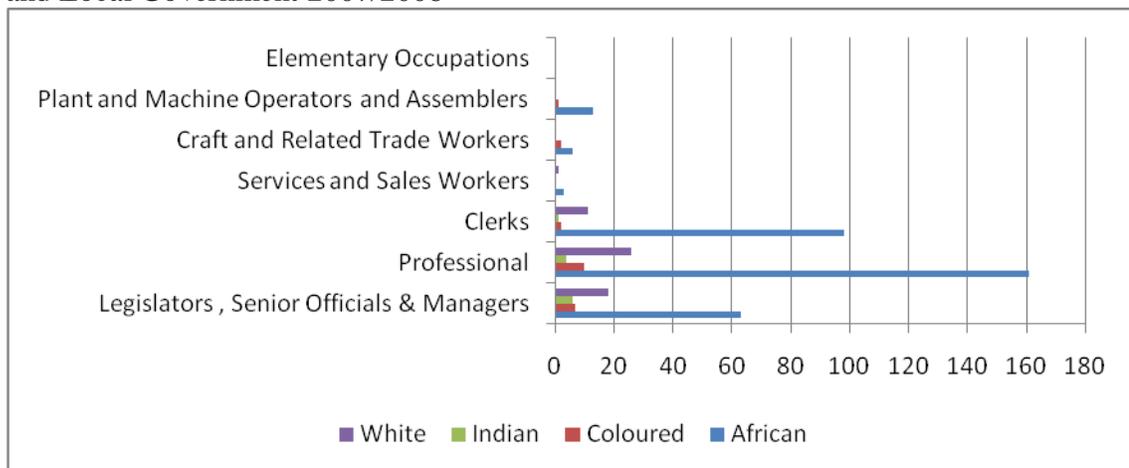


Source: Department of Provincial and Local Government annual reports 2004-2008

Figure 17 shows that although the number of White employees in this department increased from 55 in 2004 to 56 in 2008, White representation decreased from 14% in 2004 to 13% in 2008. African representation though increased from 298 (77%) in 2004 to 334 (79%) in 2008. Indian representation remained fairly stable with only a slight increase from 9 (2%) in 2004 to 11 (3%) in 2008. Coloured representation decreased from 26 (7%) in 2004 to 22 (5%) in 2008. In general, some Black advancement has taken place in this Department.

To find out the degree of Black advancement to various managerial positions, the 2007/2008 data was decomposed to show representation of the various racial groups at different levels of management.

Figure 18: Racial representation by occupation level at the Department of Provincial and Local Government 2007/2008

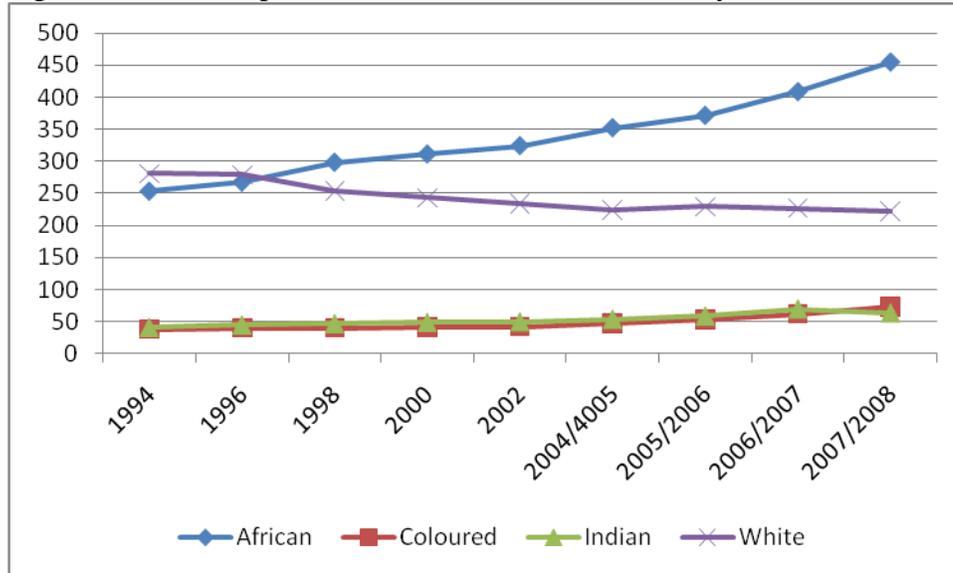


Source: Department of Provincial and Local Government annual report 2008

The labour force in the Department of Provincial and Local Government numbered 433, of which 344 are African (79%), 56 White (13%), 22 Coloured (5%), and 11 Asian (3%). At the top management level, Africans represent 67%, Whites 19%, Indians 6%, and Coloureds 8%. Black representation is 81% at top management level and 87% generally. This therefore represents significant Black advancement from 1994.

2.2.2.8 The National Treasury

Figure 19: Racial representation at the National Treasury 1994-2008

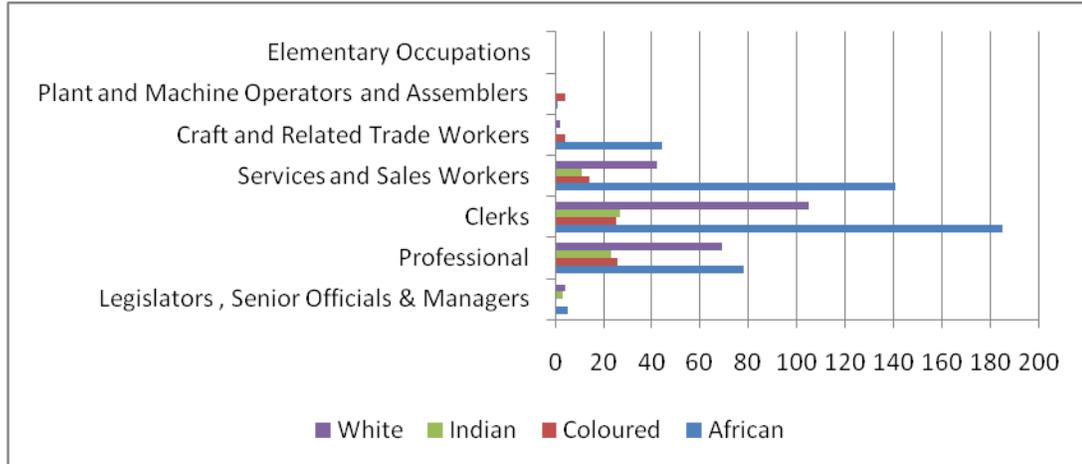


Source: Data from the National Treasury annual reports 1994-2008

From Figure 19 one can see that there has been significant Black advancement in the National Treasury. White representation decreased from 281 (46%) in 1994 to 222 (27%) in 2008, but African representation increased from 253 (41%) in 1994 to 454 (56%) in 2008. Indian representation increased from 41 (7%) in 1994 to 64 (9%) in 2008 and Coloured from 38 (6%) in 1994 to 73 (9%) in 2008. Some Black advancement has taken place in this department from 1994 to the present.

To find out the degree of Black advancement to various managerial positions, the 2007/2008 data was decomposed to show representation of the various racial groups at different levels of management.

Figure 20: Racial representation at different occupational levels the National Treasury 2007/2008

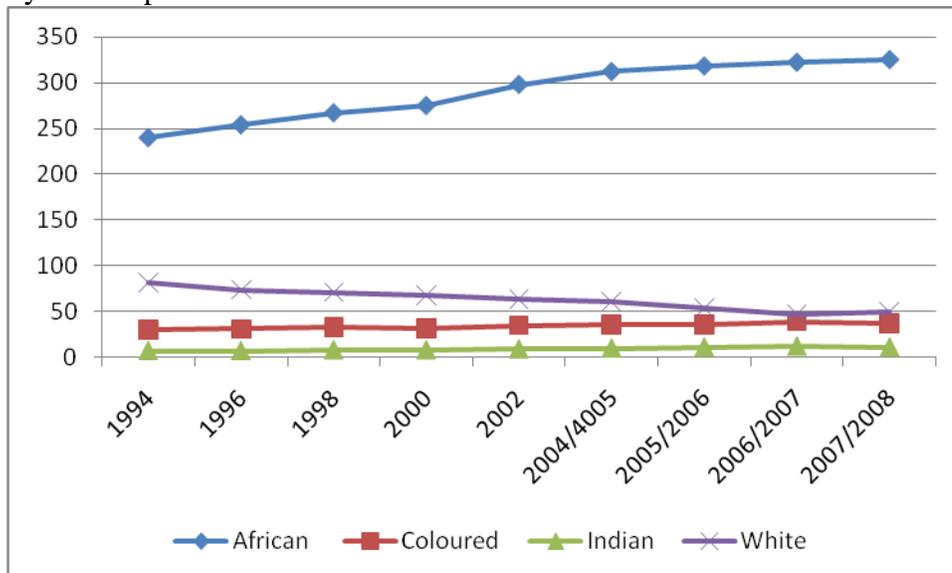


Source: National Treasury Annual Report 2008

From Figure 20 one can see that from out of 813 employees, 454 (56%) are Africans, 222 (27%) Whites, 73 (9%) Coloureds, and 64 (8%) Indians. Blacks are well represented at all levels. At top management level, Africans represent 42%, Indians 25%, and Whites 33%. Black representation at top management positions, therefore, is 67%. So here again there is a significant level of Black advancement compared to the 1994 situation.

2.2.2.9 Government Communication and Information System Department

Figure 21: Racial representation in the Government Communication and Information System Department 1994-2008

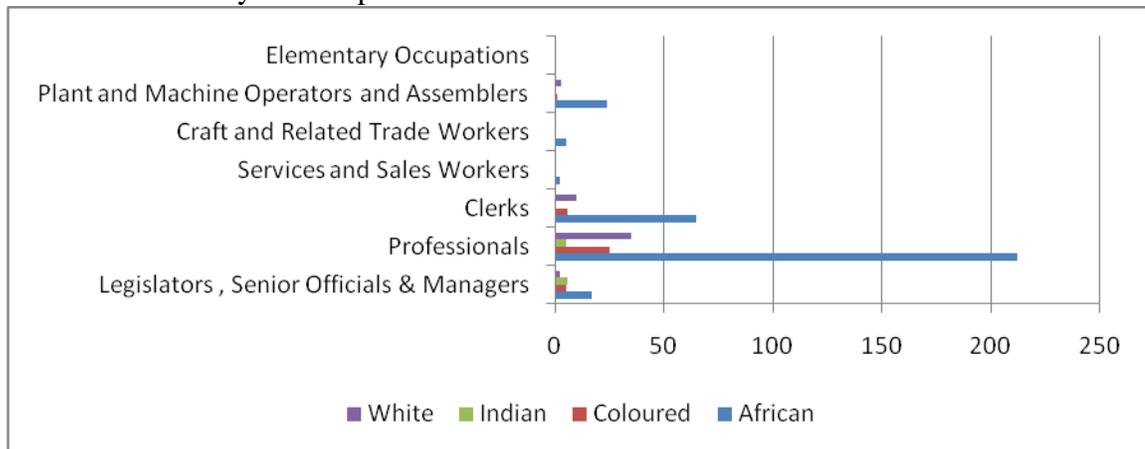


Source: Government Communication and Information System Department annual reports 1994-2008

The Government Communication and Information System Department is a strategic department of state. Figure 21 shows that the majority of employees in this department are Africans. Compared to other groups, representation of Africans grew steadily from 240 (67%) in 1994 to 325 (77%) in 2008, Indian and Coloured representation remained fairly stable from 7 (2%) to 11 (2%) and 30 (8%) to 37 (9%) in 1994 and 2008 respectively. White representation decreased from 82 (23%) in 1994 to 50 (12%) in 2008.

Significant Black advancement took place in this department in terms of numbers. To examine Black advancement to managerial positions, the 2008 data was decomposed to show representation at various managerial positions.

Figure 22: Racial representation by occupation level at the Government Communication and Information System Department 2007/2008

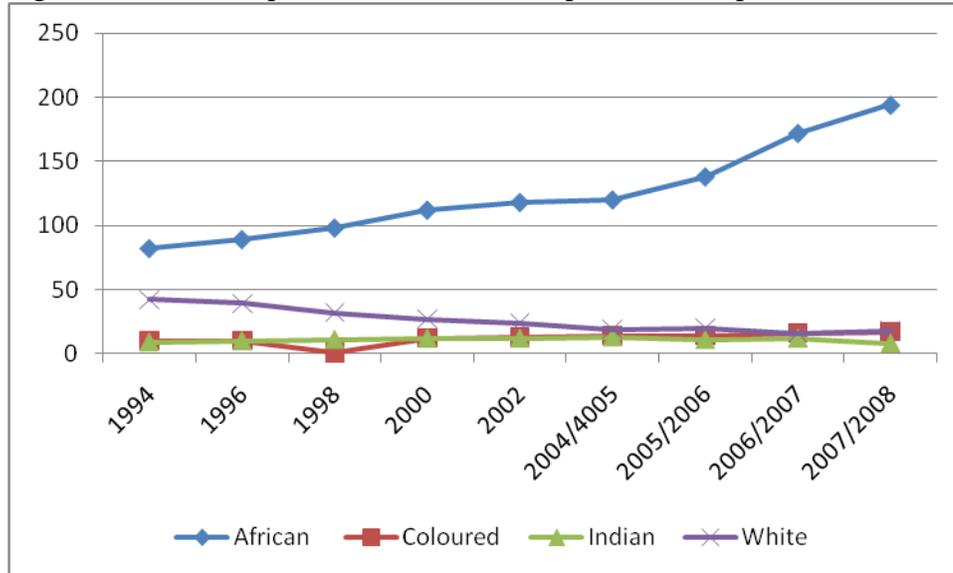


Source: Government Communications and Information System Department annual report 2008

Figure 22 shows that of the Government Communication and Information System Department's 423 employees, 325 (77%) were Africans, 37 (9%) Coloureds, 11 (2%) Indians and 50 (12%) Whites. Blacks are the dominant group at all levels in this department. Black advancement to top management level is significant since Blacks broadly represent a total of 93% (56% African, 17% Coloured, 20% Indian) with Whites representing only 7%.

2.2.2.10 Independent Complaints Directorate

Figure 23: Racial representation at the Independent Complaints Directorate 1994-2008

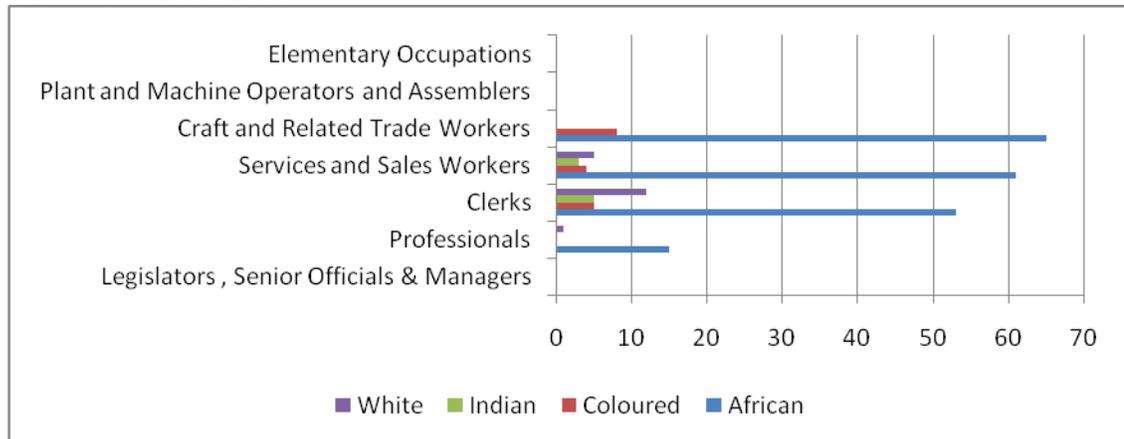


Source: Independent Complaints Directorate annual reports 1994-2008

From Figure 23 we can see that there has been significant Black advancement in the Independent Complaints Directorate. While White representation decreased from 42 (29%) in 1994 to 18 (8%) in 2008, African representation increased from 82 (57%) in 1994 to 194 (82%) in 2008. Indian representation decreased from 9 (6%) in 1994 to 8 (5%) in 2008 and Coloured representation increased from 10 (7%) in 1994 to 17 (7%) in 2008.

To find out whether the increase in Black representation means there was black advancement to managerial positions, the 2007/ 2008 data was decomposed to show representation of the various racial groups at different levels of management.

Figure 24: Racial representation by occupational levels at the Independent Complaints Directorate 2007/2008

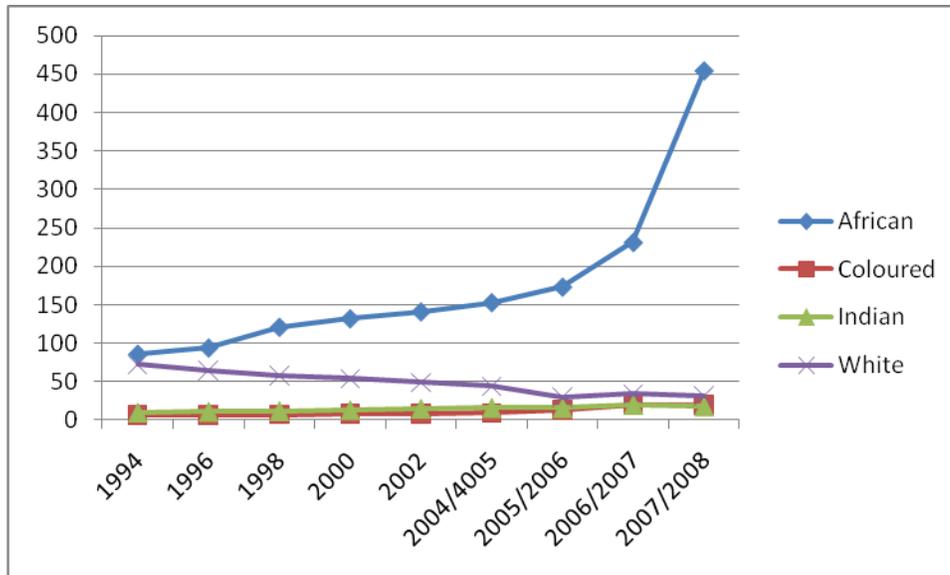


Source: The Independent Complaints Directorate annual report 2008

Figure 24 shows that out of the 237 employees in the Independent Complaints Directorate, 194 (82%) were Africans, 17 (7%) Coloureds, 8 (3%) Indians, and 18 (8%) Whites. The top management representation proportion is 94% Black to 6% White. This shows significant control and advancement by Blacks.

2.2.2.11 Department of Science and Technology

Figure 25: Racial representation at the Department of Science and Technology 1994-2008

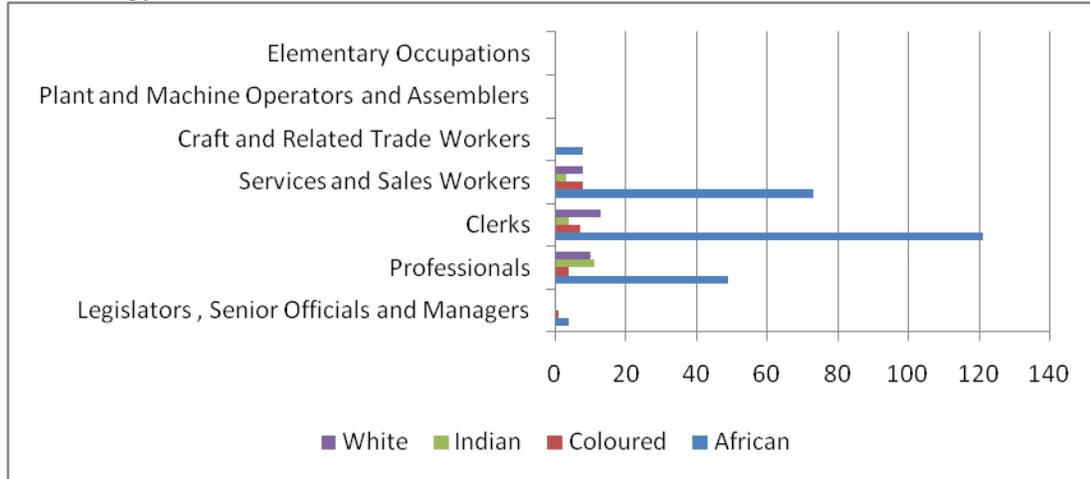


Source: Data from Department of Science and Technology annual reports 1994-2008

Figure 25 shows that from 1994 to 2008, African representation in the Department of Science and Technology increased at a rate greater than the decrease in White representation. The representation of Africans increased from 86 (49%) in 1994 to 454 (87%) in 2008, Indians from 10 (6%) to 18 (8%) and Coloureds from 6 (3%) to 20 (6%) while White representation decreased from 72 (41%) to 31 (6%).

Blacks are the dominant group represented in the Department of Science and Technology. To analyse the advancement of Blacks to various managerial positions, the data for 2007/2008 was decomposed into representation at various levels of management.

Figure 26: Racial representation by occupation level at the Department of Science and Technology 2007/2008

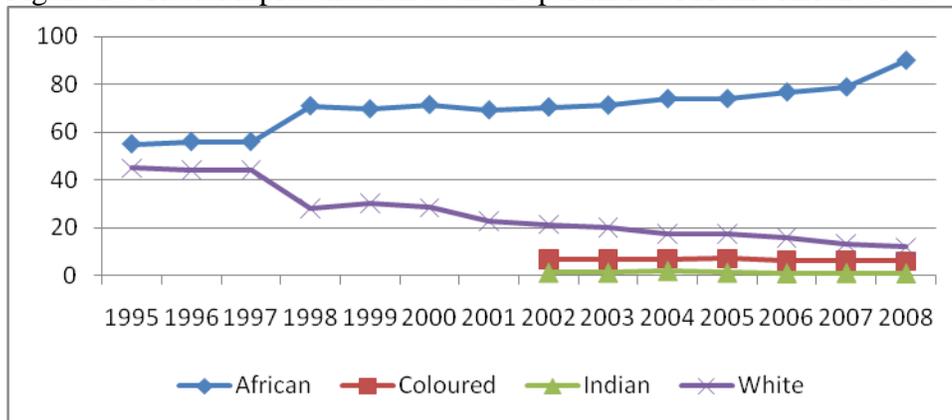


Source: Department of Science and Technology annual report 2008.

With reference to Figure 26, out of a labour force consisting of 324 employees in the Department of Science and Technology, 255 (79%) were Africans, 20 (5%) Coloureds, 18 (6%) Indians and 31 (10%) Whites. The top management level of this Department is completely controlled by Blacks (80% African and 20% Coloured).

2.2.2.12 Department of Home Affairs

Figure 27: Racial representation at the Department of Home Affairs 1995-2008



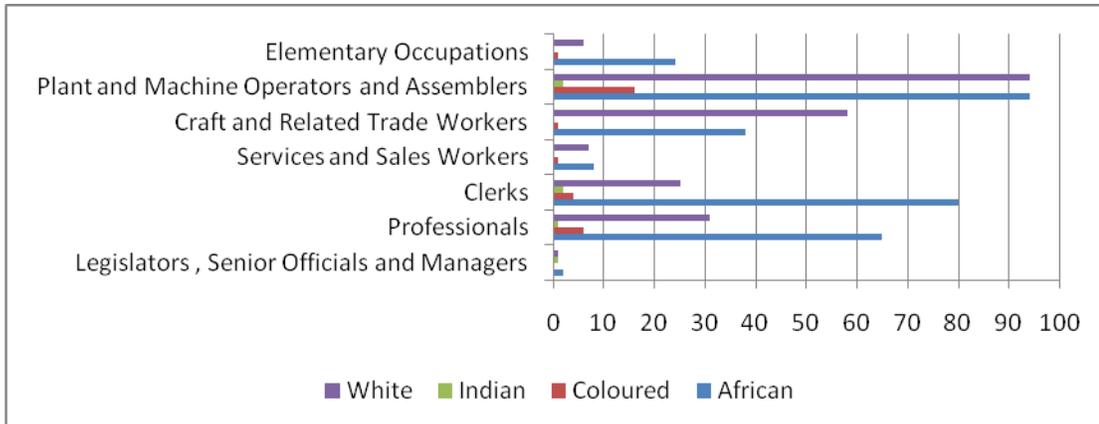
Source: Data from Department of Home Affairs annual reports 1995-2008

Figure 27 indicates the changes that have occurred in this Department from 1995 until 2008. It is important to note that data for Coloured and Indian South Africans becomes available from 2002 only with the new legislative requirements for reporting Employment Equity. Furthermore, the Department's annual reports from 1995-2001 do

not specify whether the category of ‘Black employee’ includes Indian and Coloured individuals.⁶

From the chart, it is clear that a big transformation occurred. The percentage from 1995 to 2008 for Black and White employees in the department changed from 45% and 55% to 80.1% and 12% respectively. Between the years of 2002 and 2008, the Coloured and Indian groups averaged 6.64% and 1.31% of the Departments’ workforce respectively.

Figure 28: Racial representation by occupation level at the Department of Home Affairs 2007/2008



Source: Data from the Department of Home Affairs annual report 2007/2008

Figure 28 portrays the changes at the *Top and Senior Management*⁷ level of the Department between the years of 2004⁸ and 2008. As with the general trend in the Department, there is an increase in the representation of previously disadvantaged groups, particularly Black employees. Africans make up 90% of top management, Coloureds 6%, Indians 1% and Whites 3%. Black representation has steadily increased over the years since 1994 and their advancement to top management positions is significant.

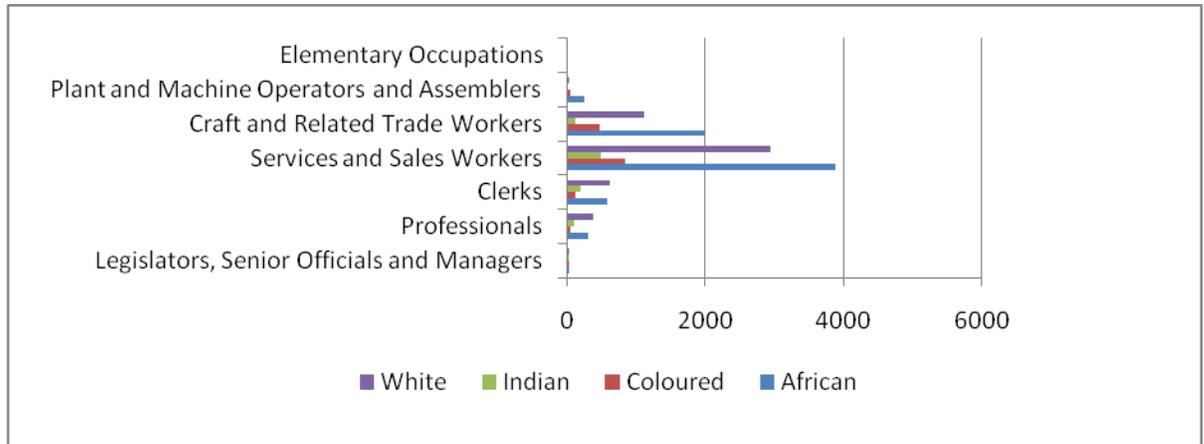
⁶ It is safe to assume that Indian and Coloured employees constituted a small number of the workforce at the end of the apartheid era as the legislation instituting limitations on the working ability of Blacks also applied to them.

⁷ Current Employment Equity reporting requirements created six occupational bands that range from *Top and Senior Management* to *Unskilled and Defined Decision Making* categories. See any Annual Report from 2004 onwards.

⁸ Prior to 2004 there were different reporting requirements in place. To ensure that the categories were comparable the authors chose to start the subunit analysis at the point where it gave the longest time of comparison for the level of employment identified.

2.2.2.13 South African Revenue Service (SARS)

Figure 29: Racial representation by occupation level at the South African Revenue Service 2007/2008

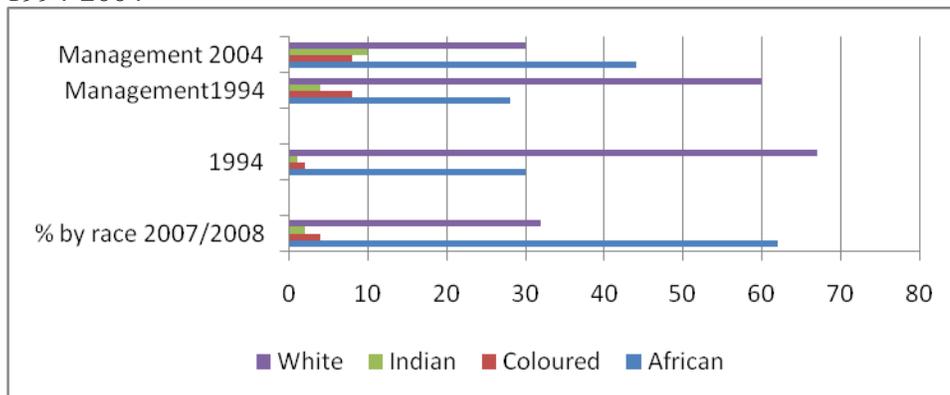


Source: Data from the South African Revenue Service annual report 2007/2008

Figure 29 shows that out of the 14,528 staff members employed in SARS as at 2007/2008, 7,023 (48%) were African, 1,507 (11%) Coloured, 920 (6%) Indian, and 5,075 (35%) White. Blacks form the majority of the work force generally. Further analysis of Figure 29 reveals that top management positions are represented by 40% Africans, 11% Coloureds, 18% Indians and 30% Whites. Thus there was a significant degree of Black advancement in this department, but it lags behind others in percentage terms.

2.2.2.14 National Intelligence Authority (NIA)

Figure 30: Racial representation at the National Intelligence Authority (NIA) 1994-2004



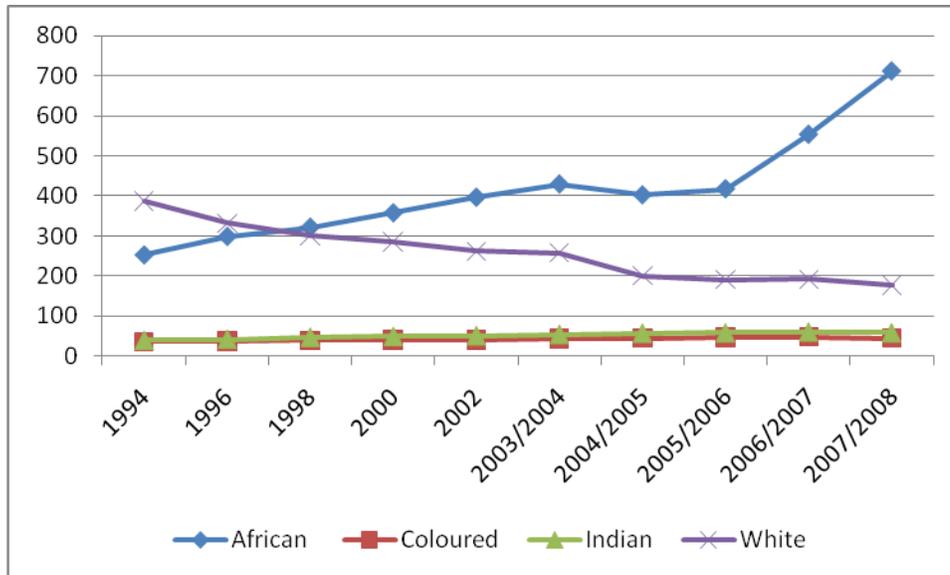
Source: National Intelligence annual reports 1994, 2004 and 2008

The NIA data shows significant transformation in racial representation both in general and as far as advancement to top management positions is concerned. From Figure 30 one can see that between 1994 and 2008, on a general employee level, there has been an increase in African representation from 30% to 62%, in Coloured representation from

2% to 4%, Indian from 1% to 2%, but a decrease in White representation from 67% to 32%. As far as advancement to top management positions is concerned, African, representation increased from 28% in 1994 to 44% in 2004, Coloured representation stayed the same at 8%. Indian representation increased from 4% in 1994 to 10% in 2004, while White representation decreased from 60% in 1994 to 30% currently.

2.2.2.15 Department of Trade and Industry (DTI)

Figure 31: Racial representation at the Department of Trade and Industry (DTI) 1994-2008



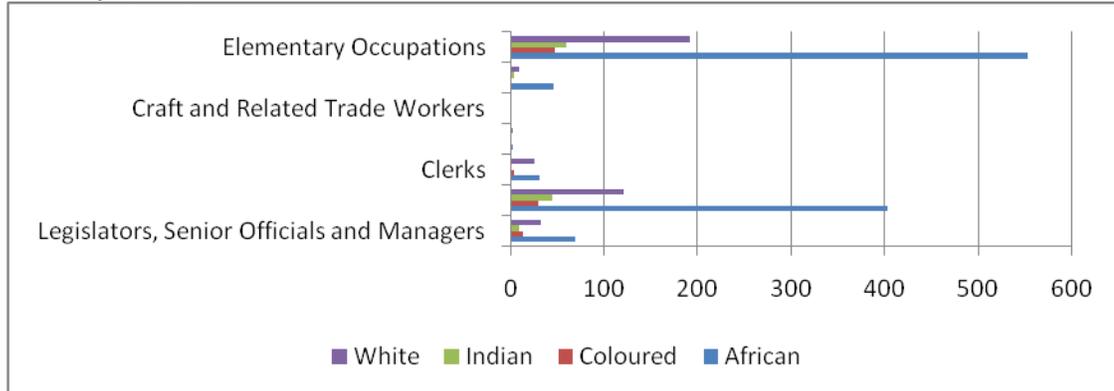
Source: Data collected from the DTI annual reports 1994 to 2008

Figure 31 depicts racial representation in the Department of Trade and Industry from 1994 to 2008. During this time, African representation increased from 252 (35%) to 711 (72%), Indian from 36 (5%) to 58 (6%). Coloured and White representation decreased from 39(5%) to 45 (4%), and from 387 (54%) to 177 (18%) respectively.

It is clear from the above that Black advancement took place in this department between 1994 and 2008. An important observation is that Black advancement in this department is dominated by that of Africans while other Black groups, Indians and Coloureds, show little advance. White representation decreased significantly.

To obtain a clearer picture of Black advancement in the Department of Trade and Industry the data for 2007/2008 was decomposed to a representation of the various racial groups at the different levels of management.

Figure 32: Racial representation by occupation level at the Department of Trade and Industry (DTI) 2007/2008



Source: Data from the DTI Annual Report 2007/2008

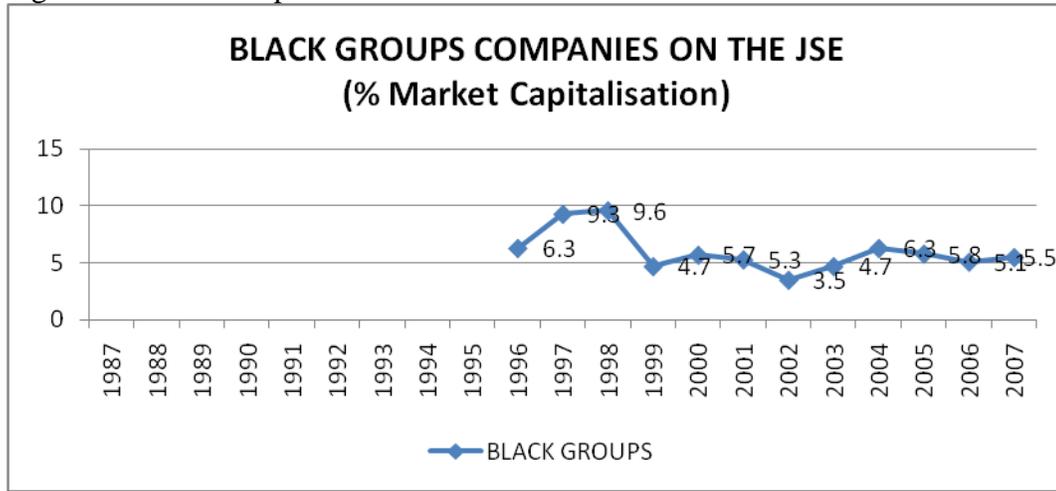
The DTI data also shows significant transformation in racial representation both in general and in advancement to top management positions. On a general employee level, while African representation increased from 55% in 2003 to 72% in 2008, Coloured representation decreased from 5% to 4%, Indian from 7% to 6% and White from 33% to 18%. As far as advancement to top management positions is concerned, African representation increased from 22% in 2003 to 44% in 2008, Coloured representation stayed the same at 8%. Indian representation increased from 4% in 2003 to 10% in 2008, and White representation decreased from 60% in 2003 to 32%.

2.2.3 Conclusion on black advancement in the public sector

It is clear from the above analysis that Africans and other previously disadvantaged employees in the public sector have benefited from the transition to democracy and now enjoy more employment opportunities than before. Importantly though, each group, Africans, Indians and Coloureds, did not benefit equally. At every level it is apparent that African employees are the clear winners when it comes to hiring. Opportunities for Coloured and Indian employees increased minimally. White employees benefited the least as there was a near consistent decrease in representation at all levels.

3 The Private Sector – Ownership of the Johannesburg Stock Exchange (JSE)

Figure 33: Market capitalisation of the JSE 1987-2007



Source: Data from Who Owns Whom in South Africa

A misleading approach to viewing Black advancement since the end of the apartheid years is to focus on Black owned or influenced companies. This view of Black ownership and control of companies listed on the JSE represents enrichment supported by BEE policies rather than being a reflection of true Black ownership and control of the JSE.

Figure 33 illustrates that this approach to viewing Black participation in the market capitalisation of the JSE results in a decrease in control from 6.3% in 1996 to 5.5% in 2007.

For the purpose of this project, to measure and monitor Black advancement, we try to move beyond the view stated above to a broader definition that we think will reflect true ownership, rather than enrichment.

Three different sources of data, which complement each other, have been used to uncover a clearer picture of ownership of the JSE since no single data source has a complete and disaggregated picture of the ownership structure of the JSE.

3.1 South African Reserve Bank (SARB)

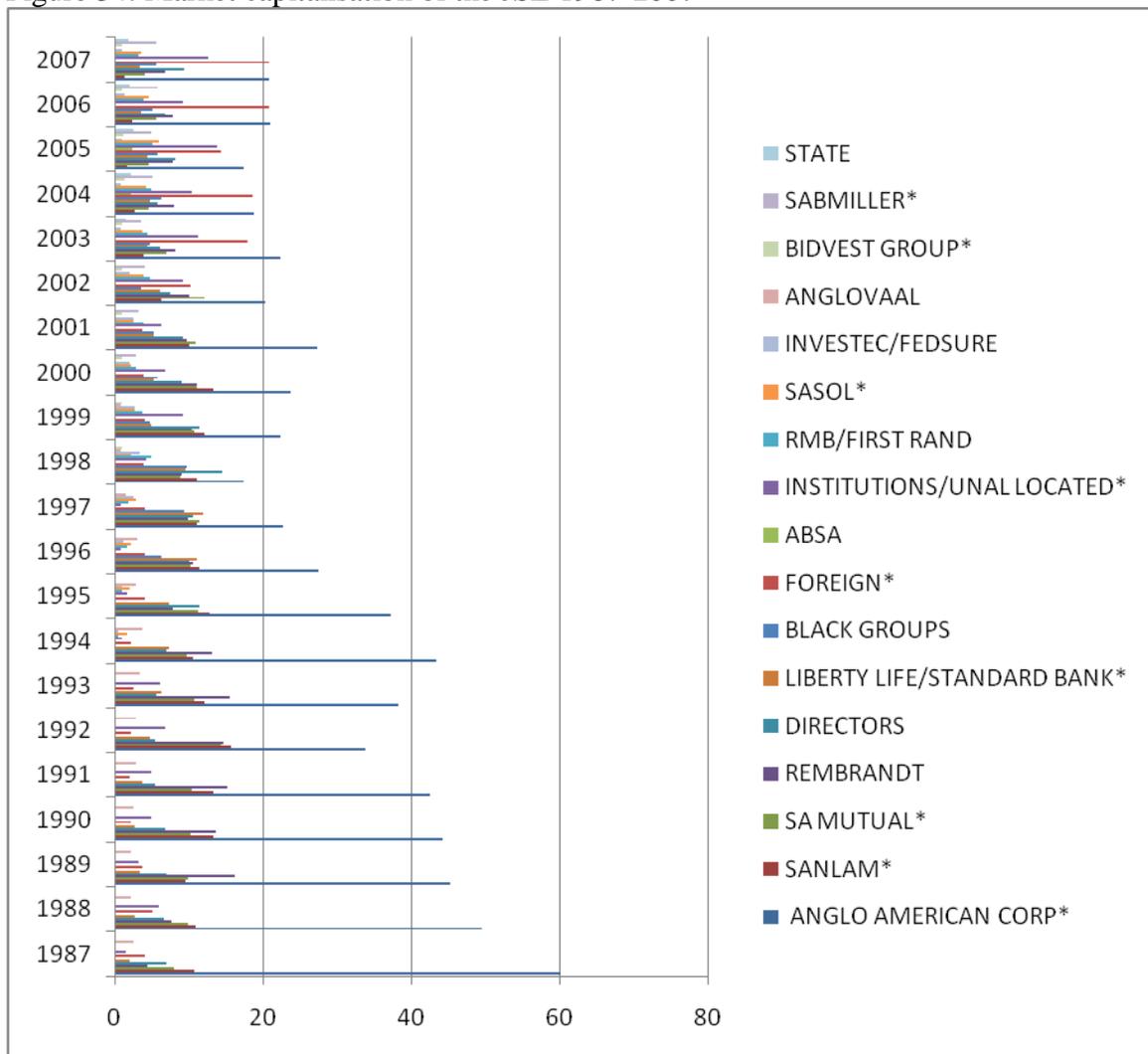
The South African Reserve Bank quarterly bulletin discloses ownership of the JSE amongst insurers (29%), private pension funds (11%), official pension funds (8%), and unit trusts (6%). Excluding the shares impaired by free float constraints (13%), this leaves 33% unexplained. (Refer to South African Reserve Bank Quarterly Reviews, 1994-1999, 2000, 2007, 2008). The limitation with the Reserve Bank data is that it does not differentiate between foreign and local ownership of shares listed on the JSE.

3.2 Foreign ownership

McGregor’s *Who Owns Whom* was used to overcome the limitation of the SARB data and to obtain a better picture of the ownership structure. This also solved the problem of identifying domestic versus foreign ownership of the JSE.

The analysis contained in Figure 34 shows that foreign ownership of the JSE increased from 4.1% in 1987 to 20.7% in 2007. When attempting to identify Black advancement through ownership of the JSE, this foreign ownership is excluded in any given year. Another component of ownership of the JSE that includes Black owners is institutional ownership, which often is overlooked in JSE ownership analysis studies.

Figure 34: Market capitalisation of the JSE 1987-2007



Source: Who Owns Whom in South Africa 28th edition 2008

Figure 34 also shows that institutional ownership of the JSE increased from a 1.4 % in 1987 to 12.8% in 2007. If we add the amount owned by corporate institutions such as

Liberty Life, Investec, Bidvest Group, SA Mutual, Sanlam, ABSA, RMB/Fist Rand, and Sasol, etc, on behalf of their members through policies and pension funds, the figures will show an increase in Black ownership.

The SARB analysis shows a total of 48% of the JSE being owned by domestic institutions, while my analysis of McGregor’s data shows 35%. Either way, Black ownership of these institutional assets through policies and pension funds does exist. For instance, PIC, which manages the government pension fund, controls about 6% of the JSE. PIC states that 80% of the government employee pension fund is African, 9% Coloured, 7% White and 4% Indian.

3.3 Black financial product penetration

Another way to get a clearer picture of Black ownership is to examine Black financial product penetration.

Table 1: Black financial product penetration as a % of total

	1993	1995	1997	1999	2002	2007
Savings	69.8	69.6	69.5	69.7	71.5	72.0
Investments	24.4	22.2	26.2	22.3	22.3	23.1
Loan	24.5	24.0	26.0	34.2	38.5	39.2
Whole life Policy	50.7	46.4	48.5	48.1	52.2	52.9
Endowment/Savings/ Investment policies	40.8	37.5	40.1	39.9	46.9	47.3
Retirement Annuity/ Personal pension policy	35.2	30.9	37.1	37.6	46.0	47.4
Funeral Insurance	66.5	63.7	64.3	66.9	72.2	73.1
Medical Insurance	28.2	24.5	29.7	31.4	44.3	44.9

Source: AMPS, IMS

Table 1 shows that there has been stable participation by Blacks (Africans, Coloureds and Indians) in the financial system. For example, by 2007, they owned 47.4% of retirement annuities (up from 35% in 1993). However, Black penetration levels of 52% in life assurance do not imply 52% in Rand value. This might be true of endowment and retirement annuities but not pension funds because savings products are bought out of discretionary income whereas pension payments usually are deducted at the payroll.

To estimate the monetary value of product sales by race, the Life Style Measure (LSM) income bands by race will be multiplied by product penetration by race. See Table 2.

Table 2: Life assurance premium by race

	LSM1	LSM2	LSM3	LSM4	LSM5	LSM6	LSM7	LSM8	Total
Population	6,299	6,506	7,670	6,001	5,504	6,357	5,475	5,139	48,994
Adult Population	3,633	3,815	4,111	3,728	3,308	3,443	4,238	4,213	30,489
Black	99.1	98.3	95.3	92.8	85.1	68.5	31.0	10.2	74.5
White	0.0	0.1	0.0	0.1	1.5	8.8	41.5	75.0	14.4
Other	0.9	1.6	4.6	7.1	13.4	22.7	27.5	14.8	11.0
Annual income Rm	9,896	11,765	16,132	22,457	26,715	45,241	79,733	192,279	404,219
Use of Insurance product %									
Whole life	0	0	1	3	6	11	25	53	11.4
Endowment									
Retirement Annuity	0	0	0	1	3	7	19	46	8.7
Funeral	0	1	3	5	12	21	25	35	11.9
Estimated recurring Premium income (Rm)									
Black	0	11	57	193	462	1,074	1,601	26,49	6,041
White	0	0	0	0	8	138	2,139	19,442	21,728
Other	0	0	3	15	72	356	1,417	3,822	5,686
Total	0	11	60	208	543	1,568	5,157	25,910	33,455

Source: Cazenove, South African Advertising Research Foundation (SAARF)

Based on my analysis and an historical Black penetration of investments (shares) of 23%, I estimate that, currently, Old Mutual and Sanlam's books are 22% Black. This gives me an industry estimate of 21% Black ownership. Based on current sales trends and further employment equity, I believe that Black ownership of life assets will be between 30% and 40% by 2012. The LSM stands for the Lifestyle Measure as devised by SAARF and classifies the population into various LSM levels from 1 to 8 showing increasing better lifestyle.

Table 3: Estimate of racial profile of life assurance liabilities

Life Funds	Policy holder's liability (Rm) 2002	Black % (African, Indian, Coloured) 2002	White % (2002)	Black % (African, Indian, Coloured) 2008	White % 2008
Old Mutual	223.2	20.0	80.0	21.8	78.2
Sanlam	145.3	20.0	80.0	22.1	78.1
Liberty Group	75.6	7.2	92.8	9.4	90.4
Liberty Life	68.1	2.5	97.5	4.5	95
Charter Life	7.5	50.0	50.0	51	49
Metropolitan Life	27	90.0	10	90	10
Momentum life	68	5.0	95	7	93
Average	539.1	19.8		22.1	

Source: Cazenove, others

3.4 Unit trusts

The unit trust industry owns 4% of the market capitalisation of the JSE through about 1.9m account holders. SAARF data shows 1.59 million adults holding unit trusts, of whom 59% are Whites and 41% are Blacks, even though unit trusts are a preserve of the elite with only 6.5% of South Africans owning one. The good news is that unit trust penetration amongst Blacks grew 40% (growth rate) from 1998 to 2007 from 2.1% to about 3.2% (actual value). This is a significant level of Black advancement in unit trust ownership.

3.5 Actual ownership of the JSE

In terms of the JSE ownership, foreign ownership should be balanced against foreign assets, while corporate cross holdings and free float impairments should be excluded to avoid double counting. This means that the remainder of the JSE is dominated by local institutions, which control about 70% of the JSE's remaining assets given my estimate of 42% Black pension fund ownership, 22% life fund, 17% unit trust ownership and 5% private individual ownership. This gives an estimated 23.8% Black ownership of the JSE. Considering current sales of shares to Blacks and various designated groups coupled with various Black owned businesses in the private sector growing and being listed on the JSE, I estimate that Black advancement in ownership on the JSE will show significant increases in the future, about 34% in 2012.

Table 4: JSE ownership (%) (2009 and 2012 forecast)

	JSE ownership	Local ownership	Black Ownership	Weighted	Forecast 2012	Weight
Pension Fund	17.0	32	42	13	50	16
Unit Trust	3.0	6	14	1	25	1
Insurance Companies	20.0	37	20	7	35	13
Private Investors	6	11	5	1	10	1
Others	7.8	14	10	1	20	3
Corporate(excluded)	16.2	100		23		34
Foreign (excluded)	30.0					

Source: Data from Cazenove/Author's analysis and forecast

3.6 Conclusion

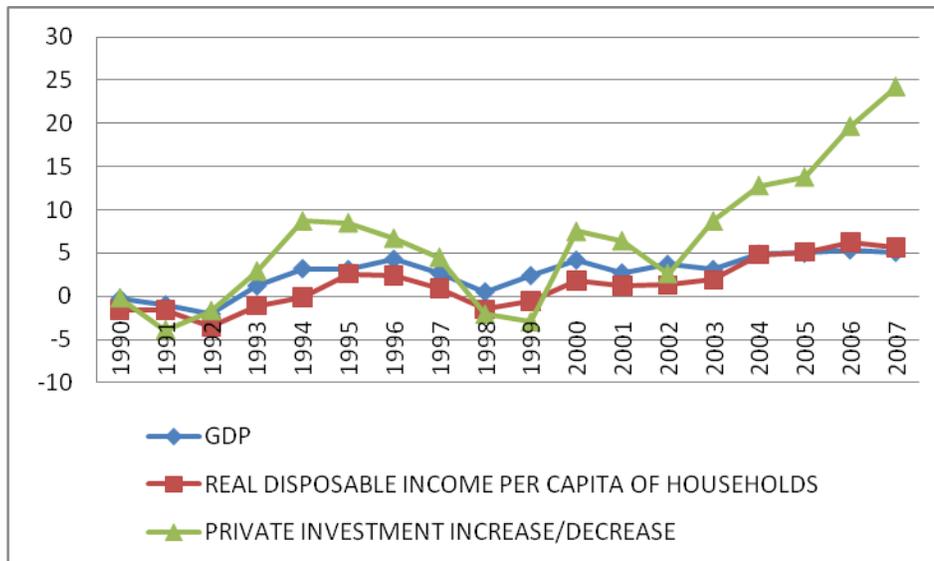
In this Phase I study, the private sector is represented by ownership of shares on the JSE and financial products such as insurance policies. From the above analyses, we can conclude that there has been considerable transformation in ownership both on the JSE and of financial products. Most notable is that, since the transition to democracy, ownership by Blacks has increased from about 5% in 1995 to a remarkable 23% in 2008.

4 Recommendations on how to achieve sustainable Black advancement

This study, so far, has already revealed that freedom from apartheid has liberated many previously disadvantaged South Africans to realise their potential and advance economically, socially and otherwise. Nevertheless, more has to be done to sustain this change and to extend Black advancement to the poorest of the poor. This includes identifying and focusing on the things that enhance growth and individual development, as illustrated below.

4.1 GDP/real disposable income per capita

Figure 35: Changes in GDP/real disposable income per capita of households and private investments 1990-2007



Source: Stats SA South Africa Survey 2007/2008

Figure 35 illustrates a direct and positive correlation between GDP, real disposable income per capita and private investments. It also highlights the fact that during the transition to democracy in 1994 there was an increase in all of these variables from their 1990 values (GDP from -0.3 to 3.7, real disposable income from -1.6 to -0.3 and private investments from -0.2 to 8.7). In 2007, the increases stand at 5.1 in GDP from 3.7 in 1994, 5.7 for real personal disposable income per capita from -0.3, and private investments from 8.7 to 24.3.

My findings show significant Black advancement within the same period both in the public and the private sector. It seems plausible, therefore, to recommend that the government should continue to free up the economy, and thereby enhance Black advancement, economic growth and improved real income per capita for all South Africans.

4.2 The question of the income gap

Table 5. Gini coefficient by population group

Population Group	1991	1996	2001
African	0.62	0.66	0.72
Coloured	0.46	0.50	0.60
Asian	0.52	0.56	0.64
White	0.49	0.52	0.60
Overall	0.68	0.69	0.77

Source: UNDP Development Index 2002

Since the transition to democracy, various critics of economic growth lament the fact that, although there has been an increase in economic growth in South Africa, the income gap between the rich and the poor has increased. This is illustrated by the Gini coefficients in Table 5. The impression is that the rich are getting richer, and the poor are getting poorer. In reality, despite the increase in the income gap, the poor, in fact, are getting richer, faster.

The concern about the income gap is misplaced for the following simple reason. According to Louw, 2006⁹, if rich person A earns R10,000 and poor person B earns R100, the income gap is R9,900. If they both get 10% richer due to a 10% abnormal growth rate, A then has R11,000 and B R110, and the new gap is nearly R1,000 bigger having increased from R9,900 to R10,800. Table 4 below illustrates a situation where even if the income of poor person B grows at a 20% growth rate, double that of rich person A at 10%, the expectation that the income gap would reduce is not met. What happens? The income gap still increases even while poor person B's income doubles faster.

Table 6:

Year	Low Income Person	Growth	Results	High Income	Growth	Results	Gap
1	R100	+20%	=R120	R1,000	+10%	=R1,100	R980
2	R120	+20%	=R144	R1100	+10%	=R1,210	R1,066
3	R144	+20%	=R173	R1210	+10%	=R1,331	R1,158
4	R173	+20%	=R207	R1,331	+10%	=R1,464	R1,257
5	R207	+20%	=R249	R1,464	+10%	=R1,611	R1,362

Table 6 shows that in a growing economy with an enabling growth environment, 'the rich get richer and the poor get richer faster' (Louw 2006).

⁹ Leon Louw (2006), Habits of Highly Effective Countries: lessons for South Africa

As apartheid has unravelled since the transition to democracy, many more Africans have been able to move up the occupational ladder. As the number in higher-paying occupations increased, so has the gap between high- and low-paid Africans also steadily grown. This confirms the findings by Whiteford and Van Seventer, in 1997 as quoted in Urbach 2009¹⁰ that the income of the top African decile grew 7%.

They also found that African households comprised 22% of the richest decile. This means that in the last 10 years there has been a significant shift in the composition of the wealthiest group in SA, which now includes a small number of extremely wealthy Black individuals. The poorest layer of the population is still predominantly Black, although an increasing number of White households is rapidly sinking into poverty.

The best way to increase the standards of living of the entire population is through economic growth. High economic growth will occur if the government concentrates on its core functions, substantially reduces barriers to doing business and restrictions on trade, and liberalises the labour laws. Increased economic growth will have positive spin-offs for all South Africans, and play a crucial role in Black Advancement.

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