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CORPORATE BUSINESS IN A WIDER ROLE

Brief results of two CDE surveys on resource flows from business to society in South Africa

The importance of the role of large enterprises and of private sector business in general as the engine of growth in modern economies is no longer seriously questioned. However, in numerous societies, including South Africa, many people are still ambivalent about the relative costs and benefits of the profit motive and the workings of the market. As a result, there is widespread disagreement over the extent to which governments have to intervene in the market to 'optimise' the contributions of the private sector. Such interventions can go beyond the imposition of taxes on profits to include a variety of levies and regulations and the exercise of moral or political pressure on business to conform to the expectations which governments have of its contribution to national development.

The extent to which intervention or moral persuasion should be brought to bear on the market is a vexed issue in South Africa. The new president has repeatedly voiced his expectations of business if it is to help develop and transform society. His views are among the more moderate versions of arguments to the effect that the normal operational spin-offs of business are an insufficient contribution by the private sector to society.

While much of the debate is driven by ideology, some of the differences of opinion stem from varying understandings of the basic facts of business operations. In the early 1980s, in the course of extensive surveys conducted as part of Project Free Enterprise, it was found that most workers in South African industry, for example, thought that costs of production were overwhelmingly absorbed by management remuneration, and that workers' wages were a minor element. They also thought that if business required more capital, government or banks would simply dispense it on request.[1]

Thanks no doubt in part to an increasingly sophisticated trade union movement, these inaccurate perceptions may no longer exist. This does not necessarily mean, however, that trade unionists, opinion leaders or the general public have a firm grasp of the ratios and quantities of resources involved in running business in South Africa today.

In an attempt to add some precision to the arguments around the role of business, CDE, as part of a wider project on the role of corporations in South Africa's transformation, has conducted two surveys aimed at recording some aspects of the resource flows from business to the society at large.[2] This report is a brief and provisional analysis of some of the major findings.

THE SURVEYS

In 1998 CDE conducted a survey among 75 of the country's largest or most prominent corporations. A comparison investigation was undertaken among a larger sample of more than 600 established businesses of all sizes, mainly small and medium enterprises. The two samples overlapped slightly because one or two large corporations also appeared in the sample of businesses of all sizes. The surveys were undertaken with the financial support of the South Africa Foundation.

CDE conducted the corporate survey in-house, and the field work for the survey among 600 businesses of all sizes was undertaken by Marketing Surveys and Statistical Analysis (MSSA); both surveys were supervised by Prof Lawrence Schlemmer, assisted by CDE staff. The corporate survey will be referred to as survey 1, and the survey among businesses of all sizes as survey 2.

Surveys among businesses are notoriously difficult to complete successfully, and response rates are frequently very low. Some indication of the problems in gathering data from enterprises can be seen in the difficulties which the state itself encounters. Statistics SA's returns from employer surveys in 1997 suggested

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a formal sector labour force of more than one million less than that estimated on the basis of its own Household Surveys in that year: 5,1 million versus 6,2 million. The survey conducted in 1998 by the department of labour on equity policies within companies of all sizes – numbering tens of thousands – achieved responses from only 455 companies.[3]

In survey 1, South Africa's largest 220 corporations (excluding state-owned companies) were canvassed by means of a hand-delivered questionnaire, under a covering letter signed by the chair of Business South Africa and the president of the South Africa Foundation.[4] CDE staff followed up with telephone calls and reminders, and the South Africa Foundation sent further letters of encouragement to companies which had not replied. Ample time was allowed for responses; eventually 75 returns were received, a response rate of 34 per cent.

The response rate notwithstanding, the 75 returns include South Africa's largest and most prominent companies, and the results are meaningful by virtue of the large proportion of total corporate activity in South Africa covered in the replies.

Survey 2 was based on personal interviews. A random sample of 1 000 formal and informal enterprises in all large South African cities was drawn. Some companies did not co-operate, but more had gone out of business, had merged with other companies or were not operating, and some had moved premises to unknown addresses. In the end responses were obtained from 615 businesses, 545 of them stable and active formal sector operations, and the analysis was based on these. Only selected issues were covered in the second survey. The sectoral distribution of respondents to both surveys is outlined in table 1.

The sectoral distribution of the two surveys differ, due largely to the greater size of companies in survey 1. However, both cover a comprehensive range. While generalisations have to be tempered with caution, both surveys contribute valuable information on resource flows from business into the broader economy: survey 1 represents a very large component of major corporate activity, and survey 2 strongly represents stable formal sector enterprises in major urban centres.

THE FINDINGS

Employment equity trends

Of particular interest in survey 1 is the progress made in achieving employment equity. The results for South Africa's leading corporations are as follows:

- At middle and senior levels of management, all blacks (Africans, coloured people and Indians) now occupy some 11 per cent of positions, and their numbers have increased by 130 per cent over the past five years.
- At lower-middle and junior levels of management, the proportion of all blacks is now 24 per cent, having increased by more than 110 per cent since 1993.
- Women enjoy a somewhat larger share of management positions than all blacks – 15 per cent at middle and senior management levels, and 30 per cent in lower-middle and junior management positions. This increase is slightly lower than that among blacks, however, at about 90 per cent at middle and senior levels, and 60 per cent at lower middle and junior levels over the past five years.
- Africans specifically occupy some 3–4 per cent of middle and senior management positions, and 10–11 per cent of lower-middle and junior management positions. These more modest achievements are largely due to the restricted supply of vocationally qualified African candidates.
- The constraints imposed by the lack of vocationally qualified personnel apply most specifically to Africans, but are also present with respect to coloureds, Indians and women. This is partly reflected by the fact that only 2 per cent of professional and advanced technical positions are held by Africans, and the proportions are hardly better at 3 percent for both all blacks and women. Managerial personnel are frequently drawn from professional and technical staff.

In respect of African advancement, it is important to note that only about 11–15 per cent of the entire labour force with vocational tertiary, professional

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Table 1: Sectoral distribution of respondents, CDE surveys 1 and 2

	Survey 1 (corporations)	Survey 2 (businesses of all sizes)
Mining	9	-
Manufacturing	34	90
Construction	4	77
Wholesale/retail	6	81
Finance/insurance/real estate/ business services	15	145
Services/accommodation/ transport/communications	7	152
TOTAL	**75**	**545**

and technical qualifications of a type relevant to commerce and industry is African.[5]

More rapid progress towards employment equity can be expected from now on. The 75 firms covered in survey 1 were training an *average* of 530 people per firm in special advancement programmes, and nearly 85 per cent of those being trained were Africans. Notably, 55 per cent of the Africans being trained in advancement programmes were women.

The 75 firms were spending about 17 per cent of their total training budgets on special advancement training. The proportion of personnel involved in these forms of special training is about 12 per cent of all personnel being trained, which suggests that special advancement training is more expensive than regular production training.

Employment equity policy

Only some 13 per cent of the 75 large corporations studied had no affirmative action or equity programmes in place. Most of those that had no current policy claimed that the shortage of qualified recruits was a major factor discouraging the adoption of a policy, and some firms with no programme had suspended programmes because they had not worked or the beneficiaries had been poached by other organisations.

Some 87 per cent of the large companies surveyed had programmes of equity-based advancement in place, and most of the programmes appeared to be of the type intended by the new employment equity legislation.[6] About 75 per cent of the firms had established either broad quotas or targets, the very large firms doing so more frequently than the remainder of large companies.

Furthermore, no less than 18 per cent claimed to be relaxing merit criteria in pursuit of progress in employment equity – a step which would hardly be easy to take for the private sector, but one necessitated by the fact that demand for equity candidates exceeds the supply of adequately qualified Africans in the employment market. This market is hotly contested by employers in the public, parastatal and private sectors, and the state and the private sector are actively raiding one another for adequately qualified and experienced personnel.

The very large firms were a little less inclined than others to relax merit criteria in making equity appointments, which is presumably due to the fact that the mega-corporations are better able to compete for qualified personnel and to develop talent through in-house training of such personnel.

The results mentioned above appear to contradict the findings of a survey commissioned by the department of labour in 1998. During a discussion of this survey just prior to a debate on the equity legislation in parliament, it was suggested that government believed business was reluctant to implement employment equity policies, and that this was particularly true of large corporations.[7]

The apparent contradiction requires some comment. Inter alia, the government survey had found that only 29 per cent of responding businesses had written employment equity policies, only 20 per cent had established written goals and timetables, some 78 per cent had not yet established an employment equity committee, and even more had not yet established the 'authority' to enforce equity policy and apply incentives. Anyone expecting these formal provisions would indeed reach the conclusion that the business sector was less than responsive on the issue of employment equity.

However, the questions on policy and structures in the government survey appear to be based on the familiar prescriptions of personnel, management or equity consultants. They do not take account of the fact that this is not the way in which businesses generally make and implement internal policy. More often than not 'policy' in business is unwritten and non-codified, but can nonetheless be effective because it rests on decisions and leadership by senior executives. In other words, the government survey could have been judging business on 'bureaucratic' textbook criteria. The CDE survey approached the issue on the assumption that most business decisions are not codified, but that they are effective nonetheless.

The problems surrounding the issue of employment equity mentioned by the corporate sector are fairly familiar to the debate on this subject. The most frequent problems recorded are:

- A lack of qualified recruits (mentioned by 66 per cent). About one third of these respondents noted that trained or newly appointed staff were usually poached because of the general shortage of skills;
- concerns that the policy will create racial tensions in the workplace (35 per cent);
- fairly intensive and extensive training is required, inter alia to develop managerial attitudes (17 per cent);
- a lack of support from management within company operations (11 per cent); and
- the perception that the expectations of equity appointees are unrealistically high, contributing to the problem of high staff turnover – or job-hopping – in these categories (11 per cent).

The 75 firms covered in CDE survey 1 were training an *average* of 530 people per firm in special advancement programmes. Nearly 85 per cent of those being trained were Africans

In addition, some 6 per cent of the large corporations mentioned that a previous affirmative action programme had failed. Some 5 per cent of firms were constrained by the fact that they were busy downsizing and could therefore not take on additional staff.

The general impression gained from survey 1 is that the corporations covered, at senior level, are anything but hostile to the concept of employment equity. When asked what the advantages of the policy were, the replies were as follows:

- a perception that the policy is morally justified (53 per cent mention – even higher among the largest companies);
- a realisation that equity targets and training lead to a clearer focus on training in general and can improve the quality of all training (30 per cent);
- similarly, a realisation that equity policies improve the procedures and criteria applied in promotion policy in general (18 per cent);
- a realisation that the policies, if applied correctly, can improve employee morale and productivity (17 per cent);
- a realisation that equity policies also encourage greater transparency and consultation within the firm: (12 per cent);
- a realisation that there are also large material and strategic advantages to the successful application of such policies, in the field of goodwill, marketing image, and improved capacity to win state contracts (22 per cent).

The positive responses listed above seem to confirm the conclusions reached by Professor Philip Black, namely that employers derive or expect to derive a net benefit from positive discrimination in favour of black employees. They expect affirmative action policies to improve their social standing and reputation, and to bring advantages in interaction with third parties.[8]

All these results taken together raise the question of whether or not legislation, yet to be implemented, is really necessary. The advances already made by companies have been at a time when the rationalisation of operations has not made additional appointments easy, and over a period when the public sector has been recruiting black staff more energetically than it has ever done or is ever likely to do in future, underscored by a general shortage of qualified black personnel.

Admittedly, many companies may have made progress because they have been anticipating the effects of the legislation, but the positive views expressed in respect of the principle of affirmative action suggest that processes in the society far broader than the legislation itself have had an effect and may have been sufficient to ensure optimum progress in employment equity in the corporate sector. Black makes the point that, after a required minimum of employers have established affirmative action policies, it becomes a 'social custom', exerting pressure on more and more employers to conform to the norm.

Depending on how the specific regulations in support of the employment equity legislation are formulated and implemented, there could be a danger of policy 'overkill', particularly since the administrative problems involved in preparing regular reports and the dangers of staff and unions using the legislation to gain leverage may reduce some of the growing support for the policy among employers.

At this stage, however, progress is being made and the attitudes of employers are improving.

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Corporate social investment

Corporate social spending is the most visible 'special' or non-operational contribution which business can make to a society. In recent years, particularly in the United States, it has become a fairly common institution in corporate business.

In this analysis a distinction will be drawn where possible between social spending on sport and sport promotions and other forms of social spending, since the former is often a form of advertising, its benefits for the community notwithstanding.

The corporations which responded to survey 1, as well as the foundations associated with them, spent an average per company of R11,81 million on CSI in the 1997 financial year, and R7,7 million if sport sponsorship is excluded (included in non-sport CSI, however, is an average of some R550 000 per company on sport development programmes). The percentage breakdown of overall spending,

Table 2: Percentage breakdown of CSI of R7,7 million per company, 1997/8*

Education and related	44
Small business development	15
Arts, music and drama	13
Welfare and benevolence	13
Sports development	6
Policy/research grants to NGOs	5
Environment	4
TOTAL	**100**

** For the 75 largest corporations. This excludes sports sponsorships.*

excluding sponsorships but including sport development, is shown in table 2.

In 1997/8 the 75 large corporations surveyed and their foundations spent about R580 million on CSI, excluding sport sponsorship but including sport development programmes. If sport sponsorship is included, total spending of some R880 million was recorded.[9]

Any attempt to generalise for the whole target group of 220 on the basis of the contributions of these 75 companies would be speculative. It would certainly be misleading to assume that the other companies would have spent similar amounts; in fact, it must be assumed that the average contributions of the non-responding companies would be lower than those of the 75 that responded, for two reasons. First, the non-responding companies tend to be smaller than the 75 companies. Second, the respondents are most likely to be the more 'socially responsible' companies. For example, the last 12 companies to respond spent on average some 26 per cent less on CSI than the sample as a whole, and some 30 per cent below the sample average in respect of non-sport spending.

Very rough estimates of the sizes of the non-responding companies in terms of turnover relative to those of the responding companies suggest that the total turnover of the 145 non-responding companies would have been some 35 to 40 per cent of the total turnover of the 75 responding companies.[10] Furthermore, if one allows for the possibility mentioned above of lower levels of social expenditure among the non-responding remainder of the initial sample, then it would be unlikely that the total CSI spending among the non-responders would be more than *very roughly* 25 per cent of the spending among the 75 co-operating companies.

While once again emphasising that the generalisations are speculative, the estimates above suggest that the large corporate sector would spend about R1,1 billion on CSI per annum, or about R725 million per annum if sport sponsorship is excluded. This is a substantial flow of resources to the community.

The large corporate sector, however, represents only a small minority of businesses. In survey 2 among stable city-based business of all sizes, a similar question was asked in respect of social spending (CSI) in general. Unfortunately, sport could not be isolated. The companies were of varying sizes, but most were small and medium-sized.

The companies claimed to be spending an average of R102 100 per firm, and among the larger firms with a turnover of R10 million and more the average amount was R507 000 per firm. The pattern of social spending tends to be different to that of the large corporations, with relatively less spending on sport and education but relatively more on local welfare and benevolent agencies. Small and medium-sized companies are the backbone of local welfare initiatives.

On the basis of information furnished by the receiver of revenue, the registrar of companies and Braby's Directories, it may be assumed that there are at least about 50 000 companies in South Africa of the sizes targeted in survey 2.[11] This means that, for 1997/8, total donations and CSI in the private sector as a whole could be estimated at about R5,1 billion. If allowance is made for a possible exaggeration of expenditure, or that the non-response might have reflected below-average spending, the estimate should perhaps be more cautiously presented as R4–R5 billion, sport sponsorships included.

For 1997/8, total donations and CSI in the private sector as a whole could be estimated at about R4–R5 billion

Social spending of R4–R5 billion is about the size of the budget of a medium-sized national line department in 1997/8, such as prisons (R3,9 billion), agriculture (R4,5 billion), or transport (R7,3 billion). As such it represents a very considerable resource flow from business to the community, particularly if it is borne in mind that business is under no formal obligation to spend this money, and that, in South Africa, the tax relief which business enjoys from grants and donations is relatively limited.

A total amount of R4–5 billion puts the corporate contribution by 220 companies of roughly R1,1 billion (obviously included in the larger figure) in a broader perspective.

It is interesting to compare the levels of CSI among small and medium-sized businesses – derived from a subsample of survey 2 – with those among the large corporations. This is done in table 3.

The figures drawn from the subsample of survey 2 show that the CSI of small and medium-sized companies in the sample of business of all sizes, namely those employing fewer than 100 people, is lower than the relative expenditure in the corporate sector.

Broadly, the results suggest that, on average, the major corporations were spending roughly 1,3 per cent of after-tax profits on CSI in 1997 – about 0,7 – 0,9 per cent of pre-tax profits. These estimates are

Table 3: Total CSI as percentages of gross income/turnover: averages across sample*

Corporate sector (CDE survey 1)	0,26 %
Subsample of CDE survey 2: small/medium enterprises, n 376	0,15 %

** Average levels are assumed among non-responding companies.*

cautious, and they may be conservative, but the Corporate Social Investment and Development Handbook 1999 tends to confirm the latter estimate since it suggests that CSI among the largest 100 corporates in South Africa was 1,16 per cent of pre-tax profits in 1997/8, which is close to the estimate derived from CDE survey 1, and some of the Handbook's figures were for a later period than the CDE survey.[12]

Assuming, then, that the level of corporate spending in South Africa lies somewhere between 0,8 per cent and 1,1 per cent of pre-tax profit, it is well ahead of large companies elsewhere in the world, and at about the same level as spending in the United States (0,9 per cent in 1996) and Canada (0,8 per cent in 1994).[13] As already noted, this is all the more remarkable in view of the fact that the tax incentives for social spending are more limited in South Africa than they are in the United States.

Other social investment resource flows

In the course of the interviews, questions were posed about the values of resource flows other than CSI. This included outsourcing or subcontracting to emerging black business, partnerships with or investments in empowerment exercises, the value of time made available for non-profit development activity, and the value of educational and housing benefits for employees.

To give some idea of the scale of such contributions they are related to the CSI expenditure, both for the firms in the corporate sector and the general sample of firms of all sizes. It is not suggested that this activity is similar to corporate grant-making, but it is a resource flow with significant social impact (see table 4).

These results illustrate that the well-known and much publicised grant-making and donations activity of business is not the major form of 'social' investment. Even among small and medium companies the outsourcing and subcontracting to emerging black businesses is a larger resource flow than donations. The reason for this is undoubtedly that there is a more immediate business logic in the other items of expenditure outlined in these comparisons than in social giving as such. Corporate linkages with small and medium business are being forged for good business reasons.[14]

The core contribution of business

One may accept, then, that while CSI is a valued contribution of business to society and large in its impact, it is relatively small compared with other resources flowing from business.

This fact is even more telling when the 'social' contributions are compared with the resource flows emanating from the core activity of business. Results from the sample of 75 major corporations show that, in the financial year 1997/8, for every R100 earned by them in after-tax profit the following amounts are injected into the economy:

Wages, salaries and benefits	R280,00
Export earnings	R147,00
New investment of all types	R118,00
Corporate taxes, product taxes, levies, duties and rates	R69,00
Training	R13,00
Outsourcing and partnerships with emerging black business or empowerment ventures	R9,00
CSI (excluding sport sponsorships), and the time of executives assisting development initiatives or state activities	R1,30

This table should not be regarded as a generalised reflection of a typical company expenditure statement. The figures are not necessarily in the ratios that one might expect of a company statement, because the indices are in fact separately calculated averages of resource flows from a sample of businesses of varying characteristics.

While CSI is a valued contribution of business to society and large in its impact, it is relatively small compared with other resources flowing from business

Table 4: CSI and broader social responsibility goals: averages per company*

	Corporate sector CDE survey 1 (Rm)	Business all sizes CDE survey 2 (Rm)
Total CSI	R 11,8	R 0,102
Outsourcing etc to emerging business	R 24,4	R 0,209
Partnerships/investment in empowerment ventures	R 25,1	not asked
Secondment and time of executives in development	R 3,3	not asked
Staff benefits: education and housing	R 15,55	not asked

** Non-response given average values.*

On this basis, the implications of the results may be considered. The top three items reflect the real scope of the contribution of the corporate sector to society. By way of analogy, if corporate enterprise is seen as a figurative hamburger, CSI and the contribution in kind to social development are the salad and sauce, and taxes and levies the bite which the state takes; but the generation of export earnings, new investment, wages, and the satisfaction of market need for products are the real beef.

This is true not only of the corporate sector but of the small and medium-sized enterprise (SME) sector as well. Survey 2 did not cover after-tax profits, but some of the expenditure discussed above can be related to gross turnover. Thus table 5 compares the amounts generated for every R1 000 in turnover or gross operating income among companies in survey 1 and 2. Once again the SME sector, while not on a par with the corporate sector except in respect of outsourcing to black business, is not to be spurned in terms of the resources flowing into the economy and society.

KEY IMPLICATIONS

Employment equity

- Levels of achievement are still very modest in the corporate sector compared with those in the civil service, but very rapid progress has been made over the past five years, with the number of Africans, coloureds and Indians in management positions having increased by well over 100 per cent in this period. This progress has been recorded despite the fact that the corporate sector has been downsizing and rationalising labour in pursuit of greater competitiveness.
- More rapid progress can now be expected because an average of more than 500 people per corporation are participating in special advancement programmes. Particularly significant is the fact that more women than men are benefiting from special equity training.
- The greatest single impediment to more rapid progress is the shortage of qualified and experienced recruits, to the extent that nearly one in five major corporations are relaxing merit criteria in their advancement programmes.
- While the progress made is probably partly due to the anticipation of employment equity legislation, the fact that virtually all corporate respondents see advantages for their companies in affirmative action programmes means that the threat of penalties is not the only motivating factor. Attitudes to employment equity among the corporates are surprisingly positive, and more rapid advancement of blacks could have been expected even without legislation.
- Corporate employers have not necessarily formulated codified policies or established formal authority structures in respect of employment equity programmes, but this is not normally the way in which policy is pursued in business, and it does not mean that their policies will be less effective.

Corporate social investment

- The leading corporate sector covered in survey 1 (as generalised for the whole sample) appears to have spent about R725 million in CSI in 1997/8, with education the major beneficiary. If sport sponsorship is included, the leading corporate sector probably spent about R1,1 billion in this period.
- As one would expect, SMEs, with fewer than 100 employees, make a more modest contribution, but one which should not be spurned. The SMEs in survey 2 spent up to R230 million on welfare, social, educational and sports projects in 1997/8.
- All business in South Africa, from small, medium and large businesses to the much smaller number of firms in the major corporate sector probably spent more than R4 billion on total CSI, sport included, in 1997/8. This flow of resources is very substantial, roughly equalling the annual budget of a medium-sized government department.

The real beef in the hamburger of the business contribution to the economy and society consists of investments, export earnings, wages and salaries

Table 5: Amounts generated for every R1 000 in turnover or gross operating income among companies in CDE survey 1 and 2

	Corporations (CDE survey 1)	Small/medium enterprises (CDE survey 2)
Annual average in fixed investment over 5 yrs	R 143,00	R 52,00
Outsourcing to black business	R 5,30	R 5,72
Total training budget	R 16,70	R 5,46
Total CSI:	R 2,60	R 1,49
Salaries and benefits	R 354,75	not asked
Export earnings	R 186,12	not asked
Company tax	R 60,43	not asked
Average turnover	**R4 573 million**	**R4,55 million**

- In relative terms, corporate social spending in South Africa appears to be roughly on a par with that in the United States and Canada, and well in advance of spending among corporations elsewhere in the world.

The big numbers: other resource flows into the economy and society

- In the major corporate sector, CSI is a relatively minor component of the flow of resources from business to society. The major contribution of the corporate sector is in those areas that are aligned to ongoing business operations.
- For every R100 in after-tax profits, the major corporate sector generated R280 in wages, salaries and benefits; R147 in export earnings; R118 in new investments of all types; and R69 in taxes, levies, duties and rates. By contrast, CSI, despite its size and importance in addressing special social needs, amounts to only some R1,30 for every R100 in profits.
- Within this comparative framework, training amounted to R13, and outsourcing to and partnerships with emerging black business to some R9.
- Hence the real beef in the hamburger of the business contribution to the economy and society consists of investments, export earnings, and wages and salaries.

Many influential people in South Africa and elsewhere believe that the CSI should be taken as the main measure of the social contribution of business. Flowing from this misunderstanding, various pressures are brought to bear on business to demonstrate its 'citizenship' through activities and contributions that are marginal to its core functions and utilities.

In this regard it has to be considered that business is under counterpressures as well. Domestic and international fund managers and investment advisers are unlikely to be impressed if shareholder returns are even modestly reduced by unusually generous CSI budgets. If, particularly in a competitive capital market, any business does not prioritise its profitability and returns to shareholders, it is its most significant contributions to society that will suffer.

The notion that South African business has yet to 'prove' its patriotism is difficult to sustain in the light of the resource flows which this study has documented. Corporate social spending in South Africa compares favourably with that in other countries. There can be little doubt that the single most important and 'patriotic' thing that business in South Africa can do is to demonstrate sound returns on capital, because this, above all else, will bring more capital in its wake, and with that more employment and more tax revenue: the real beef in the South African business burger. ■

While CSI is a valued contribution of business to society and large in its impact, it is relatively small compared with other resources flowing from business

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3 Statistics SA, news releases and results of October Household Surveys. See *Business Day,* 21/8/1998, for information on the department of labour survey.

4 The 220 companies were chosen from a combination of the *Financial Mail* top companies listings (1997), a private companies listing provided by MacGregors, the South Africa Foundation's membership list, SACOB's private membership list, and the subsidiary lists of the 18 largest corporate holding companies.

5 This estimate is adapted from the analysis by Prof Karl Hofmeyr and Marius van Wyk, Setting targets for affirmative action, *People Dynamics,* November/December, 1997.

6 Employment Equity Act, no 55 of 1998.

7 See report on the discussion of the responses of 455 businesses to the department of labour survey in *Business Day,* 21/8/1998.

8 P A Black, Affirmative action in South Africa: rational discrimination according to Akerlof, *South African Journal of Economics,* 64 (1), 1996.

9 In both surveys 1 and 2 there were companies which spent nothing at all and in whose cases the value recorded was zero. In many cases, however, the respondents could not provide precise amounts, and these were recorded as 'no information'. In these cases the amount recorded could not be zero, and therefore the average amount was assigned. Hence the non-response did not bias the results in either an upward or downward direction.

10 Tentative estimates based on published data in *Financial Mail* special survey of Top Companies, June 26, 1998.

11 Information given in the course of telephonic enquiries to the South African Revenue Service, The Registrar of Companies, and Braby's Directories (Pty) Ltd.

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13 Ibid.

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'Social spending of R4–R5 billion is about the size of the budget of a medium-sized national line department in 1997/8, such as prisons (R3,9 billion), agriculture (R4,5 billion), or transport (R7,3 billion). As such it represents a very considerable resource flow from business to the community'

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