The Corporate Footprint of Business Leadership South Africa’s Members

November 2017
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1 Background

BLSA is committed to promote the importance of business as a national asset. Our members play a vital role in developing South Africa’s economy for the benefit of all its stakeholders. A strong business sector is essential to increase the country’s international competitiveness and to deliver economic growth, transformation and inclusion.

It is with these aims in mind that we had commissioned a study on the national footprint of BLSA’s members.

Quantec Research was tasked to conduct empirical research on the scope and magnitude of our members’ activities and their contribution to the economy.

Our 73-member organisations cover most major sectors in the economy and they all deliver goods and services which are either consumed domestically, or exported abroad. In the process they create jobs, invest in capital assets, pay taxes, and provide crucial goods and services to other businesses. In growing their businesses, they also generate income for future growth and for their shareholders. This, in turn, is necessary to ensure that employees can grow their savings and provide income for their retirement.

<table>
<thead>
<tr>
<th>The economic value created by BLSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>The combined revenue of the 57 members included in the study was R1.72 trillion, while the value created through their operations was R750 million in 2016.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Value creation by BLSA members (R million)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>Direct economic value generated</td>
</tr>
<tr>
<td>Revenue</td>
</tr>
<tr>
<td>Less: Payments to suppliers for materials, goods and services</td>
</tr>
<tr>
<td>Value generated through operations</td>
</tr>
<tr>
<td>Other income</td>
</tr>
<tr>
<td>Total value created</td>
</tr>
</tbody>
</table>

| Direct economic value distributed         |       |       |
| To employees                             | 288,603 | 272,649 |
| To providers of finance                  | 62,937  | 51,115  |
| To shareholders                          | 90,534  | 78,539  |
| To government                            | 65,587  | 65,323  |
| Retained for growth                      | 242,054 | 238,844 |
| Total value distributed                  | 749,716 | 706,470 |
The value created by the members was distributed as follows:

- 67% to suppliers of goods and services,
- 19% to employees,
- 4% to providers of finance,
- 6% to shareholders, and
- 4% to government.

The members added a further R153 million in capital expenditure to generate a BLSA direct impact of R1.87 trillion in 2016.

To understand the BLSA impact in relative terms, it may be compared to:

- The R1.87 trillion BLSA direct impact is 1.4 times the value of total expenditure by government in 2016.
- BLSA represents 22.3 percent of South African output; government output amounted to 13.0 percent of national output.
- The GDP at market prices created because of the BLSA’s direct activities is R920 million; representing 21.1 percent of South African GDP; general government expenditure represents 20.6 percent of GDP.

## 2 Basic methodology

Financial data of a pre-selected set of corporate businesses (BLSA members) were used to estimate their economic footprint on the domestic economy. A Social Accounting Matrix based input-output model for was used to estimate the economic contribution that these companies made to the South African economy.

A social accounting matrix (SAM) can be defined as a matrix representation of all transactions and transfers between different production activities, factors of production, and institutions (households, corporate sector, and government) within the economy and with respect to the rest of the world. A SAM is therefore a comprehensive accounting framework within which the full circular flow of income from production to factor incomes, household income to household consumption, and back to production is captured.

In a SAM, all the transactions in the economy are presented in the form of a matrix. The columns usually represent expenditures and the rows incomes. The double-accounting principle ensures that the totals in the rows will equal the totals in the columns.
3 Dimensions measured

An important application of an input-output-based approach is multiplier analysis. Such analysis is considered to be a valuable tool in estimating the economic footprint of an economic activity in the South African economy. The flows, linkages and multiplier effects at work, can be illustrated by means of the following diagram, where an increased demand for steel products from the rest of the world is assumed:

**Circular flow of income in the multiplier process**

The impacts involved in the multiplier process, can in short be described as follow:

Direct (or initial) impact

This is the footprint of the business itself based on its contribution to output. This shows the effect of changes in business activity and production occurring as a direct consequence of the footprint of business.
Indirect impact

The indirect impact measures the effect of changes in sales by suppliers to the directly-affected businesses, including trade and services at the retail, wholesale, and producer levels. For example, other businesses required to supply goods and services to certain private incorporated businesses, will also need to expand, which will again affect yet other businesses or sectors. This can theoretically happen an infinite number of times, until the change becomes too small to measure.

Note: For purposes of this study, the sum of the direct and indirect impacts can be regarded as the “footprint” of BLSA members.

Induced impact

The induced impact measures further changes in spending on consumer goods and services caused by a change in the personal income of workers employed by the directly and indirectly affected businesses.

Economy-wide impact

The economy-wide impact is merely the sum of the effects of the direct, indirect and induced impacts.

4 Impacts on sectors and economic magnitudes

BLSA members’ activities were allocated to one or more of the 46 sectors comprising the national economy, depending on their main areas of business. The results obtained were then aggregated into nine major sectors.

These major sectors are:

- Agriculture, forestry and fishing
- Mining and quarrying
- Manufacturing
- Electricity, gas, steam and water
- Construction
- Wholesale and retail trade, and accommodation
- Transport and communication
- Finance and business services
- Government and other services

Economic footprint activities are classified, firstly, into operational and capital expenditure activities. These activities are then further classified according to various economic
metrics such as output; gross value added and gross domestic product; capital formation; employment; labour remuneration; and taxes paid. These concepts are related as shown in Table 1.

The economic footprint of BLSA members will now be briefly discussed by listing the most important economic activity metrics. For each, the members’ direct and indirect impacts will be shown, on a sectoral basis, by means of a “dashboard”. Although, strictly speaking, the induced effects do not form part of members’ footprint, these figures will also be shown.

### Relationship between economic production and distribution concepts

#### (2016 R billion)

<table>
<thead>
<tr>
<th></th>
<th>BLSA direct (initial) impact</th>
<th>BLSA direct and indirect impact</th>
<th>BLSA Economy-wide impact (direct, indirect &amp; induced)</th>
<th>Total SA domestic economy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output at basic prices</td>
<td>1,874</td>
<td>3,020</td>
<td>4,783</td>
<td>8,412</td>
</tr>
<tr>
<td>Less: Intermediate consumption</td>
<td>1,074</td>
<td>1,707</td>
<td>2,707</td>
<td>4,540</td>
</tr>
<tr>
<td>Value added at factor cost</td>
<td>800</td>
<td>1,313</td>
<td>2,076</td>
<td>3,871</td>
</tr>
<tr>
<td>Net Taxes on Products</td>
<td>15</td>
<td>28</td>
<td>45</td>
<td>78</td>
</tr>
<tr>
<td>Gross value added at basic prices</td>
<td>815</td>
<td>1,341</td>
<td>2,121</td>
<td>3,949</td>
</tr>
<tr>
<td>Less: Compensation of employees</td>
<td>315</td>
<td>544</td>
<td>905</td>
<td>2,051</td>
</tr>
<tr>
<td>Less: Net taxes on production and imports</td>
<td>15</td>
<td>28</td>
<td>45</td>
<td>78</td>
</tr>
<tr>
<td>Gross operating surplus</td>
<td>485</td>
<td>769</td>
<td>1,170</td>
<td>1,820</td>
</tr>
</tbody>
</table>

#### Table 1

### BLSA top ten companies by concept: 2016

Eskom has the largest impact on output and capital formation, while FirstRand has the largest impact on GDP at market prices and on Value Added. Bidvest is the largest employer, while Sasol contributes the most in terms of taxes. A table showing the 10 largest companies by concept is given in Appendix F.

### 5 Output

Output is the total value of goods and services produced by firms during a given period of time. Such output can either be destined for final consumption or used as intermediate inputs in the production process.
The information of the 57 BLSA members included in this study, shows that a median direct output value of R18.6 billion was generated per member organisation in 2016. This amounted to a total for all these members of R1,874 billion.

When indirect effects are added to the direct impact, the footprint of BLSA members amounted to R3,020 billion, while the economy-wide impact amounted to R4,783 billion, or roughly 36% of the total South African domestic economy’s output.

The BLSA members’ direct and indirect impact was up 4.8% on the 2015 value.

As far as the sectoral footprint of BLSA members is concerned, most companies’ activities were classified under finance and business services followed by manufacturing. These two sectors combined had a direct output effect of around R905 billion. This was 48% of the 57 BLSA members’ direct output impact which measured R1,874 billion.

The biggest relative indirect impact came from members allocated to mining and quarrying. This sector’s direct impact amounted to 40.6% of its economy-wide impact, compared with only 16% indirect impact share measured for members in the government and other services sector.

Although only 1.9% of direct output of BLSA members could be attributed to agriculture, the indirect and induced effects were sizeable, increasing this sector’s economy-wide impact to R113 billion.
6 Intermediate imports

Intermediate imports are producer or semi-finished products used as inputs in the production of other goods, including final goods. A firm may then add value to such goods to produce either further intermediate or final goods.

As would be expected, the intermediate imports goods impact of manufacturing entities was fairly large. In 2016, the BLSA members’ direct impact in manufacturing measured just more than R37 billion, with indirect impacts adding another R33 billion. The direct and indirect impacts together amounted to around 31.6% of total South African intermediate imports across all sectors.
The direct impact of intermediate goods imports on BLSA members in the construction sector was also substantial, at around R6.5 billion, although the indirect impacts measured only R2.8 billion.

7 Gross value added (GVA)

Gross value added provides a rand value for the amount of goods and services produced during a given time period, less the cost of all inputs and raw materials that are directly attributable to this production. In essence, it measures the rand value contribution of the production factors, namely labour and capital.
As can be seen from Table 1, gross value added is obtained by subtracting intermediate consumption from output.

Similar to the magnitude of output, the GVA contribution of BLSA members was also the largest in the finance and business services sector, with the direct impact of GVA of companies allocated to this sector, having amounted to R343 billion in 2016.

The combined spending by members on operational activities and capital goods, had a direct and indirect GVA impact of R1,313 billion in 2016 which was around 35% of the total economy’s GVA. This was 6% up on 2015’s figure.

8 Gross domestic product (GDP)

GDP is a similar measure as GVA, but calculated in a different manner, namely as the monetary value of finished goods and services produced within a country’s borders in a specific time period.
9 Compensation of employees

The total remuneration paid to full-time or part-time employees in the domestic economy, amounted to R2,051 billion in 2016. This includes wages as well as all other employee benefits. Just more than 44% of this total was attributable to the economy-wide impact of BLSA members.

The direct (initial) impact of BLSA remuneration spending amounted to R315 billion in 2016, with the three largest sectors being finance and business services (R106 billion), manufacturing (R47 billion), and transport and communication (R45 billion).

The total economy-wide impact of compensation paid to employees, came to R905 billion in 2016, which was up 7.6% on 2015’s figure.

The graphs below show the share of BLSA’s compensation of employees to total labour remuneration in the economy; however, if BLSA’s direct impact are compared to that of the formal labour market it increases from 26% in 2016 to 28%.
The average per-company-average wage paid by the BLSA companies was R423,879 per year in 2016, while the median average wage was R363,478 per year, the minimum average wage paid was R539, but this is a company with many seasonal workers. The highest average wage was R1,598,462 per year by an international company with a limited South African presence.

10 Taxes

Taxes paid by BLSA members consist of indirect taxes imposed on commodities or market transactions and direct taxes imposed directly on companies. Pay-as-you-earn amounts, which are direct taxes payable by individuals, are also paid to SARS on behalf of employees. The same would apply to dividend taxes which are paid on behalf of investors.

As is the case with other economic activity metrics, taxes can also be seen as having direct, indirect and induced impacts. Economic activity generated by a particular
company in a specific sector will, through its multiplier effects, also expand the upstream and downstream tax liabilities and payments of other affected entities.

The most important indirect taxes include value-added tax, excise duties, fuel levies, and customs duties, while various types of property taxes may also apply.

Indirect taxes paid by BLSA members which resulted from their direct and indirect impacts, amounted to R197.7 billion in 2016. This represented a rise of 7.2% on the 2015 figure.

**BLSA Members’ Net Indirect taxes Impact (Opex & Capex) : 2016**

- **BLSA sectoral impact**
  - Agriculture, forestry and fishing
  - Mining and quarrying
  - Manufacturing
  - Construction
  - Electricity, gas, steam and water
  - Transport and communication
  - Wholesale & retail trade; accommodation
  - Finance and business services
  - Government and other services

- **Economy-wide impact BLSA (R bn)**
  - 142
  - 120
  - 78

- **Sectoral share: BLSA & total economy**
  - Agriculture, forestry and fishing
  - Mining and quarrying
  - Manufacturing
  - Transport and communication
  - Electricity, gas, steam and water
  - Construction
  - Wholesale & retail trade; accommodation
  - Finance and business services
  - Government and other services

**Figure 8**
Apart from indirect taxes, corporate taxes paid by BLSA members in 2016 came to R105.9 billion, while personal taxes paid on behalf of employees amounted to R127.4 billion.
One way of looking at the magnitude of the contribution that member companies are making to the fiscus, is to express their taxation impact in terms of social or security expenditure components that one can easily relate to.

Four examples of such social / security expenditures are: number of annual child grants; number of low-cost housing units; number of high-school teachers and number of police constables.

- Child support grants amount to R380 per month per child with more than 12 million beneficiaries at the age of 18 years or younger.
- It is estimated that 3 million low-cost (RDP) houses have been built since 1994 at a cost of between R100,000 and R120,000 per unit. However, it is reported that the cost of fixing such a house can be upwards of R300,000.
• Some 435,000 teachers are currently in employ, with school enrolment standing at around 12.8 million learners. The median salary of a high school teacher is currently at around R193,000 p.a.

• In 2015, 103,700 police officers out of a total police force of around 195,000 were engaged in visible policing. The median pay scale for a police constable is around R140,000 p.a.

11 Gross operating surplus (GOS)

The gross operating surplus of companies is calculated as their gross output, less the cost of intermediate goods and services (to give gross value added), and less compensation of employees. It is gross because it makes no allowance for depreciation of capital. GOS can be seen as an economic measure of profit.

**BLSA Members’ Gross Operating Surplus Impact (Opex & Capex) : 2016**

![BLSA sectoral impact](image)

![Economy-wide impact: BLSA (R bn)](image)

![Sectoral share: BLSA & total economy](image)

The direct impact of BLSA members on the total gross operating surplus in the economy, amounted to R485 billion in 2016. Additional indirect effects caused the footprint impact...
of BLSA members to amount to R769 billion. This comprised some 44% of total GOS recorded in the South African economy.

At a sectoral level, electricity, gas and water showed the biggest increase (28.3%) compared with a year ago, while a substantial decline (-9%) was recorded by manufacturing. Overall, GOS of BLSA members in 2016 was 5.3% higher than a year ago.

12 Gross fixed capital formation (GFCF)

Gross fixed capital formation (GFCF) refers to the net increase in physical assets (fixed investment minus disposals) within the measurement period. It does not account for the consumption (depreciation) of fixed capital, and also does not include land purchases.

Sufficient investment in future production capacity is an essential requirement for high and sustained levels of future growth and development. Fixed capital formation is often cyclical, with recession periods often experiencing a sharp fall in gross fixed capital formation. This is because if output falls, firms expect to make lower profits, therefore they start planning for a decline in output and expenditure.

In general, developing countries often devote a higher percentage of GDP to investment. Countries with rapid rates of economic growth usually invest heavily in more fixed assets as a result of such growth and to facilitate continued rapid economic growth.
However, according to World Bank calculations, South Africa’s GFCF/GDP ratio has been below those of low & middle-income countries and even, with the exception of a few single years, below those of high income countries since 1990.
The footprint impact (direct and indirect effects) of BLSA members amounted to 39\% of total GFCF in 2016, but amounts varied substantially between companies. A median amount (in terms of direct or initial capital spending) of around R1.1 billion per company was recorded, with the highest amount reaching R59.5 billion.

At a sectoral level, the direct impact of BLSA members’ spending on GFCF amounted to around R60 billion for each of the electricity, gas & water and transport & communication sectors.

13 Employment

Employment, consisting of both formal and non-formal employment, amounted to around 15.6 million people in South Africa in 2016. Formal sector employment was about 11.6 million while informal employment amounted to 4 million people in 2016. This represented 25.5\% of the total workforce of 15.6 million.

The median employment level of BLSA members in 2016 came to 10,376, with an average employment level of 13,824 having been recorded. The largest employer had 110,500 people.

BLSA members’ direct impact on total employment was 1.29 million people, while indirect effects implied that an additional 2 million people could be employed in 2016.

As far as direct impacts go, finance and business services (411,000) and construction (239,000) made the biggest contributions to employment in 2016. This represents 31.8 and 18.5 percent of the total employment for these two sectors, respectively. The largest
indirect impacts were measured by finance and business services and the wholesale & retail trade & accommodation sector.

**Employment gains and losses**

BLSA’s direct impact on total formal employment increased with 18,833 jobs from 2015 to 2016. The largest gains in employment were in some financial and business services companies; these BLSA companies also contribute significantly to the total BLSA direct impact on formal employment. The largest losses in employment were in some mining and construction companies, although some job losses (especially in mining) were due to the sales of operations.

According to Statistics SA, informal employment comprises workers who are in precarious employment situations, irrespective of whether or not the entity for which they work is in the formal or informal sector. Persons in informal employment usually are not entitled to basic benefits such as pension or medical aid contributions from their employer, and they do not have a written contract of employment.
As far as direct impacts are concerned, some 148,000 workers of the 1.29 million people in BLSA members’ employ were classified as being informal workers. Of these informal workers, some 80% were working in the construction sector and just more than 14% in the wholesale & retail trade and accommodation sector.

### Dependency ratios

The dependency ratios in South Africa are substantial due to South Africa’s high unemployment rate. In 2016 the total dependency ratio is 52 persons per 100 workers, the child dependency ratio is 43.5 persons and the aged dependency ratio is 8.7 persons. This means that a total of 596,719 persons are potentially dependent on BLSA workers, given the BLSA’s direct impact on total employment of 1.29 million people.

<table>
<thead>
<tr>
<th>Dependency (Number)</th>
<th>2016</th>
<th>BLSA Impact</th>
<th>Supply Chain Impact</th>
<th>Induced Impact</th>
<th>Economy-wide Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Dependancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>611,206</td>
<td>1,372,288</td>
<td>1,427,972</td>
<td>2,800,259</td>
<td></td>
</tr>
<tr>
<td>Coloured</td>
<td>556,038</td>
<td>1,248,423</td>
<td>1,299,081</td>
<td>2,547,503</td>
<td></td>
</tr>
<tr>
<td>Indian and Asian</td>
<td>431,381</td>
<td>968,541</td>
<td>1,007,842</td>
<td>1,976,383</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>555,223</td>
<td>1,246,594</td>
<td>1,297,178</td>
<td>2,543,772</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>596,719</td>
<td>1,339,762</td>
<td>1,394,126</td>
<td>2,733,888</td>
<td></td>
</tr>
<tr>
<td>Child Dependancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>529,267</td>
<td>1,188,318</td>
<td>1,236,537</td>
<td>2,424,854</td>
<td></td>
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<tr>
<td>Coloured</td>
<td>463,433</td>
<td>1,040,507</td>
<td>1,082,728</td>
<td>2,123,234</td>
<td></td>
</tr>
<tr>
<td>Indian and Asian</td>
<td>301,854</td>
<td>677,725</td>
<td>705,226</td>
<td>1,382,951</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>272,530</td>
<td>611,888</td>
<td>636,717</td>
<td>1,248,605</td>
<td></td>
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<tr>
<td>Total</td>
<td>496,049</td>
<td>1,113,736</td>
<td>1,158,929</td>
<td>2,272,665</td>
<td></td>
</tr>
<tr>
<td>Aged Dependancy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>African</td>
<td>81,939</td>
<td>183,970</td>
<td>191,435</td>
<td>375,405</td>
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<tr>
<td>Coloured</td>
<td>92,604</td>
<td>207,916</td>
<td>216,353</td>
<td>424,269</td>
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<tr>
<td>Indian and Asian</td>
<td>129,527</td>
<td>290,816</td>
<td>302,617</td>
<td>593,432</td>
<td></td>
</tr>
<tr>
<td>White</td>
<td>282,693</td>
<td>634,706</td>
<td>660,461</td>
<td>1,295,167</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>100,670</td>
<td>226,025</td>
<td>235,197</td>
<td>461,222</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Quantec*
Formal sector employment due to direct and indirect impacts of BLSA members, amounted to 2.6 million people, while informal employment amounted to 695,000 (21.7% of the workforce). Total employment by BLSA members owing to direct and indirect impacts, amounted to 27% of total private sector employment in 2016.
Government and private sector employment

The table below shows the contribution of general government and the private sector to employment since the advent of Democracy in 1994. When taking into account total employment (formal and informal employment) the private sector (SOEs) contributed 5.5 times the number of jobs compared to general government.

However, when considering only formal employment – taken as total employment less all informal employment and employment by small and micro-enterprises – a very different picture emerges. Since general government only operates in the formal job market, its employment figure remains the same. However, once informal and small and micro-enterprise employment is removed from the private sector, its contribution falls to just under 90% of the addition to formal jobs by general government.

The absolute growth in formal private sector employment totalled 6.2% over the period from 1994 to 2016. The formal employment figures therefore show that the majority of private sector job creation occurred in the informal and small and micro-enterprise sectors of the economy.

<table>
<thead>
<tr>
<th>Public and private employment since democracy</th>
<th>1994</th>
<th>2016</th>
<th>Diff.</th>
<th>% of total</th>
<th>Pvt:Gvt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total (formal and informal) employment</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>10,324,979</td>
<td>13,868,486</td>
<td>3,543,507</td>
<td>84.61</td>
<td>5.50</td>
</tr>
<tr>
<td>General government</td>
<td>1,360,706</td>
<td>2,005,446</td>
<td>644,740</td>
<td>15.39</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11,685,685</td>
<td>15,873,932</td>
<td>4,188,247</td>
<td>100.00</td>
<td></td>
</tr>
<tr>
<td><strong>Formal employment excl. informal and small businesses</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private sector</td>
<td>9,243,913</td>
<td>9,818,867</td>
<td>574,954</td>
<td>47.14</td>
<td>0.89</td>
</tr>
<tr>
<td>General government</td>
<td>1,360,706</td>
<td>2,005,446</td>
<td>644,740</td>
<td>52.86</td>
<td></td>
</tr>
<tr>
<td><strong>Total formal</strong></td>
<td>10,604,618</td>
<td>11,824,312</td>
<td>1,219,694</td>
<td>100.00</td>
<td></td>
</tr>
</tbody>
</table>

Source: Quantec

1 Quantec derives its employment data from the two main official sources of labour data in South Africa – the Quarterly Employment Statistics (QES) and the Quarterly Labour Force Survey (QLFS) – published by Statistics South Africa (Stats SA). The QES data is collected from a sample of non-agricultural enterprises and provides a formal employment figure. This figure also excludes domestic workers. The QLFS is a household-based survey and provides figures for total formal and informal employment as well as the official unemployment figure. To bridge the discrepancy between the formal employment figures from these datasets, Quantec uses the QES formal figure, to which it adds formal agricultural and domestic workers from the QLFS. Using the total employment from the QLFS, informal employment is calculated as a residual. This residual is higher than the figure given in the QLFS due to the inclusion of SMMEs which are not accounted for in the QES.
14 Multiplier effects

The aforementioned topics give a measure of the combined sector-impacts that a group of companies (BLSA members in this case) have on economic activity.

By aggregating the sector impacts, the macro-economic dimensional view gives some insight into the multipliers at play in BLSA member activities. These effects are shown in Figure 15.

The interpretation of these values is fairly straightforward. For example, looking at GDP, for every R1 of GDP that BLSA members generated directly (initially), a further 65c was generated indirectly. Induced effects were calculated at 96c for a total economy-wide impact of R2.60.

In terms of total employment, for every 100 people that were directly employed by BLSA members, another 153 indirect job opportunities were supported, while induced impacts brought the economy-wide impact to 537 employees.

15 BEE Compliance

BLSA members are committed to conform to the Broad-Based Black Economic Empowerment (B-BBEE) codes that pertain to their specific sectors.

A 3.9 weighted average status level was calculated for BLSA members, implying that around 100% procurement recognition could be obtained by these companies as shown in Table 2.
On average, BLSA members obtained a B-BBEE score of 80.6 based on the generic scorecard. The black-owned percentage share of members amounted, on average, to 25.1%, while the black woman-owned percentage share was 13.4% in 2016.

Other sector-specific scorecards and the methodology applied to calculate average compliance scores, are contained in Appendix E.

### Table 2

<table>
<thead>
<tr>
<th>2007 BEE Codes</th>
<th>2013 BEE Codes</th>
<th>BEE Status (Level)</th>
<th>Procurement Recognition</th>
</tr>
</thead>
<tbody>
<tr>
<td>100+</td>
<td>100+</td>
<td>1</td>
<td>135%</td>
</tr>
<tr>
<td>85-100</td>
<td>95-100</td>
<td>2</td>
<td>125%</td>
</tr>
<tr>
<td>75-85</td>
<td>90-95</td>
<td>3</td>
<td>110%</td>
</tr>
<tr>
<td>65-75</td>
<td>80-90</td>
<td>4</td>
<td>100%</td>
</tr>
<tr>
<td>55-65</td>
<td>75-80</td>
<td>5</td>
<td>80%</td>
</tr>
<tr>
<td>45-55</td>
<td>70-75</td>
<td>6</td>
<td>60%</td>
</tr>
<tr>
<td>40-45</td>
<td>55-70</td>
<td>7</td>
<td>50%</td>
</tr>
<tr>
<td>30-40</td>
<td>40-55</td>
<td>8</td>
<td>10%</td>
</tr>
</tbody>
</table>

On average, BLSA members points scoring - BEE generic scorecard

<table>
<thead>
<tr>
<th>Criteria</th>
<th>2007 BEE Codes</th>
<th>2013 BEE Codes</th>
<th>BLSA members</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weighting</td>
<td>Weighting</td>
<td>Weighted avg points</td>
</tr>
<tr>
<td>Ownership</td>
<td>20</td>
<td>25</td>
<td>12.9</td>
</tr>
<tr>
<td>Management Control</td>
<td>10</td>
<td>15</td>
<td>12.1</td>
</tr>
<tr>
<td>Employment Equity</td>
<td>15</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Skills Development</td>
<td>15</td>
<td>20</td>
<td>13.4</td>
</tr>
<tr>
<td>Preferential Procurement</td>
<td>20</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Enterprise and Supplier Development</td>
<td>15</td>
<td>40</td>
<td>34.0</td>
</tr>
<tr>
<td>Socio-economic Development</td>
<td>5</td>
<td>5</td>
<td>8.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100</td>
<td>80.6</td>
</tr>
</tbody>
</table>

### Table 3

16 CSI and Training

The combined Corporate Social Investment (CSI) and training spend of BLSA members amounted to more than R13 billion in 2016.

CSI spend in 2016 was R4,467 million which would have been sufficient for the payment of around 1,063,539 child grants. In comparison, current payments to the Social
Development vote, budgeted for by National Government in February 2017, were R863 million, with transfers and subsidies going to this vote amounting to R160 billion.

BLSA members’ training spend amounted to R8,656 million in 2016, which was roughly equal to the current payments (i.e. excluding transfers and subsidies, which amounted to R43.5 billion) made to the Higher Education vote in the 2017 National Budget. The training spend by BLSA members would have been sufficient to fund the annual salaries of more than 45,000 high school teachers.

17 Impact of SOEs

State-owned enterprises (SOEs) play an important role in South Africa’s economy insofar as infrastructure development and service delivery – to both households and businesses – are concerned.

Two of the country’s largest SOEs are also members of BLSA and obtaining impact information with these entities both included and excluded from the calculations, was considered to offer some useful perspectives.

Figure 16 shows the economy-wide impacts in 2016 of BLSA members with SOEs indicated separately.

The relative direct and indirect contributions of SOEs amounted to 12.8% for taxes; 16.4% of GDP; 14.8% of the gross operating surplus; 19% of total employment; and 19% of labour remuneration. The direct and indirect impact of fixed capital formation, implied a ratio of this measure for SOEs relative to total BLSA members, of 33.2% in 2016.

As far as employment is concerned, roughly 998,000 people were directly employed by non-SOE BLSA members in 2016, while a further 295,000 people were directly employed
by SOEs. Indirect effects caused by non-SOE members, meant that another 2.7 million people could find employment, while indirect activities by SOEs supported another 0.6 million jobs.

Once all direct, indirect and induced effects are taken into account, non-SOE members were responsible for supporting some 5.8 million full-time employment opportunities, while SOE-members contributed towards supporting another 1.1 million jobs.

18 Conclusion

It is clear from the foregoing footprint analysis that BLSA members play a significant and vital part in South Africa’s economy. The growth of private sector entities as well as SOE’s, is widely acknowledged to be an essential component in the alleviation of poverty and as a means of providing better and more economic opportunities in our society.

We strongly believe that development and regulatory interventions should – as a first principle – “do no harm” when seeking to redress inequality and enhance inclusivity. Maintaining efficient legal, administrative and market systems remain extremely important objectives in developing both domestic and offshore markets for the benefit of all our country’s stakeholders.