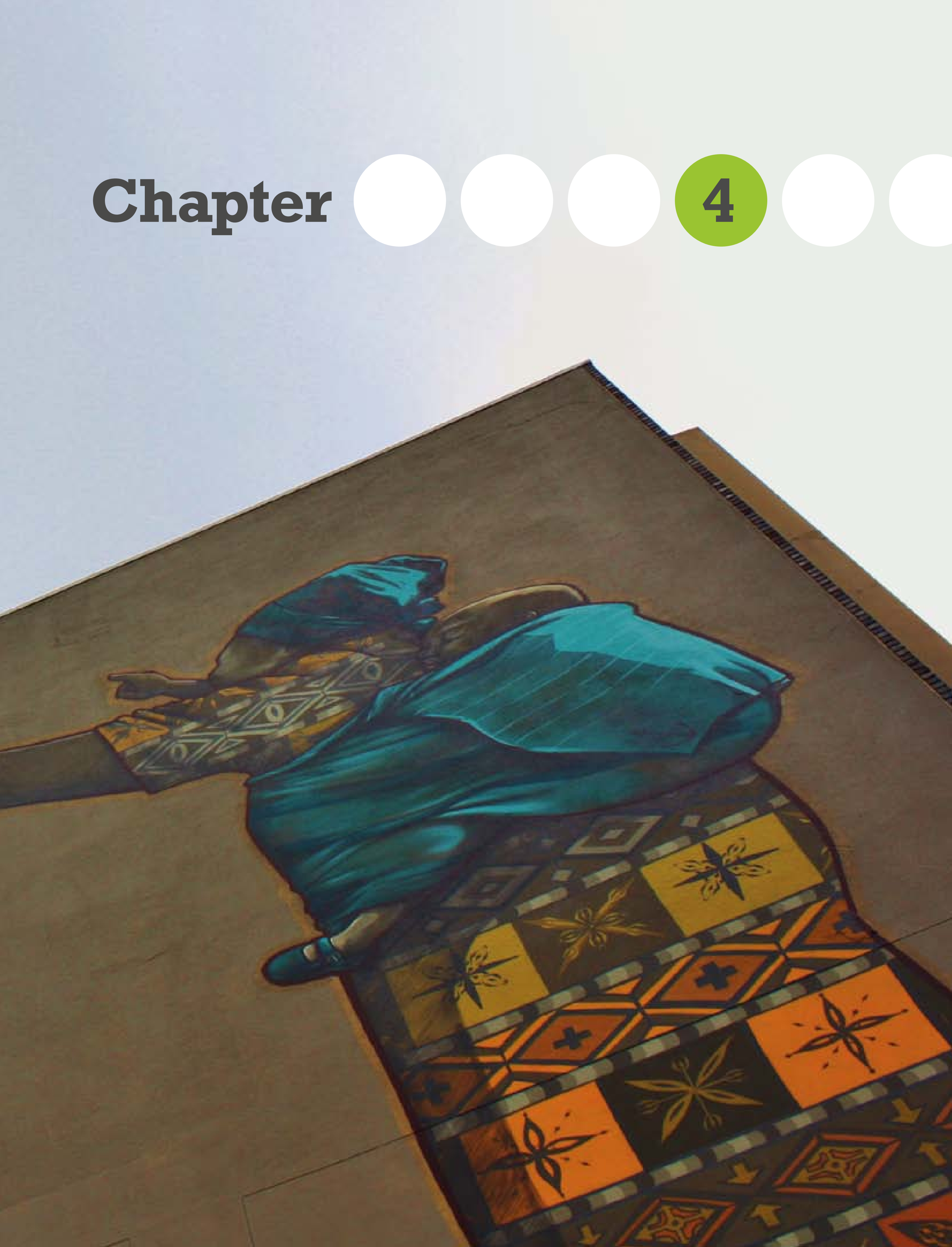
Poverty and Inequality

In real terms, those who find themselves in lower income categories have not seen an increase in their earnings in the post-apartheid years. Relative to those in higher income categories, earnings have actually dropped.

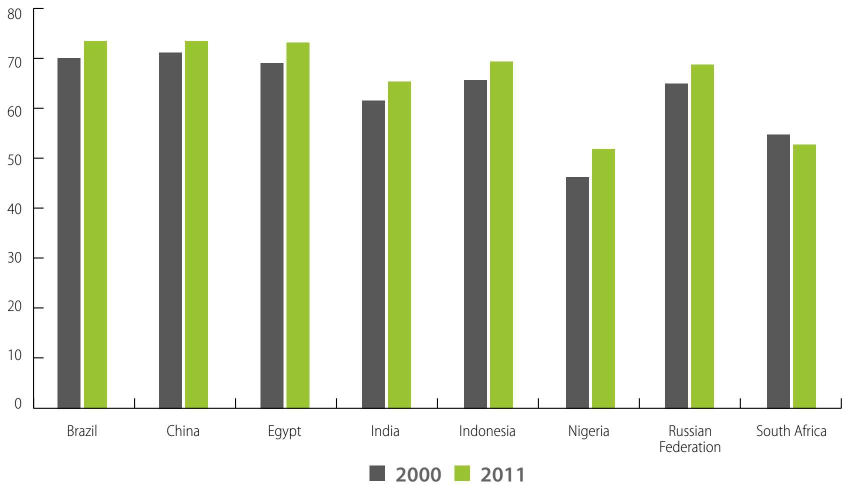
Chapter 4



Poverty and Inequality at a Glance

South Africa's apartheid legacy remains most visible in the country's systemic and high levels of poverty and inequality. Since 1994, great progress has been made in the reduction of access and income poverty, through broadened access to basic services and an exponential growth in the extension of social grants and pensions to the most vulnerable citizens. Longer-term expenditure at current levels on both, but particularly the latter, will be difficult to sustain. Levels of inequality within the broader society, but also within the country's historically defined population groups, have continued to increase. This will be difficult to address in the absence of higher levels of job creation.

SOUTH AFRICA IN A GLOBAL PERSPECTIVE: LIFE EXPECTANCY AT BIRTH

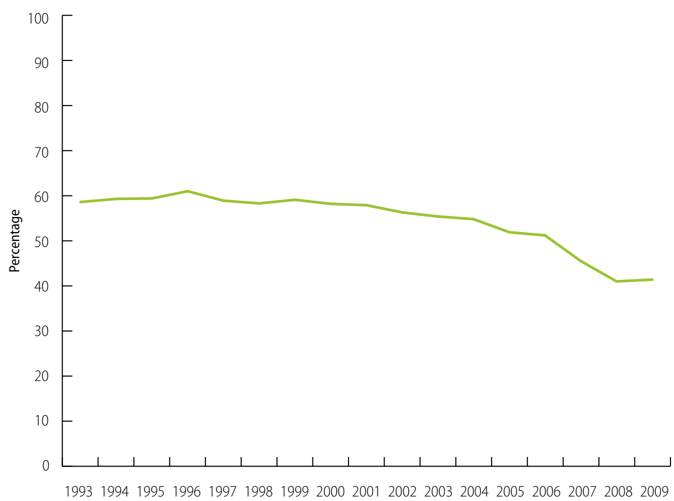


Source: Life expectancy at birth: UNDESA (2011)

52.8

Average life expectancy of a South African

INCOME POVERTY IN SOUTH AFRICA



Source: All Media Products Survey (poverty line used: R3 864 per capita per annum, 2 000 prices)

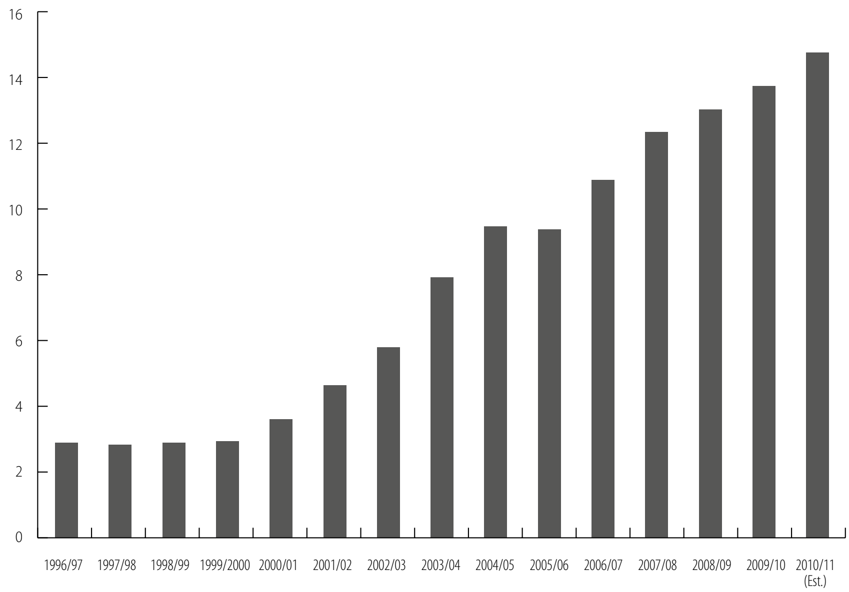
Note: This is the official poverty line proposed by Murray Leibbrandt and Ingrid Woolard, and has been commonly used in recent literature. It stands for the amount required to spend on food and essential non-food items.

Per capita income Gini coefficient

	Aggregate	Black African	Coloured	Indian	White
1993	0.67	0.55	0.43	0.46	0.42
2000	0.67	0.61	0.53	0.50	0.47
2005	0.72	0.62	0.60	0.58	0.51
2008	0.70	0.62	0.54	0.61	0.50

Source: PSLSD (1993), IES (2000, 2005) and NIDS (2008): Calculations by Leibbrandt, M. et al.

TOTAL NUMBER OF GRANT AND PENSION RECIPIENTS (MILLION)

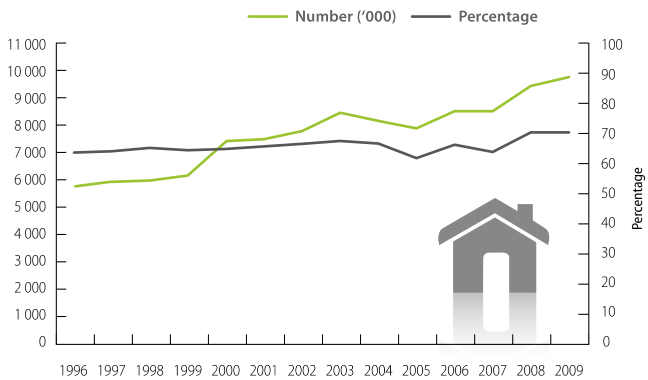


Source: National Treasury: Intergovernmental Fiscal Review, Editions 1999, 2003, 2005, 2007 and Medium-Term Budget Policy Statement, 2010

14.8m

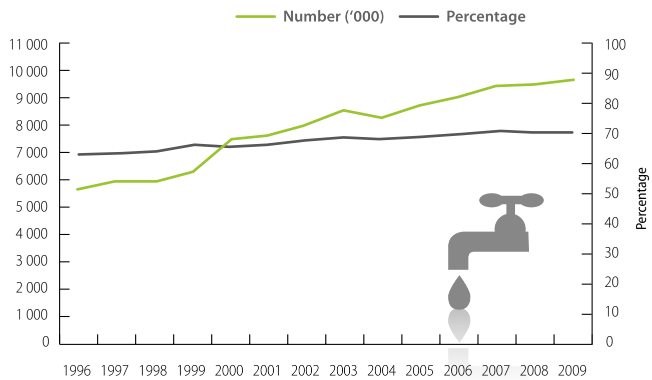
South Africans drawing grants and/ or pensions from government

LIVING STANDARDS: PROPORTION OF HOUSEHOLDS STAYING IN FORMAL DWELLINGS



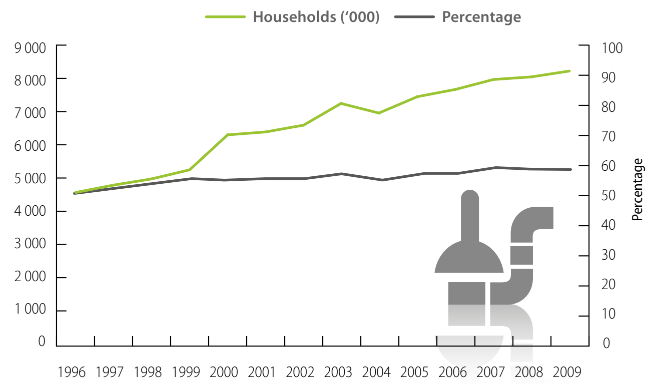
Source: OHS 1996–1999, LFS 2000–2001, GHS 2002–2009

HOUSEHOLDS WITH PIPED WATER IN DWELLING OR ON SITE



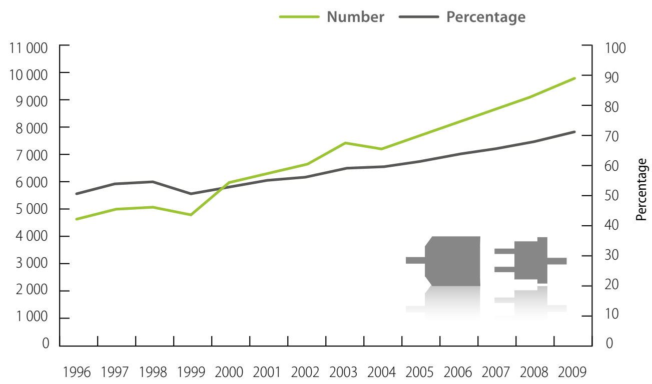
Source: OHS 1996–1999, LFS 2000–2001, GHS 2002–2009

HOUSEHOLDS WITH FLUSH OR CHEMICAL SANITATION FACILITY



Source: OHS 1996–1999, LFS 2000–2001, GHS 2002–2009

HOUSEHOLDS USING ELECTRICITY OR SOLAR ENERGY AS FUEL SOURCE FOR COOKING



Source: OHS 1996–1999, LFS 2000–2001, GHS 2002–2009

REVIEW | Policies for reducing income inequality and poverty in South Africa

Arden Finn, Murray Leibbrandt & Eva Wegner

Introduction

When viewed from a political perspective, the post-apartheid South African landscape looks markedly different from its apartheid predecessor. From a developmental vantage point, however, the legacy of apartheid is still there for everybody to see. Poverty and inequality continue to detract from what many have referred to as a 'miracle transition'. Highly skewed and entrenched patterns of distribution persist, reinforcing poverty and inequality.

Undoing them remains the major preoccupation of policy-makers in democratic South Africa. As such, proper data and analysis are critical, both to understand the scope of the challenge and to devise appropriate policy responses. Thus far, research into the phenomenon of inequality has focused largely on its measurement and proximate causes on the basis of inequality decompositions. Generally, the findings have shown that inequality levels have increased, but that their strongly racial character has diminished since the end of apartheid. Poverty, on the other hand, has decreased but still bears the enduring racial markers of apartheid.

Another strand of research has concentrated on fiscal redistribution, or the extent to which state revenues have been channelled successfully towards appropriate areas of need. Most findings suggest that the majority of social policies have been well targeted towards the poor. Social grants, in particular, have been instrumental in lifting millions out of poverty. What they have not succeed in, however, is to reverse inequality trends through the provision of equal opportunities to all South Africans.

This is an overview of major inequality and redistribution trends since South Africa's democratic transition in the 1990s. A comparative perspective is provided, and education policy is singled out as an area that has specific relevance to the question of income inequality.

At the outset, a summary is provided of key poverty and inequality trends in South Africa since the transition. The second section discusses redistributive policies since the end of apartheid, and a fiscal incidence analysis for 1993 and 2008 is performed. Education policy is then examined in more detail, beginning with a study of the relationship between education and income in 1993 and 2008, and ending with a discussion of a number of constraints behind the education policy choices of the post-apartheid government.

Post-apartheid inequality and poverty trends[1]

Inequality: a gap that is still growing

An analysis of census data that dates back as far as 1917 shows that the average real incomes of South Africans have been increasing steadily for all population groups (Leibbrandt, Van der Berg & Bhorat 2001). National household surveys from the past 15 years confirm that this trend has also been visible since the country's democratic transition.[2] However, income growth has not resulted in a decline in South Africa's historically high levels of inequality. On the contrary, levels of inequality have widened during the post-apartheid years. A comparison of aggregate Gini coefficients (the most widely used measure of inequality) for 1993, 2000, 2005 and 2008 illustrate this point (see Table 4.1.1). The trend stays the same, even when alternate datasets for different years are used (Leibbrandt, Woolard & Woolard 2009). Analyses of income deciles show that income has become increasingly concentrated in the top income deciles at the expense of all other deciles.

The make-up of our labour market keeps this skewed picture intact. Key statistics in this sector show that labour force participation rates are highest in the top income deciles, which also have the highest labour absorption rates. This means that employment rates in the top income deciles are higher than those in lower income groups. In fact, rates of unemployment have fallen in the upper categories since 1993, and especially after 2000. Yet, the reverse is true for those in the lower deciles, where the number of those without employment showed a sharp incline. As a result, overall unemployment rates have also increased by a significant margin. Without solving the labour market question, South Africa will not solve the inequality question. Labour market income was 'responsible for' 83 per cent of income inequality in 1993 and 85 per cent in 2008 (see Leibbrandt, Finn & Woolard 2010). There is no way around it.

These decompositions point to rising unemployment as a key driver of inequality, but they also emphasise the problem of rising inequality of earnings amongst the employed. In real terms, those who find themselves in lower income categories

> Income growth has not resulted in a decline in South Africa's historically high levels of inequality. On the contrary, levels of inequality have widened during the post-apartheid years.

FOUR

have not seen an increase in their earnings in the post-apartheid years. Relative to those in higher income categories, earnings have actually dropped. Sadly, therefore, employment does not necessarily provide a ticket out of poverty. This is especially so for unskilled workers, who are unlikely to move out of the lower income distribution deciles.

Given South Africa's history of racial discrimination, it is to be expected that these large and increasing income disparities bear a strong racial footprint. While it is true that inequality between the country's historically defined racial groups remains high, the importance of race as a factor that explains overall inequality has decreased quite significantly. As can be seen from the Gini coefficients for each racial group presented in Table 4.1.1, within-group inequality has increased markedly for all racial groups. By 2008, the most populous racial group, the African group, made up 80 per cent of the population and had the highest inequality of the four major racial groups.[3] The Gini coefficient for Africans was 0.12 points higher than the same measure for the white group. Thus, dynamics within racial groups have become more important, and those within the African group have become especially important, in driving aggregate changes in inequality.

Spatial dynamics must also feature prominently in our understanding of what shapes inequality in South Africa. Apartheid not only prioritised development in certain geographical areas at the expense of others, it also forcibly displaced and resettled millions to live in so-called rural 'homelands'. As such, the rural/urban dimensions of poverty cannot be ignored. 'Homelands' remained predominantly underdeveloped and poor. Those able to leave for urban areas did so; those who stayed behind continue to live in conditions of underdevelopment, low employment and limited infrastructure. Our research shows that such migration to cities and towns, in pursuit of better lives, has increased urban inequality since 1993, but has contributed to lower rural inequality over the same period (Leibbrandt, Finn & Woolard 2010). Of course, the latter is not as much the result of improved rural conditions as it is the consequence of the large influx of poorer people into areas where higher incomes are being earned.

The question of to what extent access to endowments, such as social services and education, can change current patterns of distribution is relevant to these geographic distinctions.[4] The South African data at our disposal suggest that increased access does indeed bring positive change, but it is not enough to alter the distribution of per capita income (Leibbrandt & Levinsohn 2011). This sobering outcome seems to be the effect of two countervailing trends. On the plus side, there is increased support to children, which is driven by the implementation of a new child support grant. Counterbalancing this, however, is the low level of return on these endowments or deliverables. Nowhere is this more evident than in the returns to education in the labour market (Lam, Leibbrandt & Garlick 2010). It is this strangulation of skills that continues to underpin both unemployment and the inequality of labour market earnings, which drive household inequality.

Poverty: some gains, but are they sustainable?

Overall poverty levels declined between 1993 and 2008. In Table 4.1.2, findings are presented for two alternative poverty-line benchmarks, namely US$1.25 per day and a more conservative US$2.00 per day. The downward movement on both measurements is visible and corresponds with the findings of several others in this regard (see, for example, Bhorat & Van der Westhuizen 2009; Van der Berg et al. 2008). This decline in poverty is even more pronounced if other measures of poverty, such as the poverty gap ratio, which is sensitive to the depth of poverty, are used (see Leibbrandt, Woolard, McEwen & Koep 2010; Leibbrandt, Woolard, Finn & Argent 2010). Not everybody agrees about when poverty levels started to drop – some believe that it has only been a post-2000 phenomenon (Hoogeveen & Özler (2006) – but there is little disagreement about the longer-term trend. There is also little contention about the positive trajectory of poverty dimensions that are not measured purely in terms of income (non-money-metric well-being) (Bhorat, Naidoo & Van der Westhuizen 2006; Bhorat, Van der Westhuizen & Cassim 2009). In all analyses, access to services, formal dwellings and private assets are shown to improve in the period from 1996 to 2001, and then on through to 2008.

Because of the country's segregated past, poverty trends – as is the case with inequality trends – show development patterns that are distinct for the country's historically defined racial groups. Its incidence amongst black Africans remains the highest, followed by the coloured, Indian and white groups. Given the relative size of the black African section of the population, this group makes up more than 90 per cent of the country's poverty share. Coloured people make up the remaining share, with some nuances. In line with declining national poverty rates, black African poverty has decreased over time, but the incidence of poverty amongst coloured

> Despite their impact in terms of reduced poverty rates, state transfers have not managed to push down inequality levels.

South Africans has increased. In terms of the geographic distribution of poverty, and in line with the changes in urban/rural Gini coefficients, rural poverty has barely changed over the last 15 years, while urban poverty has shown an increase. Unemployment, particularly amongst young South Africans, serves to sustain these unacceptably high levels of poverty. Even in instances where people are employed, they are not fully protected from the scourge of poverty. This is especially true for one-worker households in the lower-income categories.

As is to be expected, poverty is most prevalent amongst people who have no post-school education. This underscores the lack of demand for low-skilled workers. Yet, despite the increased risk of unemployment for households in this category, they have not become poorer over time (see Leibbrandt, Woolard, Finn & Argent 2010). This points to an alternative source of income, namely social grants, of which there are now close to 15 million recipients. Unlike wealthy households, where employment accounts for the bulk of household income, poor South Africans derive most of the income that they need to sustain themselves from the government. This reliance on state assistance becomes increasingly evident the lower one moves down the income deciles, with the proportion of multiple-worker households decreasing and the number of no-worker households rising.

The effectiveness of such government assistance is particularly visible in the substantial decline in the incidence of poverty amongst the oldest age cohorts, who are no longer considered a part of the labour market. State old-age pensions have proven to be particularly effective in terms of poverty alleviation. The same can be said of the government's child grant programme. Proof of this, ironically, can be found in the higher incidence of poverty amongst childless households, as opposed to households with children that receive this grant. The poorest households are typically those that have no access to income, through either the labour market or government grants.

Despite their impact in terms of reduced poverty rates, state transfers have not managed to push down inequality levels. While they have been sufficient to move households out of the bottom two deciles, clustering transfer recipients nearer the middle of the income distribution, disproportionate growth at the higher end of the scale has neutralised any real move towards greater equality.

Redistributive policies

The trends highlighted thus far suggest that much still needs to be done to realise the promise of greater material dignity

Table 4.1.1: Gini coefficients of per capita income, aggregate and by race

Year	Aggregate	African	Coloured	Indian	White
1993	0.67	0.55	0.43	0.46	0.42
2000	0.67	0.61	0.53	0.50	0.47
2005	0.72	0.62	0.60	0.58	0.51
2008	0.70	0.62	0.54	0.61	0.50
1993–2008, % change	4.50	12.70	25.60	32.60	19.10

Source: Project for Statistics on Living Standards and Development (PSLSD) (1993); Income and Expenditure of Households (IES) (2000, 2005); National Income Dynamics Study (NIDS) (2008)

Table 4.1.2: Poverty headcount ratios

Year	Total population	$1.25 per day	$2 per day
1993	40 002 316	20.70	33.90
2000	45 134 247	18.20	30.80
2005	46 971 312	16.70	31.20
2008	48 687 036	17.70	30.00
1993–2008, % change	21.70	-14.50	-11.50

Source: PSLSD (1993); IES (2000, 2005); NIDS (2008)

Table 4.1.3: Gini coefficients for market and disposable income, 1993 and 2008

Year	Market Gini	Disposable Gini	Difference
1993	0.75	0.69	-8.65%
2008	0.77	0.70	-10.24%

Source: PSLSD (1993); NIDS (2008). Authors' calculations.

for the majority of South Africans. In our evaluation of the government's performance in this regard, it is worthwhile to keep in mind that 18 years of democratic government is a short time in comparison to centuries of colonial and apartheid marginalistion, during which skewed patterns of distribution were entrenched. We should not have unrealistic expectations. Nevertheless, almost two decades into this new dispensation, it is necessary to critically evaluate the efficiency of policies that have been introduced with the aim of altering historic patterns of distribution.

This article concentrates specifically on levels and trends in fiscal redistribution in South Africa since the end of apartheid. In other words, how have state revenues been employed to promote a more equitable society? South Africa has a progressive income tax system, a number of direct transfers, of which the old-age pension and the child support grant are the most notable, as well as public healthcare and education. These represent significant developmental achievements but, in the interests of resource efficiency, we constantly need to ask about the extent to which they are being productively leveraged.

In the sections below, the article will look first at South African fiscal redistribution in a comparative perspective. As the available cross-national data are on taxes and direct transfers, the analysis is initially restricted to these items. Subsequently, the trends and nature of different types of social policy since the 1990s, including healthcare and education, are interrogated.

Fiscal redistribution in comparative perspective

Redistribution through taxes and transfers is less common in developing countries than in so-called developed states. In Latin American countries, for example, the redistributive impact of taxes and transfers on the market income Gini coefficient is negligible (Goñi, Lopez & Serven 2008). In South Africa, Van der Berg (2005, 2009) has carried out several fiscal incidence analyses that consider the complete set of social policies, including healthcare and education. For the purpose of comparative analysis of international data here, however, we exclude the latter and examine only the redistributive effects of direct taxes and social grants.

In order to gain a clearer understanding of how the state's redistributive effectiveness has changed over the years, we compare the measured level of household per capita income inequality for market income and disposable income (see Goñi et al. 2008).[5] The former consists of household income, before taxes are deducted and government grants are added, while the latter simply represents household income, after direct taxes have been deducted and government grants received. Comparison of the difference in the level of inequality between the two measures allows us to gauge how effective the redistributive regime is in reducing inequality. As mentioned above, we are measuring the redistributive effects of direct taxation and government grants, and not the redistributive consequences of indirect taxation, such as value added tax, which is generally regressive in nature. We also do not take into account broader welfare measures, such as the extent to which poor households gain increasing access to state-supplied healthcare facilities and schools over time.

The data for this study come from the 1993 PSLSD and the first wave of the NIDS from 2008. Given that the scale of government spending on social assistance and the level of efficient tax collection increased significantly over the period in question (Ajam & Aron 2009), we are able to assess the changing impact of these factors on inequality reduction over time.

Table 4.1.3 summarises the findings for market versus disposable income for the years 1993 and 2008, and shows that market income inequality and disposable income inequality increased in the period under study. The difference between the two increased from 8.65 percentage points in 1993 to 10.24 percentage points in 2008. This indicates increased effectiveness of state redistributive actions, despite the continued rise in overall inequality. It is also significantly higher than in Latin America, where the average was a decrease of 2 percentage points for Argentina, Brazil, Chile, Columbia and Mexico (Goñi et al. 2008). In Europe, where state redistribution has traditionally been high, the difference between the two Gini measures is close to 20 per cent (Goñi et al. 2008).

Progressivity of social policies

Besides taxation, redistributive policies consist of, on the one hand, direct social transfers (such as pensions) and, on the other, social services provision (such as education). Direct transfers include both social insurance and social assistance. The South African social insurance pillar (essentially unemployment insurance), is restricted in both its reach and duration. In 2009, it covered only around 10 per cent of the unemployed.[6] The maximum claim period is 238 days. The social assistance pillar is far more developed, providing basic resources to those who are unable to work either because of their age (old-age pension and child-support grant) or because of disabilities (disability grant). Between 1997 and 2009, the number of beneficiaries increased for all grants, most dramatically for those receiving the child-support grant (see Table 4.1.4). In this period, the number of beneficiaries for the most important social grants rose from fewer than 3 million to more than 12.5 million – almost a quarter of South Africans. At the same time, while government spending on social assistance increased, it remained stable as a percentage of GDP. This figure stood at 3.2 per cent in 1995, and the comparative figure for 2009 was 3.1 per cent (Van der Berg & Siebrits 2010). Not only have these grants played an important role in lifting people out of poverty, they also have affected other outcomes such as school enrolment (Leibbrandt, Woolard, Finn & Argent 2010).

Table 4.1.5 presents the concentration ratios for different types of social spending in 1995, 2000 and 2006. A concentration ratio is a measure of how a given income stream is distributed across the income spectrum. A value of 1 is fully regressive, of -1 fully progressive. This analysis shows that government grants have concentration ratios that are closest to -1 and, therefore, are seen to be the most progressive social policies in South Africa. This is to be expected, as these grants are means tested. Concerning trends, it is noteworthy that the degree of progressivity for social grants has not increased since 1995.

The second type of social policy that has an impact on redistribution concerns the provision of social services, of which healthcare and education are the most notable. In view of the highly unequal access to healthcare and education at the end of apartheid, these two policies have been considered critical for post-transition transformation. As a percentage of GDP, spending on healthcare has remained stable since 1995 at slightly above 3.0 per cent; spending on education decreased from 7.0 per cent to around 5.5 per cent of GDP between 1995 and 2007 (Van der Berg & Siebrits 2010). With the exception of tertiary education and housing, spending on social services has been progressive in the 2000s. The real decline in tertiary education spending is to be expected as higher income groups typically attend universities at higher rates than the poor. Health spending appears generally more progressive than education spending, most importantly in the category of public hospitals. This finding is probably not unrelated to the fact that more affluent groups have opted out of public healthcare into private health insurance.

In summary, direct taxation and social policies in post-apartheid South Africa have contributed to a decrease in inequality levels. For taxes and direct social transfers, progressivity has been on the increase since 1993. Similarly, overall social spending has become more progressive since 1995. However, the contribution of taxes and transfers to a decrease of the market Gini coefficient is only slightly above Latin American levels and substantially below European levels. Moreover, for some items of social spending progressivity has stagnated or decreased.

Education provision in post-apartheid South Africa: policy and policy constraints

This section considers education policy in post-apartheid South Africa. Needless to say, education plays a critical role in determining an individual's position on the income distribution scale and, therefore, represents one of the most important policy tools that can potentially address inequality. Here, we examine the changing relationship between education levels and inequality between 1993 and 2008. We describe the patterns of education spending since the end of apartheid, as well as the educational attainment of South African students, and then conclude with a discussion of several factors that have guided the choices in education policy since 1994.

Education and inequality

Education is the key variable in determining, firstly, whether an individual finds employment and, secondly, the nature of that

Table 4.1.4: Numbers of beneficiaries of social grants in 1997 and 2009

	1997	2009
Old-age grant	1737 682	2 414 183
Disability grant	737 322	1 281 556
Child-support grant	362 631	8 825 824
Total	2 837 635	12 521 563

Source: Based on Van der Berg and Siebrits (2010)

Table 4.1.5: Concentration ratios for social spending

Spending category	1995*	2000*	2000**	2006**
Social grants	-0.434	-0.431	-0.371	-0.359
Child support			-0.247	-0.318
Disability			-0.291	-0.288
Old age pension			-0.412	-0.436
Education				
School	-0.016	-0.104	-0.121	-0.128
Tertiary	0.235	0.497	0.528	0.641
Health	-0.045	-0.082	-0.118	-0.137
Public clinics	-0.103	-0.132	-0.177	-0.257
Public hospitals	-0.014	-0.057	-0.105	-0.103
Housing	-0.018	0.007	0.16	0.07
Total across services	-0.057	-0.12	-0.112	-0.152

Source: * Based on Van der Berg (2005); ** Based on Van der Berg (2009) employment and its remuneration. The section above focused on changing measures of inequality at the household per capita income level. We now move on to a deeper analysis in order to explore the changing relationship between educational attainment and inequality.

The data for this undertaking come, once again, from the PSLSD (1993) and the first wave of the NIDS (2008), with household income per capita serving as the unit of comparison, and with 8 663 and 7 168 households forming the respective comparison groups. Three different types of analysis are used: a) a comparison of the unconditional income distributions by education between 1993 and 2008; b) a comparison of the conditional distributions of income by education between 1993 and 2008; and c) unconditional versus conditional distributions within each year.

The unconditional distributions are constructed by dividing up household per capita income into quintiles and then assessing the probability that an individual with education level x falls into income quintile y. Because we are investigating inequality as measured by household income per capita, we use the household head's level of education as the unit of analysis.[7]

The conditional distributions are the end product of an ordered probit model that was run with the five income quintiles as the dependent variable. The right-hand side of the regression equation included controls for household size, province, geo type (urban, rural), a dummy for whether at least one household member was employed, and the household head's age, race, gender and level of education. All ordered probit regressions are weighted using census-raised weights (1993) and post-stratification weights (2008), and all standard errors are robust.

Since the initial results of the ordered probit model are somewhat cumbersome to interpret, we move on to an analysis of the probability of a household being in a particular income quintile, given the level of education of the household head and the full range of controls. For this, we have constructed a measure of the probability of being in each income quintile by the head of a household's education.

Let us start with a comparison of the unconditional 1993 situation versus the unconditional 2008 situation as reflected in Table 4.1.6 and Table 4.1.7. A feature of this comparison in both benchmark years is the high level of predictability when a household is headed by someone with tertiary education. The same cannot be said for matric-headed households. Between 1993 and 2008 there was a marked decline in the probability of a matric-headed household being in the top quintile. Correspondingly, there was a significant increase in the likelihood that people in this category would fall into income quintiles 1 or 2. Not surprisingly, households headed

Table 4.1.6: Unconditional probabilities, 1993

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Percentage
No education	37.49	30.76	18.46	9.08	4.21	22.01
Primary	26.05	26.53	22.50	18.35	6.58	29.99
Incomplete secondary	12.20	15.59	25.63	29.45	17.13	28.23
Matric	3.60	4.63	13.11	26.28	52.39	10.21
Tertiary	2.10	0.79	4.89	16.54	75.67	9.56

Source: PSLSD (1993). Number of households = 8 663. Authors' calculations.

Table 4.1.7: Unconditional probabilities, 2008

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5	Percentage
No education	31.58	34.75	24.19	7.81	1.67	13.82
Primary	28.53	29.95	24.08	13.24	4.20	23.44
Incomplete secondary	21.07	17.69	23.91	24.77	12.57	31.65
Matric	9.02	11.34	14.67	29.73	35.24	20.60
Tertiary	2.50	1.61	4.71	17.31	73.86	10.50

Source: NIDS (2008). Number of households = 7 168. Authors' calculations.

Education is the key variable in determining, firstly, whether an individual finds employment and, secondly, the nature of that employment and its remuneration.

> While greater access in terms of available infrastructure has contributed to an increase in enrolment figures in primary and secondary education, the quality of education has remained an obstacle to providing the economy with the skills it requires.

by an individual with incomplete secondary education have become increasingly concentrated in the lower quintiles.

With this unconditional comparison as the benchmark, we now compare the conditional situation in 1993 with that of 2008 (see Tables 4.1.8 and 4.1.9). By far the most striking feature of this comparison is the change in probabilities for households headed by an individual with tertiary education. There was huge 'probability migration' from quintiles 1 to 4 into 5 between 1993 and 2008 for this group. People with a tertiary education in 2008 were far more likely to come from high-income households than they were in 1993. In fact, the probability of a tertiary-headed household being in the richest quintile jumped from 17.51 per cent to 40.59 per cent. Conversely, the chances of people with little or no schooling finding themselves in this category declined considerably. The general trend was towards greater concentration in the lower quintiles. For matric-headed households, the middle and the top quintiles were stable, while the probability of being in quintile 1 or 2 increased.

With Table 4.1.6 and Table 4.1.8 we compare the unconditional and conditional situations in 1993. For no education and primary education-headed households, there is a greater concentration in the middle of the income distribution, once other factors are controlled for. The same goes for households headed by somebody with an incomplete secondary education, where those at the top of the unconditional distribution have shifted downwards in the conditional distribution. For tertiary-headed households, there was a very large movement out of the highest quintile from the unconditional distribution (76 per cent) to the conditional distribution (18 per cent).

Finally, Table 4.1.7 and Table 4.1.9 report on the same unconditional versus conditional comparison for 2008. Here, less movement occurred between unconditional and conditional distributions in 1993 and 2008. In 2008, there was much less movement within no education and primary education-headed households than in 1993, and the distributions are relatively stable. There have been significant shifts in both directions for households headed by an individual with an incomplete secondary education. Matric households saw shifts out of the top quintile and into the 3rd and 4th quintiles. Tertiary-headed households, once again, saw a drop in the conditional likelihood of being in the top quintile, but the drop was much less than in the 1993 data (33 per cent versus 58 per cent).

The most significant trend to emerge from these analyses is that it has become far more likely for households headed by tertiary graduates to fall into the top income quintile. There-

Table 4.1.8: Conditional probabilities from ordered probit, 1993

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
No education	14.51	34.65	34.36	14.95	1.53
Primary	10.39	30.79	36.84	19.48	2.5
Incomplete secondary	6.22	24.63	38.14	26.39	4.62
Matric	1.86	12.91	33.21	39.23	12.79
Tertiary	1.11	9.47	29.43	42.48	17.51

Source: PSLSD (1993). Authors' calculations.

Table 4.1.9: Conditional probabilities from ordered probit, 2008

	Quintile 1	Quintile 2	Quintile 3	Quintile 4	Quintile 5
No education	21.46	32.53	29.38	14.41	2.22
Primary	20.59	32.20	29.82	15.01	2.38
Incomplete secondary	14.84	29.10	32.37	19.75	3.93
Matric	5.27	18.04	32.27	32.57	11.86
Tertiary	0.52	4.20	16.36	38.34	40.59

Source: NIDS (2008). Authors' calculations.

fore, higher education was even more likely to 'pay off' in 2008 than in 1993. The situation of all other education groups looks less promising. For them, the likelihood of being in one of the lower income quintiles increased in the period between 1993 and 2008, with matric-headed households experiencing a particularly sharp decline in terms of their position on the income continuum. Even after controlling for a wide range of individual and household characteristics, the same strong patterns emerge.

Education spending and outcomes [8]

Education spending has increased greatly since 1995, from R31.1 billion to R165 billion in 2010/11. Real growth in this sector from 1994 to 2005 totalled 49 per cent, and with an annual average of 5.5 per cent of GDP, South Africa's education expenditure can be described as respectable for a middle-income country.

Despite this, there is wide recognition, also by the South African government, that the quality of education outputs does not render the expected returns on the budgetary investment (DBE 2010). Students perform dismally in international tests, such as the Trends in International Mathematics and Science Study (TIMSS) and the Progress in International Reading Literacy Study (PIRLS) (DE 2008). While greater access in terms of available infrastructure has contributed to an increase in enrolment figures in primary and secondary education, the quality of education has remained an obstacle to providing the economy with the skills it requires.

The progressivity of public spending on schooling can be examined in three ways. It can be measured, as indicated earlier, through the use of concentration ratios. According to Van der Berg (2009), the concentration ratio for school education was -0.016 in 1995, -0.121 in 2000 and -0.128 in 2006, suggesting that not only is spending on school education progressive, but also that it has become more so over time. However, this measure does not reflect the quality of the school attended, which is likely to be worse for the poor. Indeed, much larger proportions of African students experience very basic problems of education provision, such as lack of text books and low quality school facilities (DE 2006).[9]

A second yardstick that has been used for progressivity is the extent to which spending has become more equitable across provinces. This has definitely been the case over the past 15 years. Whereas rich provinces (Gauteng, Western Cape, Northern Cape) were spending per capita almost 50 per cent more on education than the national average in 1995, the figure decreased to less than 20 per cent by 2003. Poor provinces (Eastern Cape, KwaZulu-Natal, Mpumalanga and Limpopo) have almost caught up with the national average in the same time period (Wildeman 2008).

A third means of assessment is to look at funding for different types of schools within the same province. Fiske and Ladd (2005) analyse public education spending in the Western Cape by grouping schools in terms of the former education department under which they fell during apartheid, because they generally capture the formula of allocation that occurred in this era. These departments included the African (DET), coloured (HOR), Indian (HOD) and white (HOA), with most resources being allocated to the HOA and least to the DET schools.[10] The authors find that in 2001, former HOA schools (both primary and secondary) received not only the largest amount of publicly provided resources per learner, but generally also received larger amounts of public funds than former DET schools. Only one programme, titled 'Norms and Standards', which directly targeted poor schools, could be described as progressive. A similar analysis of education spending in Gauteng shows a slightly more complicated picture, with 'winners' and 'losers' in all school categories. Yet, overall, state per capita expenditure was still higher in former HOA schools in 2002. A key difference, however, was that in Gauteng this was followed by DET schools, while former HOD and HOR schools were worst off (see Motala 2006).

Inequality in educational achievement is remarkably high in South Africa. Learners' performance in maths and science, as reflected in the TIMSS, conveys a very unequal and highly skewed picture. A comparison of DET and DOA TIMSS data for the years 1999 and 2003 shows not only a pronounced difference in maths and science command, but also that this gap in performance has widened. Out of a maximum of 800 points, students from former DET schools achieved an average score of 227 in mathematics in 2003, compared to 468 for students of former HOA schools.[11] For former DET schools, this represented a decline from the 238 average in 1999, while the result for former HOA schools marked an increase from the 442 it achieved in that year. HOA schools almost reached the international average of 488 in 2003 (see Reddy 2006). In a similar vein, Servaas van der Berg (2007) observes important differences in the senior certificate pass rates of 'racially homogenous' schools, with an average of 97.3 per cent for white schools and 43.3 per cent for black schools.[12] Evaluations performed by the DE (now the DBE) also show large differences in the performance of the respective provinces, with the Eastern Cape and Limpopo consistently below the national average (DE 2005). The same applies to senior certificate pass rates.

In summary, the evidence at our disposal suggests that the objective of broadened access to quality education has not been achieved, despite high levels of resource mobilisation. In some instances, the performance of formerly disadvantaged schools has declined, and the gap between their performance and that of HOA schools has actually increased. Despite the stated intent, spending across provinces has also not been equalised. Moreover, within relatively well-resourced provinces, such as the Western Cape and Gauteng, formerly privileged schools continue to receive more state funding than their historically marginalised counterparts. Not surprisingly, therefore, education outcomes, as measured in the performance of students, are still highly unequal.

> There has been some success with reducing poverty levels since 1993, but none with decreasing inequality, which has increased since South Africa's transition to democracy.

Discussion

This section asks why the government's education spending has not favoured schools in disadvantaged communities more explicitly.[13] We consider a number of factors that have worked as constraints on education spending and its transformation into education quality.

Firstly, the apartheid legacy has been especially hard to address within the education sector. In the previous political dispensation, policy prioritised the education of white learners over that of learners from other groups. Education infrastructure for learners in the latter groups was generally inferior and teachers, on average, were less qualified. The extreme differences in educational infrastructure and human resource allocation constituted a huge burden on a new government that committed itself to equalising conditions in education provision. Education, of course, was not the only sector that needed redress and other social transfers and policies have weighed heavily in the budget.

Secondly, the context and nature of South Africa's negotiated transition to democracy constrained the ways in which education policy could be designed and implemented. One key limitation that the transition settlement imposed was a considerable degree of institutional decentralisation, which allowed significant room for discretionary spending and implementation in provinces. Lack of control over provincial spending implies, among other things, that provincial governments can decide which share of their budget to allocate for education. Indeed, the National Treasury has expressed its 'concern' regarding the decline in share of education expenditure in provincial budgets, from 44.7 per cent in 2005/06 to 40.8 per cent in 2008/09 (National Treasury 2009).

The implementation of education policy has also been mismanaged in some provinces, because of corruption or maladministration, due to a lack of qualified personnel to implement the sophisticated education policies that have been designed at the national level. The scope for more control over spending and implementation is limited: the constitution prohibits centralisation and it would be a politically very sensitive step, bound to be interpreted as the ANC's reneging on the transition agreements.

Another constraint arising from the context of South Africa's transition has been the ANC's aim to keep the white population inside the public school system so that they would support education spending. In practice, this meant that extensive autonomy was given to so-called Section 21 schools regarding the raising of school fees and the remuneration of teachers (Fiske & Ladd 2005; OECD 2008; Rensburg 2001). Consensus-oriented policies towards the white population also implied that targets had to be set for the upgrading of African schooling, rather than to take funding away from schools serving the white population. Arguably, the net result has been the entrenchment of inequality in educational outcomes.

Finally, the salary component of the education budget has become a contentious issue. Teachers were an important part of the anti-apartheid struggle and, hence, an important component of the ANC's potential constituency. The equalisation of salaries took on a distinctly political character: consequently, teacher salaries accounted for more than 90 per cent of education expenditure during the early years of transition (declining to below 80 per cent in 2006/07), leaving little space for polices targeted at the poor (Fiske & Ladd 2005; OECD 2008).

Thus, the constraints on education spending have been considerable. That said, a critical inspection of the figures and spending choices raises two questions. The first is to what extent education has, in fact, been a top priority. As several reports point out, although education spending is considerable, it is below the United Nations Educational, Scientific and Cultural Organisation (UNESCO) target of 6 per cent of GDP and, given the backlog due to apartheid policies, it could be considered insufficient (OECD 2008; Fiske & Ladd 2005). Moreover, while expenditure on education has increased considerably, it has declined as a share of government expenditure, from 19.2 per cent in 1996 to 18 per cent in 2007, and as a share of GDP from 5.7 per cent to 5.4 per cent in the same period (OECD 2008). Education also has the slowest growth rate compared to other social expenditures (OECD 2008).

The second question is whether redistribution – to the extent that it would bridge the gap between schools serving poor students and those serving richer ones – has received the attention that it deserves. Indeed, 'affirmative action' has been largely absent in education spending. Equity of spending across provinces has yet to be reached, but it seems attainable even if it is not clear to what extent this is actually a policy goal.[14] The degree of inequality in education provision at the end of apartheid, however, would require disproportionate amounts of funding for poorer schools in order to provide their students with opportunities similar to those of the better-equipped schools. There are some components of current education policy that promote equality, such as the no-fee schools and the 'Norms and Standards' programme, but funding for these appears too small to bridge the gap. Additionally, the pattern of education spending within provinces, observed by Fiske and Ladd (2005) in the Western Cape, and Motala

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(2006) in Gauteng, where disproportionate amounts of education funding go to privileged schools, shows that spending equity across provinces will not necessarily improve schools serving disadvantaged students.

Conclusion

Reducing inequality and poverty levels inherited from apartheid was always going to be a formidable challenge for post-transition governments. There has been some success with reducing poverty levels since 1993, but none with decreasing inequality, which has increased since South Africa's transition to democracy.

A possible reason for this is that tackling inequality is more complicated and politically contentious than tackling poverty, as the former implies a 'rearrangement' of the positions of the poor *and* the rich in the income distribution, whereas the latter involves only the socio-economic conditions of the poor. Redistribution levels are a highly political issue in any country, and are even more so in the context of a negotiated transition to democracy where former elites need to be accommodated. Indeed, as discussed above, while fiscal redistribution is progressive in South Africa, its levels are relatively low. Similarly, while present, the progressive impact of social policies (i.e. the extent to which policies address entrenched inequality) has increased only slightly since 1995.

Education policy is a good area for a focus on reducing 'poverty' rather than 'inequality'. Education spending has concentrated on improving the situation of poor provinces, and to some extent poor schools, while keeping relatively high levels of funding for the formerly privileged schools. Given the high inequality between these schools at the moment of the transition, such policies that are directed only at the poor will take a long time to bridge the gap between schools. The same might be true for inequality in general.

Notes

1. In the main, this section is drawn from: Leibbrandt, Woolard, McEwen and Koep (2010); Leibbrandt, Woolard, Finn and Argent (2010); and Leibbrandt, Finn and Woolard (2010).
2. See Leibbrandt, Woolard, Finn and Argent (2010), as well as Bhorat and van der Westhuizen (2009). Van der Berg, Louw and Yu (2008) provide further backing with work carried out on national accounts data and an annual marketing survey.
3. Leibbrandt et al. (2009) provide standard errors and inequality dominance analysis to show that the increases in inequality in aggregate and within all racial groups are robust and are not sensitive to choice of the Gini coefficient as the index of inequality.
4. Endowments include: public assets, in the form of basic government deliverables; private assets, such as houses, cars and appliances; and also individual assets, such as health and education.
5. Goñi et al. (2008) compare the redistributive effects of taxes and government grants for a set of Latin American countries versus a set of European countries. They find that the effectiveness of fiscal redistribution on overall inequality is far stronger in Europe than in Latin America. Their study uses total household income as the basis of inequality measurement, while in this paper we use total household income per capita in order to take household size effects into account.
6. This summary of social policies draws on Leibbrandt, Woolard, McEwen and Koep (2010).
7. As a robustness check of our findings we ran both the unconditional and conditional analyses using 'highest level of educational attainment for anyone in the household' and compared this to the case when 'household head's level of education' is used. The patterns that emerge using both measures are very similar (particularly for 1993), and are especially stable for matric and tertiary levels of education.
8. This section focuses mainly on school education, which accounts for around 65 per cent of the education budget; higher education absorbs around 12.5 per cent (National Treasury 2009).
9. In the Western Cape, schools serving poorer students also have less-qualified teachers (Fiske & Ladd 2005).
10. This is still correlated with the level of affluence of the enrolled students (Fiske & Ladd 2005).
11. The scores for former HOR (coloured) and HOD (Indian) schools lie in-between these two, with HOR closer to DET, and HOD closer to the performance of DET.
12. Van der Berg (2007) classifies a school as belonging to a certain 'race-type' if more than 70 per cent of its students are of that race.
13. Whether the observed differences in educational outcomes are directly attributable to differences in spending patterns is a debated question, which we do not seek to address here.
14. There is no official policy document that defines such convergence as a goal (Wildeman 2008).

OPINION | Is it time to adopt a new developmental model?

PLANNING THE STATUS QUO? A SUSTAINABLE DEVELOPMENT MODEL NEEDS NEW THINKING

Patrick Bond

The move by the world's bottom 99 per cent to challenge the top 1 per cent's economic and ecological destructiveness is why, over the next decade, the hope for the continent will jump from Tunisia and Egypt to the main cities and even *dorpies* of South Africa.

More than ever since the country's transition from racial apartheid, the neoliberal developmental model – understood as 'class apartheid' – will come under fire. After all, no other major country is more unequal.

Over the past decade, only China seems to have had as many protests per person, according to available police statistics. In no other country is the word 'nationalisation' bandied about so regularly, and this will continue even without the hyperbole of the now-banished leader of the African National Congress Youth League (ANCYL), Julius Malema. No major society has such a strong trade union movement, winning not only above-inflation wage increases thanks to regular strikes but also expressing visions that transcend the proletariat's needs, to support what is being termed the 'precariat' (precarious informal-sector workers and the unemployed).

Although currently losing its battles against labour brokers and the pro-corporate state-subsidised lowering of the minimum wage for younger workers, the Congress of South African Trade Unions (COSATU) remains this society's single largest coherent citizens' power bloc.

Moreover, unions and the independent left have come together more than in any period since 1994, with the world climate summit in Durban featuring a joint march for 'system change, not climate change'. Equally encouraging is the One Million Climate Jobs campaign, launched in early 2011. The campaign suggests ways for activists to co-operate towards a 'just transition' out of South Africa's fossil fuel addiction, which manifests itself in the country's status as one of the world's highest carbon dioxide emitters.

Tracing the money

After predicting a 'Tunisia Day' for South Africa in 2020, former president Thabo Mbeki's younger brother, Moeletsi, remarked recently, 'Big companies taking their capital out of South Africa are a bigger threat to economic freedom than Malema'.[1] We could argue that he did not do the argument full justice, asserting that 'Capital flight means there is no capital for entrepreneurs in South Africa'. That is probably not true, for local financial markets are as speculative and liquid as ever, especially now that the real estate bubble is gradually deflating. More pervasive problems that prevent both entrepreneurship and job creation include constrained consumer buying power, the market dominance of monopoly capital in most industries, and excessive trade liberalisation.

Consumption is stagnant, due largely to over-indebtedness; the banks' 'impaired credit' list now has 8.5 million victims, representing nearly half of all South African borrowers. That would include many of the 1.3 million who lost and did not regain their jobs as a result of the recession. There is very little scope for local entrepreneurs to open up manufacturing facilities, which President Jacob Zuma unhappily observed in August were virtually all in white hands. Waves of East Asian goods continue to descend on South Africa because of the still-overvalued rand, as many more local industries will understand once Walmart begins with cheap imports in earnest. Asked about the entrance of that US retailing behemoth, Mbeki was correct to ridicule the neoliberal agenda that his brother's government so decisively implemented from 1994: 'In South Africa we think we will just open the doors and everything will be hunky dory. Of course it won't.'

The doors swung open not only to East Asian imports but also the other way – for rich South Africans and our biggest companies to exit with apartheid's ill-gotten gains. In 1995, they lobbied hard for the abolition of the 'financial rand' dual exchange rate and for permission to relocate financial headquarters from Johannesburg and Cape Town. Mbeki complains that there was never 'an explanation for why companies like Anglo American and Old Mutual had been allowed to list in London. On what basis did they allow them to go, to move their primary listing from South Africa to London? Why did they approve it? What did they get out of it?'

These are tough questions, especially because the outflow of profits, dividends and interest payments to Anglo, De Beers, Old Mutual, SAB Miller, Mondi, Liberty Life and BHP Billiton is the main cause of South Africa's dangerous current account deficit (far worse than the trade deficit) and, in turn, our soaring foreign debt. Answers will not necessarily be found in the implied backhanders of corruption. We need to look much deeper, for ideology is now at stake.

Ideology in flux

This was made abundantly clear in a report released in August 2011 by the International Monetary Fund (IMF 2011). Every year, the IMF provides South Africa with an 'Article IV Consultation' and, even in mid-2011, it became evident that last-century orthodox ideology prevails. In its meetings with Treasury officials, the IMF recorded how 'Discussions centered on the timing and strength of the required exit from supportive policies', which translates into cutting the budget deficit. 'Staff recommended stronger fiscal consolidation beyond the current fiscal year than currently being considered'. Orthodox ideology typically blames workers, and the IMF (as could be expected) advocated policies to moderate any real growth in wages.

As for capital flight, the IMF Article IV report noted that 'Relatively low public and external debts, mainly denominated in domestic currency, and adequate international reserve coverage offset risks from currency overvaluation and current account deficits funded by portfolio flows' (IMF 2011). Relatively low? South Africa's US$100+ billion foreign debt is, in reality, a very high proportion of GDP, which financial sector economists have observed now approaches mid-1980s crisis levels. The increase in foreign reserves from US$40 billion to US$50 billion over the last 18 months offsets only half of the rise in foreign debt over the same period.

Recent experience raises questions about the IMF's judgment on debt crises. Orthodox thinking left the institution utterly unprepared in 2008 for the world's worst financial crisis since 1929. Neither have ideologies shifted much in Pretoria under President Zuma. Despite replacing Mbeki with Zuma, Trevor Manuel with Pravin Gordhan, and Tito Mboweni with Gill Marcus, the country's labour movement failed to replace neoliberalism with a genuinely social democratic ('Keynesian') ideology.

Deregulatory tendencies continue, as witnessed by our extremely volatile currency, which has experienced more crashes since apartheid ended than any other except, possibly, the Zimbabwean dollar. The relaxation of exchange controls on nearly 30 separate occasions since 1994 is the main reason, and Gordhan is hastening the trend. True to form, the IMF is oblivious to this, and its Article IV report praises the Reserve Bank's 'prudent' policies, 'together with a flexible exchange rate', which allegedly 'helped dampen the adverse effects of those global cycles'. The opposite is true: South Africa's vulnerability has been amplified by capital control relaxation.

In an equally puzzling utterance, the IMF observed: 'Although the government's borrowing requirements remained large, they were easily met through the issuance of rand denominated bonds and bills at low interest rates against the backdrop of large capital inflows'. This statement ignores a recent Reserve Bank admission that of 50 major countries, only Greece has higher nominal rates.

The implications of IMF logic are now clear; when it comes to the exchange controls, we need to heed Moeletsi Mbeki's concerns. If even a 'small tax on inflows to try to curtail inflows or at least change their composition' is suggested, IMF staff point out 'significant drawbacks', so as to dissuade Pretoria bureaucrats. According to the IMF Article IV consultation, even mild-mannered exchange controls 'likely would raise the government's financing costs'. Not surprisingly, the financial institution also reiterates its call for 'wage restraint', in order to 'enhance competitiveness.'

The rebuttal is easy. Impose exchange controls on outflows of capital, to address capital flight, and then systematically lower interest rates and manage the appropriate decline in the rand's value, to the point at which workers can return to at least the wage/profit share they had won by the end of apartheid – 54/46 (compared to just 43/57 today).

The status quo is untenable, and more crises loom. As South Africa again barely broke into the World Economic Forum's top 50 countries in business competitiveness in July, the prevailing neoliberal ideology is clearly both ineffectual and inhumane. Control of capital flight is the first step away from this perpetual crisis, and is gaining pace across the world as more than a dozen countries have put 'speed bump' controls of various sorts on hot money inflows. The search is intensifying for ways to properly regulate financial capital, with even the November 2011 G20 meeting in Cannes witnessing 'financial transactions tax' advocacy led by France's Nicholas Sarkozy and supported by Zuma. However, with Italy joining Greece in the latest system-threatening debt crisis, we have

Control of capital flight is the first step away from this perpetual crisis, and is gaining pace across the world as more than a dozen countries have put 'speed bump' controls of various sorts on hot money inflows.

> To claim that 'South Africa today has much to celebrate on the economy and infrastructure' would mean pretending that debilitating bubbles – such as the JSE and middle-class consumption based on excessive consumer debt – are actually strengths.

to continue subjecting economic policy rhetoric to much more careful critique.

World trends in SA

Recall the context. The 2008/09 financial meltdown was supposedly solved by throwing money at bankers in Wall Street, the City of London, Frankfurt, Paris and Tokyo. It did not work, though, and on BBC's Newsnight in October 2011, Robert Shapiro of the Georgetown University Business School blew the whistle on the European debt crisis.[2] 'If they cannot address it in a credible way I believe within perhaps two to three weeks we will have a meltdown in sovereign debt which will produce a meltdown across the European banking system,' warned Shapiro. He cautioned that not even the largest banks in Germany and France would be immune to this, and that the United Kingdom and the rest of the world should prepare itself for contagion.[3] As if to respond to Shapiro, the European Union's leaders cut a deal with banks to whittle down Greek debt in the hope that this would pacify society.

The banks didn't crash on Shapiro's schedule, although many expect them to do just that when more countries cannot make their debt repayments. Reflecting the inexorable tensions between bankers' and people's interests, George Papandreou's government fell in early November 2011, after promising – and then withdrawing – a democratic option for voters to approve the austerity plan. A few days later, Italy's Silvio Berlusconi was also compelled to resign as financial pressure and rule by IMF and EU technocrats replaced his profligate corruption.

Replacing venal politicians with Washington/Brussels bankers is no solution, of course. South Africans should pay attention, because in early October 2011 Finance Minister Pravin Gordhan offered their tax monies as an emergency R2 billion bailout loan from Pretoria via the IMF. This came on the heels of his R2.4 billion bailout offered to Swazi dictator King Mswati, in spite of widespread opposition by civil society in Swaziland and South Africa.

What Gordhan explained to SAfm listeners about the European emergency credits was chilling. The radio station's Alec Hogg asked Gordhan: 'Even if it is only a small amount, relatively speaking, that we are putting in, many African countries went through hell in the seventies and eighties because of conditionality according to these loans. Are you going to try and insist that there is similar conditionality now that the boot is on the other foot, as it were?'

'Absolutely,' replied Gordhan, 'The IMF must be as proactive in developed countries as it is in developing countries. The days of this unequal treatment and the nasty treatment, if you like, for developing countries and politeness for developed countries must pass.'[4] Gordhan's call for more proactive nastiness by the IMF and its Brussels allies against the Italian, Greek, Spanish, Portuguese and Irish poor and working people throws ANC traditions of international solidarity into disrepute.

These sentiments were also the subject of political wit amidst the World Cup hoopla of a year and a half ago, when one of the greatest losers, team Argentina, was consoled by a Buenos Aires magazine, which congratulated the victors, Spain, thus: 'Crisis, unemployment, poverty, the end of welfare, submission to the International Monetary Fund and sporting success: the poor countries of the world salute the Spanish – *Welcome to the Third World!*' Rodrigo Nunes (2011) of the magazine *Turbulence* notes that 'Apart from being a brilliant joke, the headline made an excellent point: why is it that what is crystal clear for people in the global North when talking about the global South seems so difficult to process when it happens ''at home''?'.

Continued Nunes, 'Ask any relatively well-informed British citizen about violence in Brazil, and they are likely to tell you something about unequal wealth distribution, lack of opportunities… how the police make matters worse by being widely perceived as corrupt and prejudiced, and how the political system mostly reproduces this situation'. In England, too, the productive economy wallowed in recession following the country's biggest-ever bank bail-outs and accompanying state fiscal crisis, with bankers receiving massive bonuses and inequality soaring. Top police officials in league with Rupert Murdoch's phone-tapping 'journalists' resigned in disgrace and the Tory-Liberal government took the axe to social programmes, raising tuition fees at nearly 40 per cent of universities to £9 000 per year. Why was anyone surprised at the logical consequences: an anarchic insurrection of multiracial, working-class, supremely alienated youth from Tottenham to Birmingham?

Establishment reality check: a national plan?

That scream from the margins, at the time Standard & Poors was downgrading the US credit rating, with a subsequent loss of $5 trillion of paper wealth in the world's stock markets in the first week of August alone, shocked establishment observers. Except for one: a man nicknamed 'Dr Doom' because of his prescient warnings about the financial meltdown of 2008, Nouriel Roubini. The *Wall Street Journal* asked the New York

University business professor, 'What can government and what can businesses do to get the economy going again or is it just sit and wait and gut it out?'

'Businesses are not doing anything,' replied Roubini, referring to the US, Europe and Japan, but also South Africa. 'They claim they're doing cutbacks because there's excess capacity and not adding workers because there's not enough final demand, but there's a paradox, a Catch-22. If you're not hiring workers, there's not enough labour income, enough consumer confidence, enough consumption, not enough final demand.'

According to Roubini, 'In the last two or three years, we've actually had a worsening because we've had a massive redistribution of income from labor to capital, from wages to profits, and the inequality of income has increased. And the marginal propensity to spend of a household is greater than the marginal propensity of a firm because they have a greater propensity to save, that is firms compared to households. So the redistribution of income and wealth makes the problem of inadequate aggregate demand even worse.'[5] Add to this that the supposed prosperity of the middle class was ultimately a fiction based on consumer debt.

Are South African elites paying attention to these underlying economic dynamics? They are not, judging by this year's long-range response from the talented technical, political, civil society and business thinkers of the National Planning Commission (NPC). Its fascinating diagnostic analysis of why South Africa is beginning to slide off the rails is negated by the screaming silences on economic management. To be sure, the NPC's main revelation was striking: 'State agencies tasked with fighting corruption are of the view that corruption is at a very high level. Weak accountability and damaged societal ethics make corruption at lower levels in government almost pervasive. Corruption in infrastructure procurement has led to rising prices and poorer quality.' NPC (2011a)

This is an easy critique, however. The NPC diplomatically deferred from analysing the deeper corruption of the economy, the wasting of productive capacity in favour of what is now regularly termed 'financialisation'. Perhaps such a diagnosis would have implicated the minister in charge of the NPC, Trevor Manuel, who was finance minister from 1996 until 2009. Thus, in the NPC's diagnosis, capital is incorrectly said to be 'scarce' when, in reality, we have the opposite problem of excess liquidity in ultra-speculative markets. South African real estate was the world's biggest bubble by far before the price crash began in 2008. The NPC actually applauds some of the most misguided features of economic management. To claim that 'South Africa today has much to celebrate on the economy and infrastructure' would mean pretending that debilitating bubbles – such as the JSE and middle-class consumption based on excessive consumer debt – are actually strengths.

The JSE is attracting speculative financial funding that simply is not being turned into brick-and-mortar investments and machinery. South Africa's corporate fixed investment rates remain very low by historical standards, especially in manufacturing, and levels of consumer debt are at an untenable level. With house prices *still* falling (after a brief uptick in 2010), the inability to liquidate those assets has turned consumer credit opportunities into debt slavery for millions more South Africans. Amazingly, the NPC did not notice the ongoing job massacre, with its claim that 'Unemployment levels are decreasing since 2002'.

Upon launching the NPC in June, Manuel remarked, 'When you can't locate where you are, your ability to reach your destination will be constrained. Last week the centenary of the Titanic was marked. If there are going to be icebergs on the route then you'd better know.' NPC members did not want to see the world financial iceberg looming immediately ahead. Had they wished to, there was an old navigator they could have turned to. At the end of the Wall Street Journal interview, Roubini reminded us: 'Karl Marx had it right. At some point, capitalism can destroy itself. You cannot keep on shifting income from labour to capital without having an excess capacity and a lack of aggregate demand. That's what has happened. We thought that markets worked. They're not working.'

Instead, democratic planning will be needed, and the seeds of this are found outside the NPC's November report, in the struggles of ordinary people for a better life.

Planning the status quo?

The NPC's inability to diagnose economic problems is matched by its disjointed approach to broader socio-environmental decay. On the one hand, the NPC lists atop its infrastructure priority plan two objectives: 'The upgrading of informal settlements' and 'Public transport infrastructure and systems' but, on the other hand, inveighs that 'users must pay the bulk of the costs, with due protection for poor households'. How can this contradiction be reconciled, when the vast bulk of state investments in commuter rail are being made in luxury Johannesburg-Pretoria train lines that are affordable only to a tiny fraction of the public, and when the e-tolling system is so onerous for ordinary people that COSATU and its allies have forced a rethink on the matter?

Likewise, in supplying electricity, the source of so many service delivery protests, Eskom's huge price increases – 127 per cent between 2008 and 2011 already, with many more years of 25 per cent annual rises still to come – apply to poor households but not to BHP Billiton and the Anglo American Corporation. These two were recipients of special pricing agreements made with apartheid officials two decades ago (two such officials, Finance Minister Derek Keys and Eskom Treasurer Mick Davis, promptly joined BHP Billiton after apartheid). The agreements will be valid for another two decades, supplying power to smelters (transforming imported bauxite into aluminium that is priced too high for local consumption) at R0.12 per kilowatt hour, around a tenth of what poor households pay via self-disconnecting pre-payment meters. The NPC report is silent on such contradictions.

Its third and fourth infrastructure priorities are also contradiction-ridden: the 'development of the Durban-Gauteng freight corridor, including the development of a new dug-out port on the site of the old Durban airport' (part of a R250 billion 'back of ports' strategy to expand the notorious petrochemical industry) and the 'construction of a new coal line to unlock coal deposits in the Waterberg' and 'extension of existing coal lines in the central basin', in spite of the vast damage (not acknowledged) done by coal to local and global ecologies.

Ironically, though, the very next paragraph begins, 'South Africa needs to move away from the unsustainable use of natural resources', but optimistically asserts that 'South Africa can manage the transition to a low-carbon economy at a pace consistent with government's public pledges, without harming jobs and competitiveness'. What the NPC report demonstrates, in reality, is that we are locked so deeply into the minerals-energy complex tyranny that no change to status quo climate-destroying politics is on the cards. The new climate white paper also fails to grapple with the fact that South Africa ranks 20 times worse than even the United States when our energy-related CO_2 is corrected for per capita GDP growth. Our economy is diabolically coal-addicted with no real prospect of changing. As the NPC argues, as its top priority for economic growth, we must 'Raise exports, focusing on those areas where South Africa has the endowments and comparative advantage, such as mining', even though this status quo strategy has been utterly destructive to economy, society, polity and ecology (see NPC 2011b).

Pressure from below and above?

Given that Durban hosted the 17th Conference of the Parties (COP17) to the United Nations Framework Convention on Climate Change in December, these are the contradictions that Pretoria could have set out to resolve in the interests of the planet and the people. This could have been a moment to reject the Kyoto Protocol strategy of emissions markets – a 'privatisation of the air' scheme to allow Northerners to continue polluting – to address humanity's most crucial survival challenge, at a time when financiers are indisputably wrecking the world economy. The carbon markets were, after all, still crashing from a high of more than €30 per ton of carbon to around €8 per ton as the COP17 began, with the UBS bank in Switzerland predicting a further fall to €3 per ton in coming months. Yet, even the vast Green Climate Fund, co-chaired by Manuel, ultimately gave credence to the idea that markets would save the day.

Instead of saving the planet, profit prevailed above all else, especially for carbon traders and huge mining conglomerates, the latter linked to the ANC not only through murky campaign contributions and black economic empowerment (BEE) deals, but also via Eskom. The ANC, in turn, will look forward to the pay-off of its 25 per cent share in the local arm of the Hitachi corporation, which will be supplying multi-billion rand boilers to the new Medupi and Kusile coal-fired plants. The electricity from these plants will be used overwhelmingly by big business, in view of the inability of poor people to afford the perpetual 25 per cent annual price increases.

Such highly questionable relationships, associated with the economy's reliance upon coal-based energy and mining, are nothing new. The role of actors such as former Environmental Affairs Minister Valli Moosa (a carbon trader whose conduct as Eskom Chairperson prior to 2010 was deemed 'improper' by the Public Protector, when he failed to recuse himself during the process that saw Hitachi win the tender) continues to entrench neo-apartheid's deep power relations. Behaviour such as this will leave the masses powerless due to excessive price increases, while the world's two biggest mining and metals houses will continue to benefit from the world's cheapest electricity. The rising rage of protesters, who cannot get access to electricity, will never be understood, much less resolved, given the prevailing power relations.

This state of affairs is untenable, however. Regardless of formula or calculation, South Africa's developmental data remain dismal. Current policy continues to perpetuate this in the face of crisis. In Tunisia and Egypt, the Ben Ali and Mubarak regimes could not forever operate with the Bretton Woods Institutions, the US government and local capital in exploiting their societies. Justice can, and will, be done – and hopefully well before Moeletsi Mbeki's 2020 predicted deadline. What remains to be seen is whether, from below, the activists of leading trade unions, community groups, women's organisations and environmental lobbies are going to guide this revolution, or whether right-wing populist currents will prevail. This is the struggle of the period ahead, making Mangaung manoeuvres pale in political comparison.

Notes

1. *The New Age*, 5 September 2011. Available at: http://thenewage.co.za/27987-1007-53-Capital_flight_a_threat_to_economic_freedom_Moeletsi_Mbeki.
2. BBC Newsnight interview, 2011. Available at: www.youtube.com/watch?v=6UGDTtqklSo.
3. *Business Insider*, 6 October 2011. Available at: http://articles.businessinsider.com/2011-10-06/markets/30250050_1_british-banks-significant-bank-largest-banks.
4. *Moneyweb*, 29 September 2011. Available at: http://www.moneyweb.co.za/mw/view/mw/en/page295799?oid=553257&sn=2009+Detail&pid=299360.
5. *Wall Street Journal*, 15 August 2011, republished by Global Research, 15 August 2011. Available at: http://www.globalresearch.ca/PrintArticle.php?articleId=26031

SOCIAL AND ECONOMIC INCLUSION IN POST-APARTHEID SOUTH AFRICA

Vusi Gumede

Introduction

South Africa's democracy is founded on one of the noblest constitutions in the world. Forged against the backdrop of struggle and dispossession, it not only enshrines political freedom, but also sets itself apart in terms of the provision that it makes for the material dignity of the country's people. The state is obliged to 'respect, protect, promote and fulfil the rights' of everyone in the country (Constitution of South Africa 1996: Section 7(2)). This is as true of economic freedom as it is for political liberty. Yet, the former has been more challenging to achieve than the latter.

Since the country's political transition, much of the state's efforts, and those of other social partners, have been devoted to devising policies and programmes that seek to bring to life the ideals of human dignity, non-racialism and non-sexism, universal adult suffrage and a prosperous nation. Development, in a nutshell, has been the *raison d'être* of the post-apartheid state. The public polices and legislative interventions that have been implemented since 1994 can be said to have been deliberate attempts to broaden the concept of liberty to include human development and socio-economic justice.[1]

However, as protests in democratic and non-democratic countries alike over the past year have shown, states are increasingly challenged by their citizens if their founding objectives become deferred to the point that ordinary people lose faith in the likelihood of them being realised. For this reason, among others, it remains fundamentally important to track change and to be transparent about progress or lack thereof. In the absence of critical assessment that reflects reality, people lose faith because their plight comes to be perceived as unacknowledged and unimportant.

This article explores South Africa's progress in advancing human development, especially for the previously disadvantaged and those groups that often bear the brunt of poor performance by the government, the economy and society broadly. The analysis also reflects, given what the data suggests, on the much-debated issue of whether South Africa is a developmental state or not. The article uses the latest available developmental statistics to tell the story. The statistics presented and discussed below are unambiguous in showing that despite significant progress on certain scores, socio-economic development in South Africa is highly unequal. It benefits those that have always been at a structural advantage, and condemns the majority of the historically marginalised to lives that are still far removed from the promise of material dignity contained in the Constitution. Essentially, poverty remains very high and, along with underdevelopment, largely biased towards the country's black population group.

The various indicators and indices presented confirm that race, gender and spatiality have not been sufficiently redressed. Indeed, as observed by Bhorat and Van der Westhuisen (2010), little progress has been made in South Africa as far as eradicating household poverty is concerned. For example, the black population group is still, on average, worse off in all the measures of human development, and in relation to human poverty. Women bear a disproportionate load. Rural areas continue to have lower Human Development Index (HDI) scores and higher Human Poverty Index (HPI-1) scores. Also, the findings imply that the government has not yet succeeded in ensuring a more egalitarian society. In essence, the conclusion reached is that remnants of South Africa's unfortunate political history are still prevalent in the country's poverty and human development dynamics.

Methodology

These findings and the discussion below are based largely on the National Income Dynamics Study (NIDS), which is a nationally representative household survey that was conducted in 2008.[2] The NIDS is intended to become a longitudinal dataset with revisits to the sampled households every two years – the households visited in 2008/9 were visited again in 2010/11. The NIDS, importantly, allows for the calculation of various significant estimates that other datasets do not readily allow for. For instance, for the first time ever, South Africa would have HDIs by income quintiles. The NIDS dataset also permits an estimation of comparative human development and poverty across subgroups, as well as the calculation of relative human development at different points in the income distribution – something that has not been done in South Africa before. However, like most datasets, there are caveats. In particular, the Indian subsample is relatively small and likely to be imprecise for any inference specifically focused on this population group; hence, the focus of this analysis is largely on the black and white population groups.

This article focuses on two primary indicators to state its case. Besides the standard measures of poverty, human development is measured through the HDI, which is calculated by first creating an index of all three dimensions (life expectancy, education and income). The second indicator is the HPI, which was introduced in 1997 in an attempt to build a composite index from the different features of deprivation in quality of life to arrive at an aggregate judgment on the extent of poverty in a community. The HPI is calculated separately for developing and developed countries to better reflect socio-economic differences. For developing states, the annotation HPI-1 is used to distinguish the poverty measurements from those of the developed states that are measured in terms of HPI-2. South Africa falls in the former category.

Human development indicators

The HDI has three components: longevity, knowledge and income (Haq 1995, in Fukuda-Parr & Kumar 2003). In essence, it is a synopsis of a country's human development, and combines statistics on life expectancy, education and income. With regard to the HPI-1, Anand and Sen (1994: 229, in Fukuda-Parr & Kumar 2003) indicate that 'both [the HDI and the HPI] have to use the rich categories of information that are associated with human development: characteristics of human lives and the quality of living that go much beyond what income information can provide'.

In summary, therefore, human development is the process of enlarging people's choices and raising their levels of well-being. Sen (1993: 35) describes well-being as a 'person's being seen from the perspective of her own personal welfare'. The pursuit of human development in South Africa, therefore, is about seeking improvement in the quality of life of the people of this country. The human development measures are better placed to capture the desired improvement in quality of life. There is ongoing work to improve human development and human poverty measures, because the HDI and gross domestic product (GDP), in particular, have been recognised as falling short in comprehensively quantifying 'human progress'.[3] That said, the HDI and HPI-1 remain useful measures of human development. Unlike conventional poverty indicators that focus narrowly on household income or consumption data, the various components of the HDI and HPI-1 indicate progress in the various social and economic indicators.

The major thrust that underpins HDI and HPI-1 calculations is life expectancy. The estimated life expectancy rates and probabilities of South Africans living to the ages of 3, 40 and 60 years are reported in Table 4.3.1. The estimates show that, on average, South Africans live up to the age of 50 years. Women live, on average, three years longer than men do and have an average life expectancy of 51 years compared to 48 years for men. There may be various reasons for this. It could be ascribed to the fact that women generally live much healthier lifestyles than men. Women are, for example, less likely to engage in life-threatening behaviour (smoking, crime, car racing, etc.) than are men. The data further suggest that

Table 4.3.1: Estimates of life expectancy – national, gender-, race- and province-specific estimates

	Life expectancy (years)	Prob. (not 3) (%)	Prob. (not 40) (%)	Prob. (not 60) (%)	N
Total	**49.5**	**7.9**	**38.8**	**65.8**	**28 845**
Male	47.8	10.3	37.1	69.1	13 311
Female	51.1	5.6	40.2	63.3	15 534
Black	45.2	9.0	44.7	73.4	22 318
Coloured	62.4	1.6	14.6	44.7	4 519
Indian	76.5	0.0	0.0	28.6	495
White	74.1	0.0	14.5	16.7	1 513
Western Cape	59.1	2.4	20.7	41.9	3 680
Eastern Cape	50.1	2.9	31.7	69.4	3 711
Northern Cape	53.0	2.6	38.7	61.7	1 972
Free State	38.8	17.8	53.7	75.9	1 694
KwaZulu-Natal	37.2	9.1	69.1	88.8	8 155
North West	51.2	11.9	36.3	60.7	2 374
Gauteng	62.5	5.6	14.5	49.4	2 638
Mpuma-langa	45.1	16.0	58.2	65.3	1 915
Limpopo	52.9	8.0	26.2	54.4	2 706
Poorest 20%	39.6	7.7	57.2	84.2	5 652
20–40% poorest	45.8	5.4	51.87	74.5	5 650
40–60% poorest	44.5	7.0	46.25	77.8	5 653
20–40% richest	51.2	12.6	29.33	60.4	5 653
20% richest	64.9	11.1	24.05	39.9	5 647

Source: Author's calculations, based on NIDS 2008

> It is a persuasive argument that the legacy of apartheid remains profound and/or that the government (perhaps understandably) has not succeeded in redressing racial inequalities.

males are also almost twice as likely to die within the first year of their lives than are their female counterparts.

Given the inequalities in South African society, the country's developmental story cannot be told without referring to the differential development of its constituent groups that historically have been categorised by race and geographic location.

In this context, black people have the lowest life expectancy rate of all population groups. On average, black people live for 45 years, while coloured and white people live for 62 and 74 years, respectively. The estimate for Indians is imprecise for the reasons given above. The urbanised provinces of Gauteng and the Western Cape have higher life expectancies; Gauteng with 63 years followed by the Western Cape with 59 years. There is substantial variation among the other provinces, such as KwaZulu-Natal and the Free State, with the lowest life expectancies at 37 and 39 years, respectively. The highest child mortality rate – children not living beyond the age of 3 years – occurs in the Free State (18 per cent), followed by Mpumalanga (16 per cent). KwaZulu-Natal has relatively lower child mortality rates, but 70 per cent of the population do not live beyond the age of 40 years. The mortality patterns in KwaZulu-Natal and the Free State have been ascribed largely to a significantly higher incidence of HIV/AIDS in these provinces.

Progress in education is measured by two statistics: adult literacy rates and gross school enrolment (for primary, secondary and tertiary education). As Table 4.3.2 shows, almost 10 per cent of adult South Africans cannot read. Illiteracy amongst women is 2 percentage points higher than amongst men, and is more prevalent in the black group than the other population groups. Limpopo and KwaZulu-Natal have the highest illiteracy rates, followed by the Eastern Cape, the Northern Cape and the North West. Gauteng (3.5 per cent) and the Western Cape (4.3 per cent) find themselves at the other end of the spectrum. Another striking feature of this data, of course, is the concentration of illiteracy amongst the poorest South Africans.

In addition to education, measurement of the access component of poverty includes basic amenities such as clean drinking water and the weight of children. Again, similar patterns reveal themselves. As Table 4.3.3 indicates, about 7 per cent of all South Africans rely on springs, streams, pools or dams for household water. Black people are by far the most likely to lack access to improved water sources. The backlog is most severe in the Eastern Cape, where 23 per cent of South Africans live without an improved water source, and KwaZulu-Natal (14 per cent). With regard to the weight

Table 4.3.2: Estimated literacy and illiteracy rates for all adults

	Adult literacy rates (%)	Adult illiteracy rates (%)	N
Total	**90.6**	**9.4**	**18 630**
Male	91.9	8.1	8 124
Female	89.4	10.6	10 506
Black	88.8	11.2	13 988
Coloured	92.6	7.4	3 048
Indian	93.8	6.2	366
White	99.7	0.3	1 228
Western Cape	95.7	4.3	2 657
Eastern Cape	87.1	12.9	2 287
Northern Cape	87.6	12.4	1 317
Free State	93.4	6.6	1 141
KwaZulu-Natal	85.6	14.4	4 861
North West	87.3	12.7	1 556
Gauteng	96.5	3.5	1 928
Mpumalanga	90.9	9.1	1 234
Limpopo	85.5	14.5	1 649
Poorest 20%	86.9	13.1	3 273
20–40% poorest	86.0	14.0	4 059
40–60% poorest	87.6	12.4	4 310
20–40% richest	91.2	8.8	4 073
20% richest	98. 5	1.5	2 915

Source: Author's calculations, based on NIDS 2008

of children, Body Mass Index (BMI) results show that undernourishment amongst children aged 5 years and younger is a particular problem for the coloured group (14 per cent). Black and white children, with 8 per cent and 7 per cent, respectively, measured to be underweight, are less at risk. Girls are more than twice as likely to be underweight than boys. The Northern Cape and Mpumalanga have the highest rate of underweight children, while KwaZulu-Natal has the lowest rate, at just 5 per cent.

Human development and poverty

Calculations based on NIDS give an aggregate national HDI of 0.69 for 2008. Again, it makes more sense to break down the aggregate figures into constitutive groups. While there is little gender distinction in terms of HDI scores for women and men, there is a distinct racial pattern. Black South Africans recorded the lowest HDI score at 0.63, compared to that of the white group at 0.91. As such, the human development of black South Africans is more or less on a par with aggregate scores of countries like Bhutan. White South Africans, conversely, enjoy development standards that are comparable to the levels of Cyprus and Portugal. Table 4.3.4 shows estimates of the HDI and the HPI-1.

Gauteng, the most industrialised of the country's nine provinces, has the highest average HDI and KwaZulu-Natal the lowest. At 0.81, Gauteng can be compared to countries like Turkey and Mauritius, while KwaZulu-Natal with 0.60 would rank next to Congo.

There is a finding that requires further reflection: income poverty, the data implies, is not the only cause of human poverty. As Table 4.3.4 indicates, the HPI-1 is higher on average in KwaZulu-Natal than the average for the poorest 20 per cent of households, which suggests that households in KwaZulu-Natal experience lower human development on average than can be expected from provinces with a comparable income status. The HDI of the white group (and of Indians) is better than the average for the richest 20 per cent of all South Africans, which suggests that there are factors in addition to household income that determine inter-racial differences in human development and which are probably captured in much lower life expectancy rates for black South Africans. In this context, it is a persuasive argument that the legacy of apartheid remains profound and/or that the government (perhaps understandably) has not succeeded in redressing racial inequalities.

Table 4.3.3: Access to safe drinking water and child nutritional status

	Share of population lacking access to clean drinking water (%)	Share of under-5s who are underweight (BMI) (%)
Total	**6.7**	**8.2**
Male	6.3	4.7
Female	7.1	11.5
Black	8.4	7.7
Coloured	0.7	13.5
Indian	0.0	10.0
White	0.0	6.7
Western Cape	0.2	8.8
Eastern Cape	23.1	9.4
Northern Cape	0.2	12.6
Free State	0.0	6.8
KwaZulu-Natal	13.7	4.9
North West	0.3	9.4
Gauteng	0.0	9.0
Mpumalanga	0.4	12.5
Limpopo	6.0	8.5
Poorest 20%	14.0	9.3
20–40% poorest	11.9	9.1
40–60% poorest	4.4	7.1
20–40% richest	2.3	8.3
20% richest	0.9	5.2

Source: Author's calculations, based on NIDS 2008

State capacity and organisation are arguably the primary constraints to South Africa becoming a fully fledged developmental state.

South Africa as a developmental state

Given the ongoing debates about South Africa as a developmental state, this subsection presents preliminary conclusions drawing from the aforementioned findings. An analysis of the extent to which the South African state is indeed developmental has significance, because it has on numerous occasions indicated that it is pursuing such a model.[4] It is useful to examine the notion of a developmental state comparatively, hence some reference to India, Brazil, Botswana and Mauritius – countries that are broadly viewed as (emerging) developmental states.

This article defines a developmental state in terms of its institutional attributes, objectives and capacity to deliver on economic growth and human development. The working definition used here is that a developmental state 'is active in pursuing its agenda, working with social partners, has the capacity and is appropriately organized for its predetermined developmental objectives' (Gumede 2011: 180). Examining the various aspects of a developmental state encapsulated in this definition, South Africa is not yet a developmental state.

State capacity and organisation are arguably the primary constraints to South Africa becoming a fully fledged developmental state. The slow progress towards effectively reducing poverty and expanding human capabilities may be attributed largely to poor state capacity. State capacity can be conceptualised on four dimensions: ideational, political, technical and implementational (Cummings & Nørgaard 2004). Ideational capacity refers to the degree to which the state (its actors, role and policies) is legitimated and embedded in state institutions. Political capacity refers to the effectiveness of state institutions. Technical capacity involves an understanding of the policy context and the ability to devise policy options for a particular policy challenge. Implementational capacity entails the technical know-how for a particular policy action that has to be undertaken to implement a programme. Mkandawire (2001), on the other hand, emphasises the importance of the 'ideology-structure nexus' for a state to be considered developmental. He differentiates between two core components of such states: the ideological and the structural. It is a matter of debate whether the South African government is appropriately organised/structured for its predetermined developmental objectives.

As presented above, findings on human development and human poverty suggest that South Africa has made some headway in terms of improving its HDI score, peaking at 0.69 in 2008. There has been a downward slide, however, and the country recorded a far lower 0.61 in 2011.[5] The country's performance, therefore, has been inconsistent and is vulnerable to external shocks. It is against the background of this vulnerability that South Africa, arguably, should be classified as a 'developmental state in the making'. In other words, although the country still has some way to go in this regard, it has some key attributes of such a state, which, if strengthened, could see it emerge fully as one.

Table 4.3.4: Estimates of the Human Development Index and the Human Poverty Index

	HDI	HPI-1
Total	**0.691**	**27.1**
Male	0.693	25.8
Female	0.689	28.2
Black	0.630	31.2
Coloured	0.752	10.9
Indian	0.886	5.0
White	0.914	10.1
Western Cape	0.760	14.4
Eastern Cape	0.646	23.4
Northern Cape	0.695	27.2
Free State	0.630	37.3
KwaZulu-Natal	0.599	48.1
North West	0.677	25.5
Gauteng	0.806	10.2
Mpumalanga	0.676	40.4
Limpopo	0.677	19.3
Poorest 20%	0.488	40.0
20–40% poorest	0.563	36.3
40–60% poorest	0.586	32.9
20–40% richest	0.675	22.2
20% richest	0.868	17.3

Source: Author's calculations, based on NIDS 2008

At this stage, however, the country needs to make more gains, faster. In a broad, comparative context, South Africa is lagging behind its peers. HDI scores in the *2011 Human Development Report* show that the country, with its score of 0.61, trails other modern or emerging developmental states, such as Brazil (0.71), Botswana (0.63) and Mauritius (0.72). Although the HDI score for India, another of South Africa's developmental peers, is even lower at 0.54 in 2011, this represents a significant 21 per cent gain on the 0.387 it recorded in 1999 (UNDP 2011). One possible explanation for South Africa's lagging behind its peers is that the country's economy has not expanded to the same degree as those of Brazil, India, Mauritius and Botswana. Another important feature of these economies has been that they have managed to reduce income poverty and income inequality at a much faster rate. Both scenarios relate to the monopolised structure of the South African economy, with its strong dependence on the resource-export and financial sectors and its exceptionally high levels of unemployment. The transformation of the South African economy has been slow and, consequently, it has failed to create a sufficient number of jobs. Obviously, context-specific policies in particular countries account for some of the differences in economic and developmental outcomes, but it is possible to implement such policies more easily in environments where there is greater cohesion between major policy stakeholders.

Concluding remarks

South Africans today enjoy not only the benefits of political freedom but, on average, a better standard of living. However, statistics can be misleading if not properly interrogated. Deeper analysis reveals the discomforting truth that improvement generally only holds true for South Africa in aggregate terms. As demonstrated above, the immense structural socio-economic inequalities of the apartheid era are still very much alive today.

The findings presented above suggest that – almost two decades into a politically liberated South Africa – it is important to revisit the strategies that have informed our developmental trajectory. If anything, the data appear to demonstrate that the current path is unsustainable. Although some progress has been made in addressing human development and poverty, the pace has been slow and, in both the quantitative and qualitative sense, it has been insufficient. Poverty and inequality remain at intolerable levels.

The analysis underscores two fundamental points, namely that the black population group has the lowest HDI, and that inter-racial differences in HDI continue to be significant. It shows that economic transformation (and consequent social and economic inclusion) has been slow. It is in this context that we cannot yet refer to South Africa as a fully fledged developmental state. For it to be one, state capacity and systems have to be strengthened to the extent that the country's developmental trajectory becomes less vulnerable to economic fluctuations. Until such time as it consolidates its position on both counts, South Africa will remain a developmental state in the making.

Notes

1. For instance, since 1994, a multitude of legislative and policy instruments have been introduced to improve the situation of targeted groups. These include the Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000, the National Policy Framework for Women's Empowerment and Gender Equality of 2000, the Children's Act 38 2005 (amended in 2008), the National Policy for the Advancement and Co-ordination of Children's Rights in South Africa of 2003, the National Empowerment Fund Act 105 1998, the Integrated National Disability Strategy White Paper of 2000, the National Youth Development Agency Act 54 of 2008, the National Youth Policy 2009–2014 and the Integrated Strategy for the Treatment of HIV and Aids (which has been updated for the period 2008–2012).
2. The NIDS dataset contains information on more than 28 000 individuals in 7 305 households across South Africa, and has detailed information on expenditure, income, employment, schooling, health, social cohesion, etc. (see http://www.nids.uct.ac.za/home).
3. Stiglitz, Sen and Fitoussi (2010) contend, for instance, that new and more inclusive parameters for measuring economic growth are critical if countries are to achieve the overall goal of improving the quality of life.
4. The 'declaration' that South Africa wants to be a developmental state is succinctly captured in the revised 2007 Strategy and Tactics document of the ruling party, the African National Congress (see http://www.anc.org.za/docs/pdf).
5. It should be noted that the 2008 HDI is not directly comparable with the 2011 HDI, because of the two different sources of data from which the two indices are calculated. That said, it would seem that the various components of the HDI are declining.