

Introduction

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In November 2013, the Institute for Justice and Reconciliation (IJR) extended its annual Reconciliation Award to the Socio-economic Rights Institute of South Africa (SERI). The IJR did so in recognition of the work that SERI has done to keep the interests of the victims and relatives of last year's Marikana massacre on the country's national agenda. Even though a national commission of enquiry, headed by Judge Ian Farlam, was instituted by the president to investigate the circumstances around the deaths related to this tragedy, it soon became evident that the families of the affected miners were at a distinct disadvantage in terms of the legal representation that they could muster to put forward their account of events before the commission.

In question was the point-blank shooting of 34 miners by the South African Police Service (SAPS) that followed a protracted stand-off between miners and the Lonmin mining company at its Marikana mine in the North West Province. The events, which were captured by television cameras, and repeated almost daily in the following weeks by media outlets around the world, signified for many what is to come if the country does not make faster progress in addressing its massive developmental challenges that are characterised by high levels of poverty and a frightfully big gap between the incomes of the rich and the poor. This was a confrontation between workers, desperate and propelled by a profound sense of material exclusion, and a state that in this instance seemed to have run out of strategies to cope with the growing pressure that protest action for greater economic inclusion had placed on it. These events might repeat themselves in other contexts in the not too distant future. Increasingly, a scenario seems to develop where the police and the security forces may have to fulfil the role of a bulwark that protects the state from its discontents. The so-called 'war against poverty' could indeed see state and citizens fighting on different sides, instead of it being a joint national pursuit for the achievement of a better life.

It would be easy, of course, to reduce this tragic incident (and others where government force was employed against citizens) to a symptom of the impact that maladministration and corruption in different spheres of government has had on the state's ability to deliver on the basic needs of poor South Africans. This, is only partially the case. A singular focus on state inefficiency ignores the fact that even under conditions of optimal efficiency, it would take decades to eradicate the structural underpinnings of poverty and inequality. In addition, it deflects attention from the reality that inefficiency and

wasteful expenditure are not only public sector phenomena, but are also pervasive in the private sector, as the Competition Commission's findings pertaining to construction sector collusion in the run-up to the 2010 World Cup Football has shown. What both the public and corporate sectors have in common, though, is their respective (and often intertwined) monopolies on political and economic power. Separately and together they seem to reinforce a configuration of South African society where the interests of some are protected at the expense of many who are relegated to lives of desperation on the margins. The rise in violent protest in poor communities in recent years may be symptomatic of this sense that the current dispensation offers them little or no recourse, let alone the prospect of a brighter future.

In few places has the impact of this skewed distribution of power been more apparent than in the course of the proceedings of the Farlam Commission to date. This state of affairs, arguably, has very little to do with the independence of its officers or the composition of the commission itself, but rather relates to pre-existing conditions and provisions that tip the scales in favour of those with power. While Lonmin and the SAPS have had pockets deep enough to foot their legal bills, the same has not been true for the victims. No public money was made available to support the primary victims of the massacre, and when this was challenged in a court of law, it ruled in favour of the state. Even if we agree that the court's interpretation of the law was correct in this regard, it does suggest that the drafters were not sensitive to the potential disadvantage that such a scenario would impose on impoverished communities when they have to face up to the political power of the state and the economic influence of corporate South Africa. It is here that SERI's work has been critical in giving miners and their families access to processes and procedures, which the constitution, at least in principle, offers to every South African. Nevertheless, it is disconcerting to see how wide the gap between principle and practice has been in this instance.

While the Marikana massacre offered the starkest proof of the consequences of social exclusion to date, the circumstances that give rise to such tragedies can be found in the daily experiences of ordinary South Africans. Whether it is the delayed delivery of an identity document, insufficient access to healthcare or deficient school infrastructure, it is without fail the most destitute who suffer disproportionately and who have the least access to institutions that can remedy their

situation. In the longer term, we may risk the legitimacy, and ultimately the cohesive force, of the institutions that are meant to strengthen the foundations of what still is a young democracy.

While public confidence in some of these key institutions may still be relatively high in comparison to older and more mature democracies, the downward trajectory of South African confidence levels in recent years is worth noting and must be cause for concern. In 2006, the IJR started measuring public confidence in key public institutions as part of its South African Reconciliation Barometer (SARB) Survey. This survey has been conducted annually since 2002 using a nationally representative sample of 3 500 South Africans to measure public opinion on matters relating to political and economic change, how these impact on national reconciliation and, ultimately, how they translate into the achievement of greater social cohesion in the wake of apartheid. Without exception, the positive responses that were recorded for each of the institutions in the most recent survey (in April 2013) were significantly lower than the first measurements in 2006. Confidence in parliament, for example, dropped from 69 per cent in 2006 to 56 per cent in 2013, in the presidency from 77 to 55 per cent, in national government from 73 per cent to 55 per cent and in provincial government from 66 to 52 per cent. These declines were particularly precipitous between the two most recent surveys, where institutions on average scored 9 percentage points lower than in the previous round. Following the Marikana disaster, the significant drop in confidence in the SAPS, from 60 per cent in 2012 to 48 per cent in 2013, should not come as much of a surprise. What is of concern, however, is the notable decrease in positive evaluations of the legal system, from 68 per cent in 2012 to 58 per cent in 2013, and for the Constitutional Court from 69 per cent to 59 per cent. In another measurement that gauges the responsiveness of leaders, 68 per cent of respondents indicated in 2004 that they 'trust the country's leaders to do what is right'; in 2013, the corresponding figure was 48 per cent. Viewed together, these figures translate into a qualitative decline in the esteem in which ordinary South Africans hold a number of key executive, legislative and judicial institutions, as well as the leadership that occupies them.

Again, it has to be underscored that these findings should not be read solely in the context of governmental failure and inefficiency. A history that underpins the structural nature of the country's developmental backlogs most certainly exists. Equally important to remember is that an adverse global environment continues to make it difficult for our government to accelerate spending on priority areas without risking the country's fiscal sustainability. Amongst the group of emerging economies, South Africa is certainly not alone in this regard. Yet, the contextual factors of the present and the past alone do not fully account for what appears to be the hollowing out of our key democratic institutions, at least from a legitimacy perspective. The nature and tone of the politics of the day also play a decisive role in this regard.

When one looks at the trajectory of the responses to the institutional confidence questions, it becomes apparent that the most significant declines in positive evaluations occurred in 2008 and 2013, both years that preceded a national election and followed a five-yearly national conference of the ruling African National Congress (ANC). While such a measurement will have to be repeated in 2018 to allow for a more conclusive judgement, these periods have typically been characterised by a jockeying for positions within the ruling party, which, in turn, has had an impact on the continuity of leadership within key institutions, and ultimately the quality of outputs delivered to citizens. In some instances, there were also suggestions that such institutions were instrumental in the support of particular political appointments, at the expense of their constitutional mandate. Apart from the intra-party dynamics of the ANC and the extended tripartite alliance, the inter-party contestation between the ruling party and the main opposition has also contributed, on occasion, to an unnecessary polarisation of the body politic.

Whether such incidents will repeat themselves during the first quarter of 2014, in the run-up to the country's fifth general election (which will coincide with the celebration of two decades of democracy) remains to be seen. At this stage, three dimensions, which were less salient during the 2009 elections, can be predicted to feature more prominently in 2014.

The first relates to the democratic and developmental legacy of the past 20 years. The ANC will want to convince citizens that it has done what was possible under prevailing circumstances during this period, and that it is best placed to provide continuity and to accelerate delivery from 2014 onwards. This time around, however, the nature of contestation has changed. To its right it will have to craft careful responses to the Democratic Alliance (DA), the official opposition, and Agang SA, the newly formed party of intellectual and struggle veteran, Mamphele Ramphele. In addition to the Democratic Alliance (DA), the most significant opponent on its right, the ANC will also have to frame a response to AgangSA, formed by struggle figure and businesswoman, Mamphele Ramphele, who will be vying for the disenchanted, mainly middle-class, ANC vote. On the other side of the spectrum, the ANC will have to counter the newly formed radical left-wing Economic Freedom Fighters (EFF), led by the ANC's controversial former Youth League leader, Julius Malema. Another unknown quantity, with a potentially significant impact, will be the outcome of the current factional battles within the Congress of South African Trade Unions (COSATU). Tensions between COSATU and its largest union, the National Union of Mine Workers (NUM), as well as the suspension of the federation's former secretary general, Zwelinzima Vavi, can potentially lead to a further realignment of politics on the left side of the spectrum.

However these factors play out in the months ahead, it is becoming clear that the second distinctive aspect of this election campaign will be the central role that economic policy will play. This is not to say that it has not featured in the past, but

contesting parties will have to articulate their proposals in much clearer and differentiated terms this time.

Thirdly, it is already clear that a focus on the youth vote will be a core feature of the 2014 campaigns. In a country with a predominantly youthful national demographic (more than two-thirds are younger than 35 years of age), political parties cannot ignore the potential influence of a generation that has lived most of its life in a democratic South Africa, but is still exposed to the structural legacies of the past. This will require a different political approach – one that speaks to their exclusion, but shaped by a more contemporary narrative of struggle. Whether they will actually make use of their vote, and whether the entry of new political entities, like AgangSA and the EFF, will be enough to entice them to do so, will be an insightful indicator of the robustness of our democracy.

Citizens' discontent with being excluded from decision-making processes that affect their lives between elections is rising, as is evident in the number and intensity of public protests, but also in the IJR's latest public opinion data. For the sake of the country's democratic health, it is important that such frustration is vented through democratic and peaceful means, rather than in confrontation, such as that witnessed during the Marikana massacre. Against the current backdrop of growing frustration, and rising percentages of stay-away voters in successive general elections, it will be critical for political parties to recommit themselves to greater social inclusion, through their articulation of policy concerns, but also in the practical pursuit thereof. This, by implication, also implies support for the strengthening of the key public institutions, mandated to provide access to rights and to counter the marginalisation of the most disadvantaged in society.

Chapter overviews

This 2013 edition of the *Transformation Audit*, titled 'Confronting Exclusion' takes this need for enhanced social inclusion, both through a more inclusive economic dispensation and through an institutional framework that prioritises the voice of ordinary citizens, as its point of departure. In each of the following chapters, which focus on the publication's traditional topic areas (economic governance; the labour market; skills and education; and poverty and inequality), different contributors reflect on what this demands in each of these contexts.

This year's publication takes a slightly different approach to that of previous years. Instead of several shorter articles, the IJR has commissioned four longer, in-depth articles that provide a thorough overview of the chapter's focal area. Through this we hope to make the final product a more focused publication that interrogates the issues at hand with even more rigour, and in a format that is more accessible to a broader policy audience.

Chapter 1: Economic governance

In the first chapter of this year's *Transformation Audit*, Iraj

Abedian probes the question of intergenerational equity in South Africa. Although this is a topic that is receiving increasing prominence elsewhere, little has been written on it within the South African context, despite the fact that it stands central to the question of economic inclusion in an overwhelmingly youthful country. Its main conclusion is that South Africa's present pattern of resource allocation favours the current generation. It further points out that while monetary investments for the benefit of future generations in the form of the child grant and health expenditure have increased significantly since 1994, the non-pecuniary investments (strong social, political, economic and legislative institutions) have not expanded at the same rate.

Abedian suggests that this stems largely from the absence of a set of well-defined and generally accepted ethical and moral values that are internalised across society. Democratic South Africa, he suggests, is not an exception among many other young democracies that still need to craft their own identity and mode of engagement with their citizens, and with the outside world. Value systems that are at odds with each other, or with espoused constitutional norms, result in inefficiency and ethical inconsistency, as well as social distrust and instability. In the absence of such systems that govern social, economic and political conduct, the socially marginalised become more exposed to exploitative practices by those who hold power and abuse it for material gain. More often than not, future generations carry the burden of the excesses of their predecessors.

Within the analytical paradigm of complexity economics, Abedian's contribution suggests that the evolution of a complex, adaptive system of socio-economic structures requires well-articulated, shared values. Their adoption defines the current and likely drivers of competitive advantage and social progress over time. Despite this country's developmental challenges, its future is not predetermined – it can be shaped. While resources are critical for implementation, even more so are the value systems that inform decisions about their allocation.

Chapter 2: The labour market

The levels at which minimum wages are set, the considerations that inform them, and the processes through which they are determined are a frequent cause of friction between stakeholders in the economy. Some even decry their very existence. Those averse to the notion of a minimum wage argue that unemployment would rise if it is fixed above the market-clearing wage level, because of its impact on labour productivity. The counter-argument is that higher wages motivate people to work harder, thereby improving productivity and providing an incentive for employers to hire more workers.

In this contribution by Derek Yu, some of these assumptions are tested against the most readily available and reliable data for the South African labour market. Yu does this by analysing each of the main sectors in the South African economy to ascertain whether there are cross-sectoral patterns or whether

some sectors are affected more by fluctuations than others. The results pertaining to the relationship between mean real earnings, real gross value added, and formal sector employment by industry suggest that the impact of collective bargaining on the minimum wage might have been negative in terms of employment and labour demand in certain industries, such as mining and quarrying. According to Yu, the data indicate that this might be attributable to the pace of wage increases, which has outstripped the rate of labour productivity growth. He also contends that, in certain instances, the current approach to collective bargaining benefits the interests of the employed (insiders) at the expense of the unemployed (outsiders). While the unemployed may be eager to participate in the labour market, they face several institutional challenges, which may unintentionally exacerbate rather than alleviate the problem of unemployment.

Chapter 3: Skills and education

A lack of accountability for student learning outcomes is a major, if not the primary, obstacle to quality education for children from poor South African households, writes Nick Spaull, author of this year's skills and education chapter. As a result, says Spaull, they are doomed to remain trapped in conditions of poverty.

The consequences of weak accountability systems in South African schools are manifold. High rates of teacher absenteeism are prevalent and, as a result, low rates of curriculum coverage rob learners of the opportunity to broaden their knowledge and, importantly, to achieve. Moreover, it is increasingly evident that higher education expenditure has not led to improved education outcomes. Spaull suggests that weak accountability exists throughout the education system, from the national Department of Basic Education right to the classroom.

In his contribution, he argues for improved accountability, but notes that a greater emphasis on accountability without commensurate support is as flawed as an approach in which more resources and support are pumped into the system without holding officials to account for their use. Instead, structures of accountability must become more closely aligned to the process of capacity-building. According to Spaull, there will be an improvement in student outcomes only when schools have the incentive and capacity to respond to an accountability system.

When faced with limited resources, prioritisation is inevitable. The creation of an evidence-based hierarchy of constraints makes it possible to identify obstacles to progress, and to budget for and prioritise financial and human resources. Spaull further argues that a reliable indicator of student learning at the primary school level is critical for improved outcomes, and while the introduction of the Annual National Assessments represents a positive development, their inconsistent implementation unfortunately negates much of their value. Lastly, he cautions against the disproportionate influence that a politically organised minority (teacher unions) has over a

politically atomised majority (parents and children).

In terms of immediate interventions, Spaull suggests in conclusion that meaningful learning opportunities are required to improve teacher skills. Accountability as an incentive to improve is pointless if the capacity to do so does not exist. He also feels that parents should be empowered with accurate information on their children's learning relative to appropriate benchmarks and the performance of socio-economically similar schools. Without accurate information on their children's learning, parents cannot put pressure on schools or express their concerns through appropriate political channels.

Chapter 4: Poverty and inequality

Against the backdrop of the 100th anniversary of the Natives Land Act of 1913, the piece of legislation that probably contributed more than any other to the dispossession of black South Africans, Dieter von Fintel and Louw Pienaar look at the incidence of hunger in the former homeland areas. Their contribution shows that although levels of hunger were much higher in the former homelands than in the rest of South Africa at the time of their reincorporation, they converged with the rest of the country by 2010. The authors argue that social grants, which expanded rapidly between 2002 and 2010, played an important role in this regard and that dependence on them grew faster in former homeland regions. Their analysis shows that these grants (or a lack of salary income) explain a large part of hunger differences across the region types, and that receipt of social pensions, in particular, reduced hunger substantially.

Economies of scale and tenure systems are also important contributors to food security, but small-scale farmers have also succeeded in reducing adult hunger levels. The authors contend that the food security damage caused by the 1913 Land Act and other laws can be undone gradually by way of support for small-scale farmers. Interventions that equip communities to farm together can reduce hunger, because they allow them to share risk and knowledge. Von Fintel and Pienaar argue that although social grants mitigate the effects of hunger on households, they are not a fiscally sustainable option. They cite research contending that sizable social pensions result in household formation patterns that isolate individuals from the mainstream of the labour market, and conclude that while grants should play a mitigating role in reducing the impact of poverty, the more sustainable option would be to promote the capacity of small-scale farmers and their links to the market economy.

Confronting exclusion

It is virtually impossible to decouple the health of a country's political life from its economic fortunes. When societies prosper materially, citizens typically feel empowered, are more likely to be content with the public institutions that support the status quo, and have confidence in the steering capability of

those who lead them. On the other hand, when they struggle, and economic deprivation becomes structurally entrenched over time, the most adversely affected can develop, in some instances, a sense of social marginalisation, characterised by despair and dwindling confidence in the capacity of public institutions and their leadership to address their plight. Under such conditions, friction between state and society can develop; if left festering, this may have implications for a state's longer-term political stability.

South Africa has made important political strides over the past two decades. It has created a framework of democratic legislative, executive and judicial institutions that mark a clear break from the apartheid past. In theory, they are inclusive and offer every citizen equal access to constitutionally protected rights. Yet, they are coming under increasing pressure, and citizen confidence in their abilities is waning, as declines in institutional trust in the IJR's 2013 Reconciliation Barometer have shown. Much of the pressure that these institutions are experiencing, which may ultimately affect their legitimacy in the eyes of ordinary citizens, has its roots in the desperation and sense of economic exclusion experienced by those who

find themselves at the wrong end of South Africa's grossly unequal society. If these declines continue to follow their current trajectory, the cohesive effects of public institutions will wane, and political instability will become an increasingly likely prospect.

An immediate, but only partial, remedy to the current state of affairs would be to prioritise transparency, accountability and leadership integrity within the system to restore trust in the bona fides of key institutions. The longer-term challenge will be to counter a growing sense of economic exclusion, where violent police action, rather than democratic process, is employed to stave off the manifestations of material anxiety of struggling citizens. This edition of the *Transformation Audit*, titled 'Confronting Exclusion' focuses on instances of economic exclusion, but, as in previous years, also prioritises the search for inclusive economic policy. By looking at each of the four chapter areas, it seeks to find answers to the challenges of a society where the promise of true freedom and equal rights will remain only that, until people feel empowered to take charge of their own destiny.