

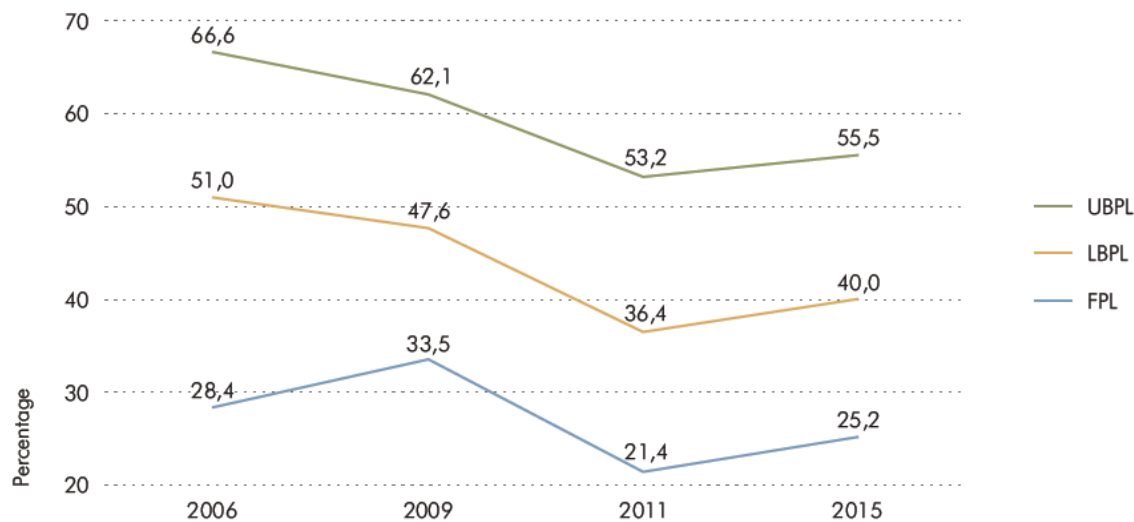
# **Inclusive growth in SA: meaning and measurement**

**In search of genuine economic transformation!**

**Ivan Turok and Justin Visagie**  
Economic Performance and Development

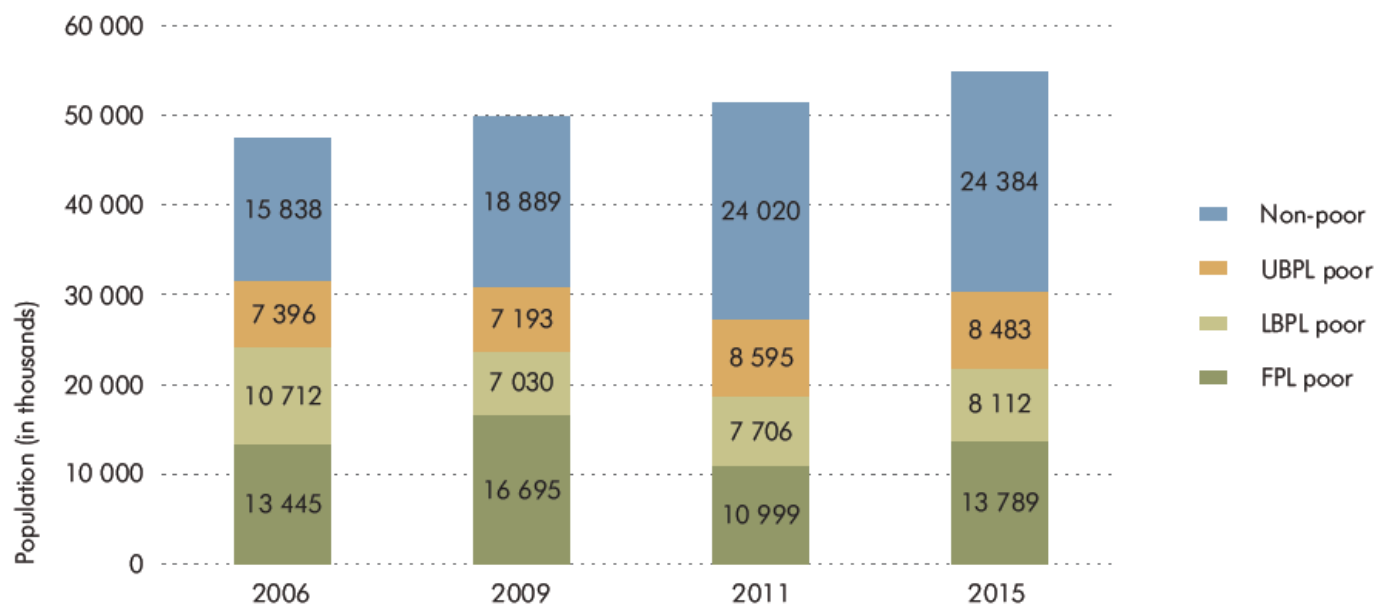
25 August 2017

Figure 2.1: Poverty headcounts based on the FPL, LBPL and UBPL (2006, 2009, 2011 and 2015)



Latest  
StatsSA  
report

Figure 2.2: The number of poor and non-poor persons in South Africa (in thousands) (2006, 2009, 2011 and 2015)



# Conundrum

“South Africa’s constitution is admired globally. It incorporates hard fought for political and civil rights, and a generous range of social and economic rights that can be enforced by courts. Why then do so many South Africans, mostly black, still live amid widespread poverty? Why do they continue to live in segregated spaces that reinforce apartheid geography?”

(Andrews, *The Conversation*, 2016).

The constitutional framework is being challenged!

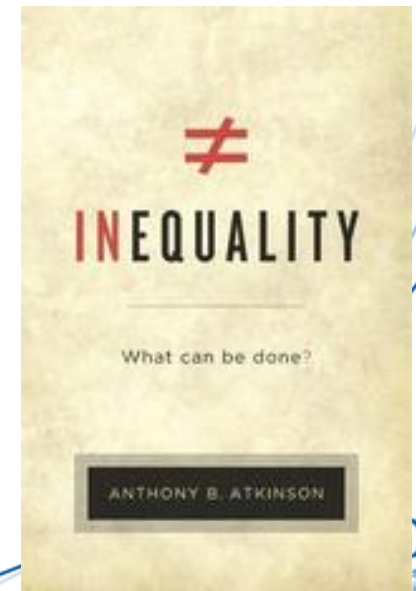
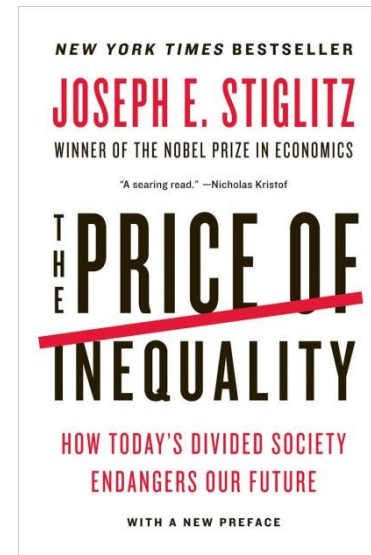
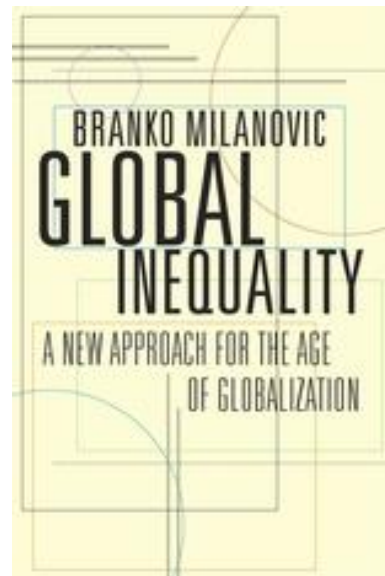
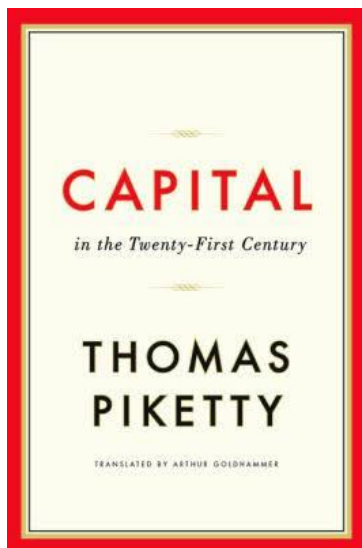
# Context

A shared vision for an inclusive development path is urgent, but **what might this look like, whose responsibility** should it be, and **what could be done** to shift the current trajectory?

- **Conventional approach** – restore confidence, expand the economy and raise taxes to support poor & marginalised groups. Since 1994 social grants, free basic services & housing have alleviated hardship & misery, but have they been developmental or transformative? (welfare/compensation)
- **Populists** – threaten nationalisation of key industries and expropriation of land and other assets. Race prominent. Risk withdrawal of private investment, job & public spending cuts.
- **Procurement** drive: racial transformation by legal imposition
- Focus on **transferring** income/assets from above – transformation as a one-off **event** addressing symptoms, not a **process** addressing underlying causes
- Not **building** a more prosperous and integrated society from below (with national support & frameworks).

# Relevance of Inclusive Growth

- Growing global concerns that communities haven't benefited from economic growth & technological progress.
- Wider concerns with social discontent, various insecurities, climate change & resource scarcities ('sustainable development')
- With globalisation, governments have less control over the levers of economic and social progress

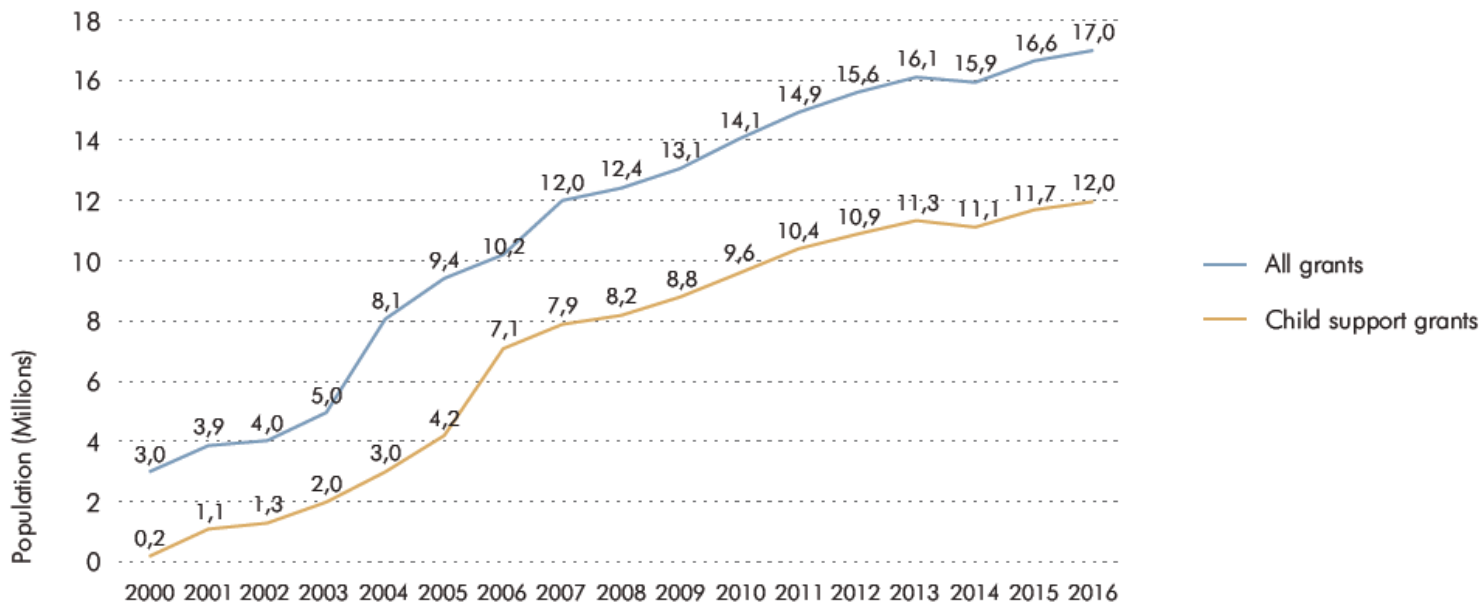


# Conceptualising Inclusive Growth

- **Pro-poor** versus **inclusive** growth
  - Pro-poor: incomes of the poor improve, relative to the rich – **outcomes orientated** (like absolute poverty)
  - Inclusive growth: **root causes** and **active processes** or dynamics.

*“Economies that are continuously evolving to become more **inclusive in their outcomes**, come about through **changes in processes** that enable for these transformations to happen and for outcomes to be measured.”* Brenner & Pastor, Rockefeller Foundation

Figure 2.36: Number of social grants disbursed between 2000 and 2016



Source: South African Social Security Agency (SASSA), SOCPEN Database (2000–2016)

“The numbers are there, but we don’t have a system that brings them together so that policy can respond in a sensible manner. We are not dealing with the root cause of poverty. **We are merely dealing with the hygiene of poverty** ... The key driver is unemployment” (Ex-Statistician-General, Pali Lehohla)

# Key principles for South Africa

- **Participation** (active citizenship vs entitlement & 'service delivery')
  - people have agency, dignity and a stake in society
  - skills and capabilities to generate an **income**
  - participation in **decision-making** for accountability and to raise standards of public services
  - co-production of **housing** and human settlements
- **Place-based** policies and processes –
  - tailor government strategies to **diverse local realities**
  - more **responsive public services**
  - **coordination** and reinforcement of different actions
- **Partnership** (collaboration)
  - collective endeavour - government, business & civil society
  - build trust & understanding in a fractured society
  - learning, bargaining, creativity and innovation



# **Spatial dynamics of inclusive development in South Africa**

*Key features*

# Methodology

- A wide range of metrics from the Rockefeller framework:
  - Original sourcing of StatsSA data: Census, Community Survey 2016, QLFS, GHS, NIDS
  - Administrative data: FNB House price index
- Data Constraints:
  - Some gaps and limitations specifically at city-level
  - Avoided the use of commercial data which lacks transparency
- A spatial approach: inequalities within & between communities expressed at different scales.
  - Settlement hierarchy: large cities (metros), other urban areas, former Bantustans and rural areas
  - Individual metro comparisons

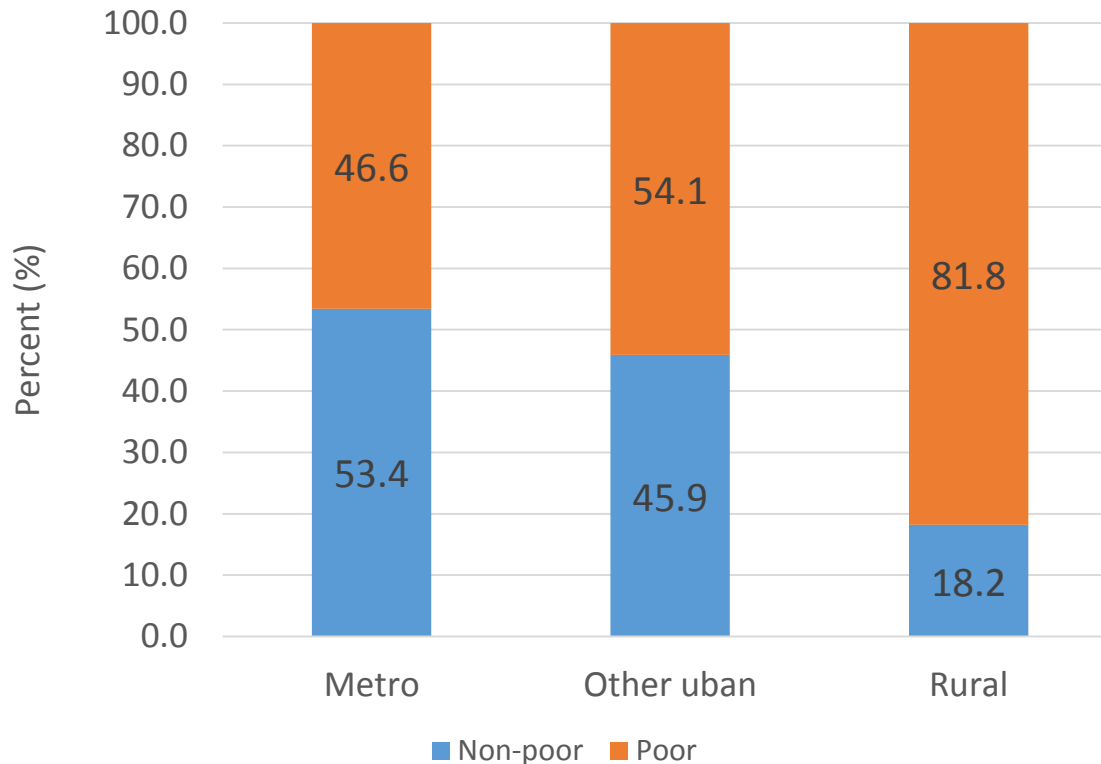
			<b>Metros</b>	<b>Other Urban</b>	<b>Rural</b>	<b>SA</b>
<b>EQUITABLE</b>	A. Upward Mobility for all	A4. % enrollment in early childhood development	82.1	71.0	66.3	72.8
	B. Reduction of inequality	B2. % below 50 percent of median per capita household income	29.1	26.2	14.1	19.0
	C. Equal access to public goods and ecosystem services	C1. % access to flushing toilet	84.9	82.9	10.5	63.4
		C2. % access to piped water on premises	88.6	88.6	38.3	74.4
		C3a. % electricity for lighting	92.3	91.9	85.3	90.2
		C3b. % electricity for cooking	92.7	91.5	69.2	85.8
		C4a. % completion of primary school year-on-year (2002 cohort)	78.8	68.2	60.1	67.7
		C4b. % completion of secondary school year-on-year (1997 cohort)	48.6	34.2	21.0	33.8
C6. % travel time 60+ min to work	43.6	24.5	29.4	35.1		

			<b>Metros</b>	<b>Other Urban</b>	<b>Rural</b>	<b>SA</b>
<b>PARTICIPATORY</b>	D. People are able to access and participate in markets as workers, consumers, and business owners.	D1. Labour force participation rate (%)	69.0	61.6	40.3	58.3
		D2. % workforce informal	24.5	31.2	43.9	30.4
		D4. Household income per capita per month (2011 prices)	4 049	2 658	934	2 264
	E. Market transparency and information symmetry.	F1. % cellphone ownership	92.9	91.6	91.4	92.1
		F2. % usage of internet	14.9	10.9	4.9	11.0

			<b>Metros</b>	<b>Other Urban</b>	<b>Rural</b>	<b>SA</b>
<b>GROWING</b>	G. Increasing good job and work opportunity	G1a. employment to population ratio	51.4	46.6	29.8	43.6
		G2b. unemployment rate (expanded)**	28.0	31.8	43.4	32.9
		G3. % below poverty line	46.6	54.1	81.8	60.5
	H. Improving material well-being.	H2. % ran out of money to buy food for 5+ days during the month	8.6	11.2	17.1	11.7
		H3. % living in informal dwellings	16.4	18.7	18.0	16.6
	I. Economic transformation for the betterment of all	I1. % completed secondary or tertiary education	49.8	38.9	22.1	38.5

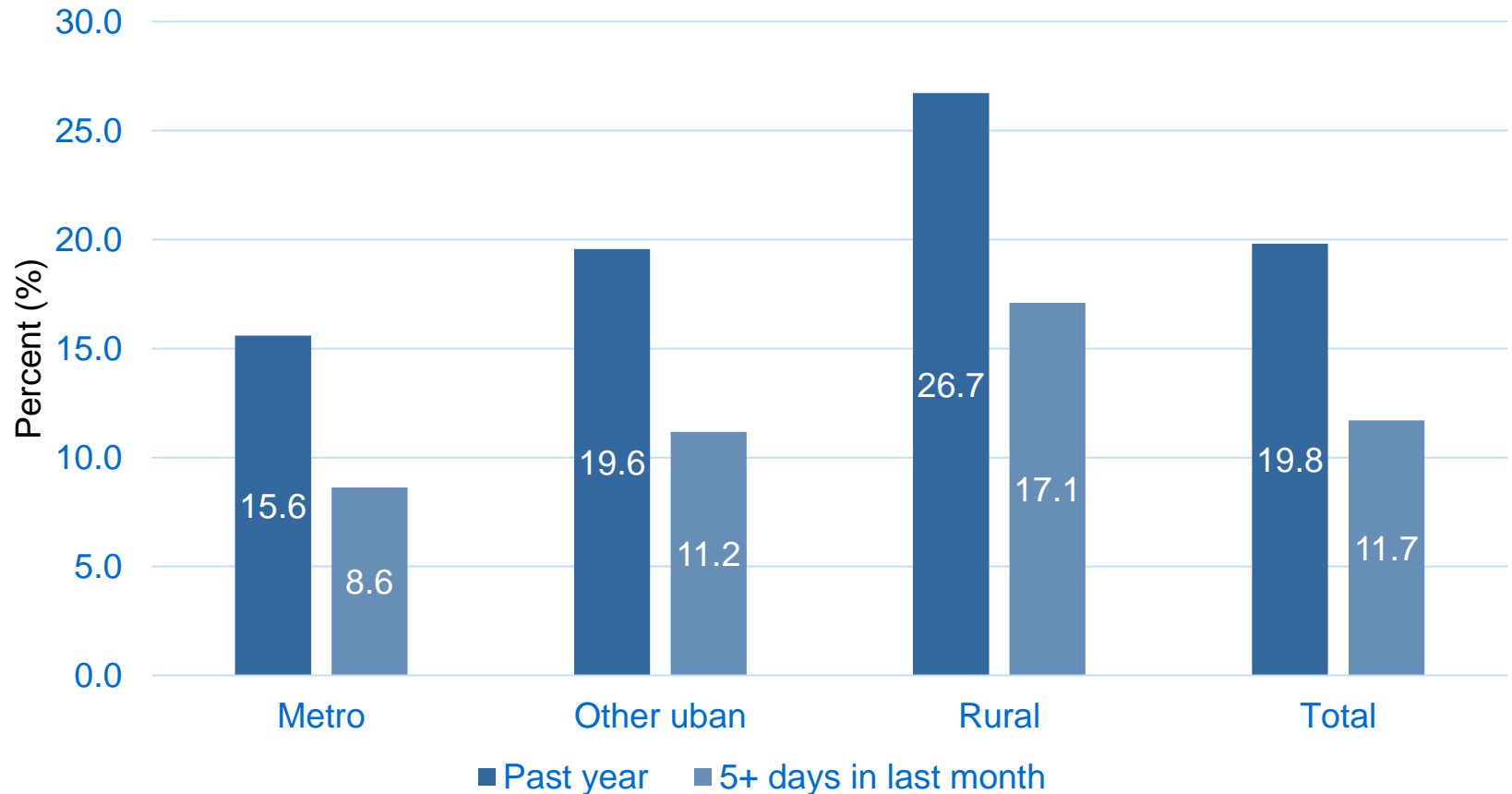
			<b>Metros</b>	<b>Other Urban</b>	<b>Rural</b>	<b>SA</b>
<b>STABLE</b>	M. Public /private confidence & predict decisions	M2. % perceive their metro to be dealing with their problems	21.8	23.4	20.4	21.9
	N. Members of society are able to invest in their future	N1. % with bank account	65.0	62.8	39.5	55.8
		N2. % access to formal credit	17.2	13.8	4.4	11.9
		N5. % victim of crime over last year	8.8	8.0	5.1	7.5
	O. Economic resilience to shocks and stresses.	O1. % receiving government grant cash transfer	34.1	42.4	65.4	45.5
		O3a. % share employment in manufacturing***	14.7	12.2	7.4	12.5
		O3b. % share employment in financial/business services	21.3	11.7	6.1	15.4

**Poverty Headcount Ratio:  
R1300 per person per month  
R5200 per household (4 person)**



Poverty levels are extreme in rural areas with four fifths of the population below a poverty line. This is almost double the rate of poverty in the metros.

## Ran out of money to buy food?



Twice as many people report having run out of money to buy food in rural areas compared with in the cities.

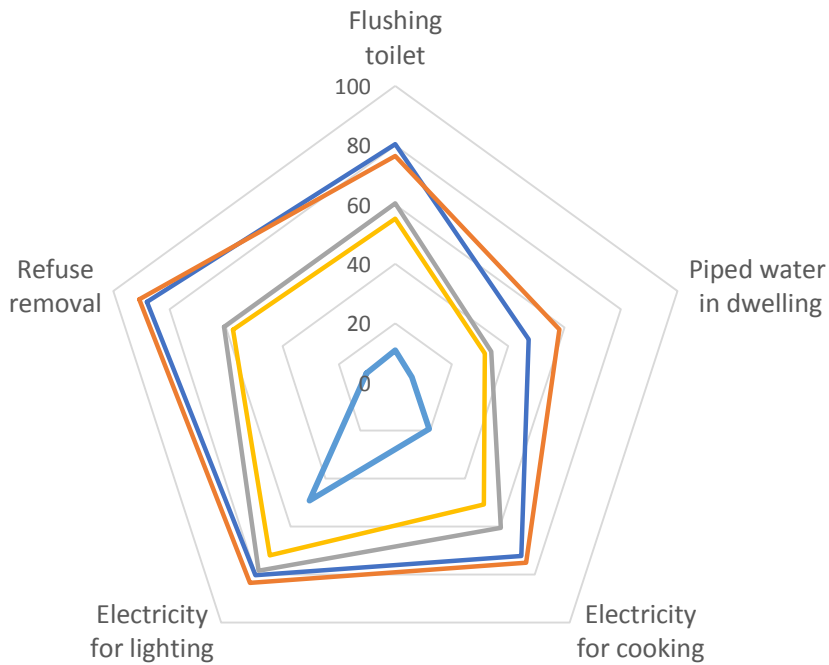


## Per household fiscal allocations to municipalities 2017/18



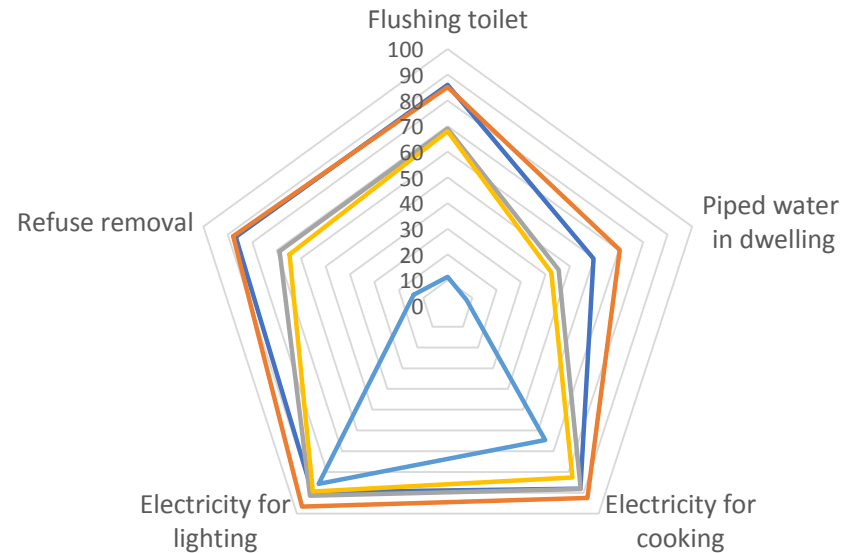
The Treasury allocates more than double the funding per capita to rural municipalities than it does to the metros. This is partly because the metros have a tax base that enables them to generate their own revenues, unlike many rural municipalities.

Census 2001



- Gauteng metros
- Coastal metros
- Secondary cities
- Commercial farming
- Mostly former Bantustan

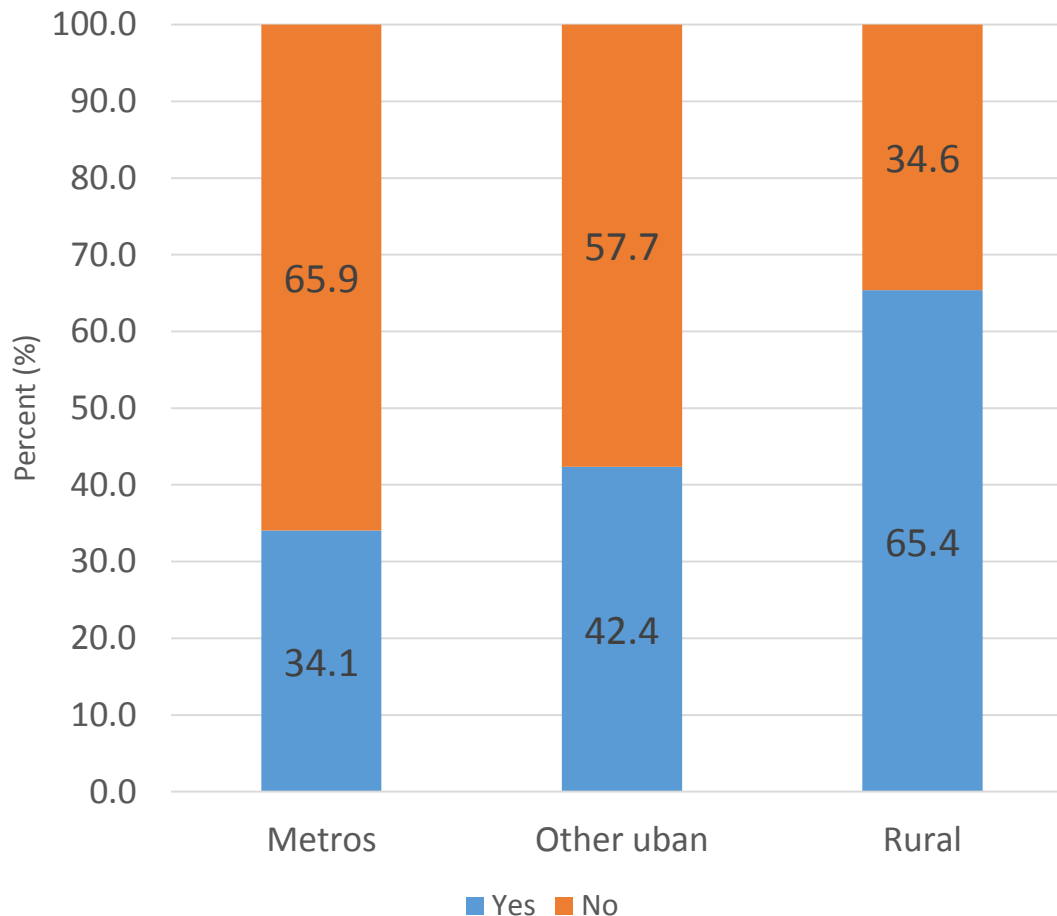
Community Survey 2016



- Gauteng metros
- Coastal metros
- Secondary cities
- Commercial farming
- Mostly former Bantustan

Considerable progress has been made to extend access to basic services since 1994, although rural areas still tend to lag behind, specifically in relation to piped water and sanitation facilities.

### Does this household receive a social grant?



Two-thirds of households in rural areas receive a government cash transfer. This is nearly double the proportion in metropolitan areas.

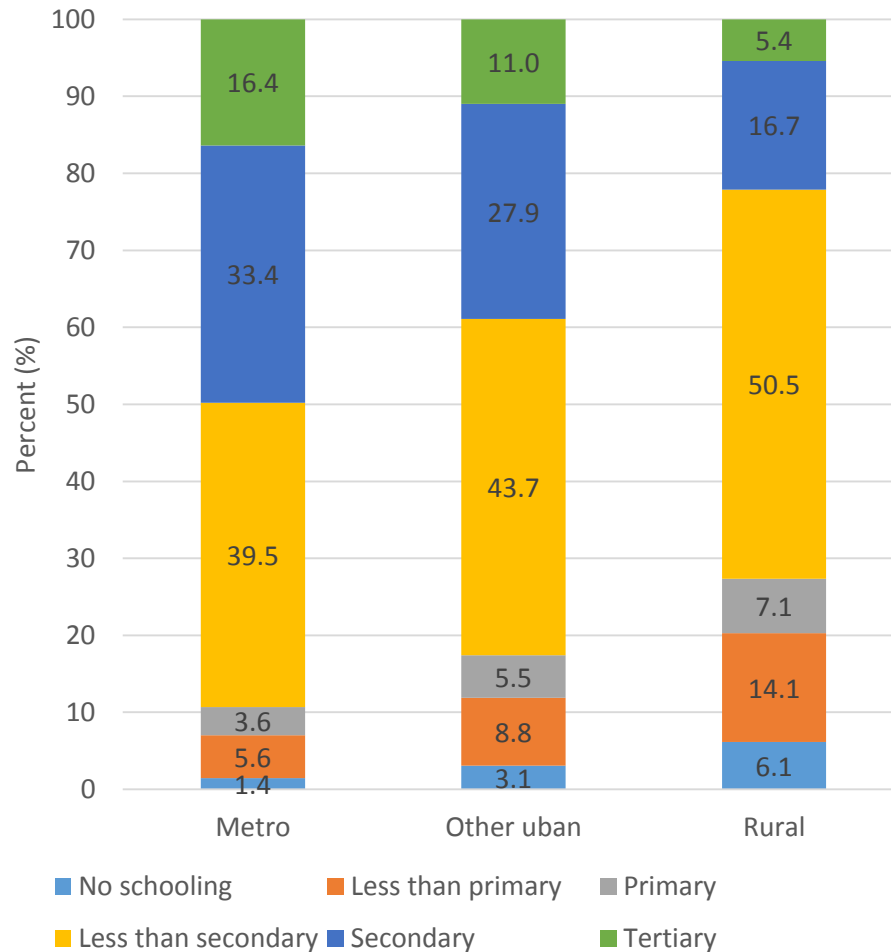
## Labour Market Indicators

	Metro	Other urban	Rural
<b>Employed</b>	51.4	46.6	29.8
<b>Unemployed</b>	17.6	15.0	10.5
<b>Discouraged</b>	2.4	6.7	12.3
<b>NEA</b>	28.6	31.7	47.4
<b>Total</b>	100	100	100

<b>Emp/pop ratio</b>	51.4	46.6	29.8
<b>Unemployment rate (expanded)</b>	28.0	31.8	43.4

Only 40% of working age people in rural areas actively participate in the labour market, and only **23% are in paid work**. Meanwhile, almost 70% of working age people in the major cities are economically active and **50% are in work**.

## Highest Educational Attainment



Half of the workforce in the metros have completed secondary school, compared to roughly one-fifth in rural areas. Tertiary skills are scarce outside of the cities.

# Spatial dynamics of inclusion

- **The spatial hierarchy is striking:** stark socio-spatial divides across employment prospects, access to household services, educational attainment and access to financial services.
- **Redistribution** via national fiscal transfers has featured strongly in the absence of deeper economic transformation and all-round development
  - **Welfare critical** is a palliative to rural economic stagnation
  - Further room for redistribution through fiscal allocations is limited in the low-growth environment.
- Considerable progress in improving livelihoods but through **pro-poor outcomes** rather than **inclusive processes**
- Without tackling the **structural problems** it is difficult to see fiscal policy making headway in the face of deep-seated exclusions and inequalities.

# Weak state capacity & responsiveness

## Public sentiment in municipal competency

	Metro	Other Urban	Rural	National
% perceive their municipality to be dealing with their problems	21.8	23.4	20.4	21.9

Source: CS 2016, own estimates

- Very low levels of confidence in municipal competency by communities at all levels.
- Suggests weak **state capacity** to provide infrastructure and other public goods
- Need to improve economic fundamentals:
  - Reliable, cost-effective energy and water supplies, road, rail and seaport logistics.
  - Education and relevant skills.
  - Various forms of support for new and existing enterprises

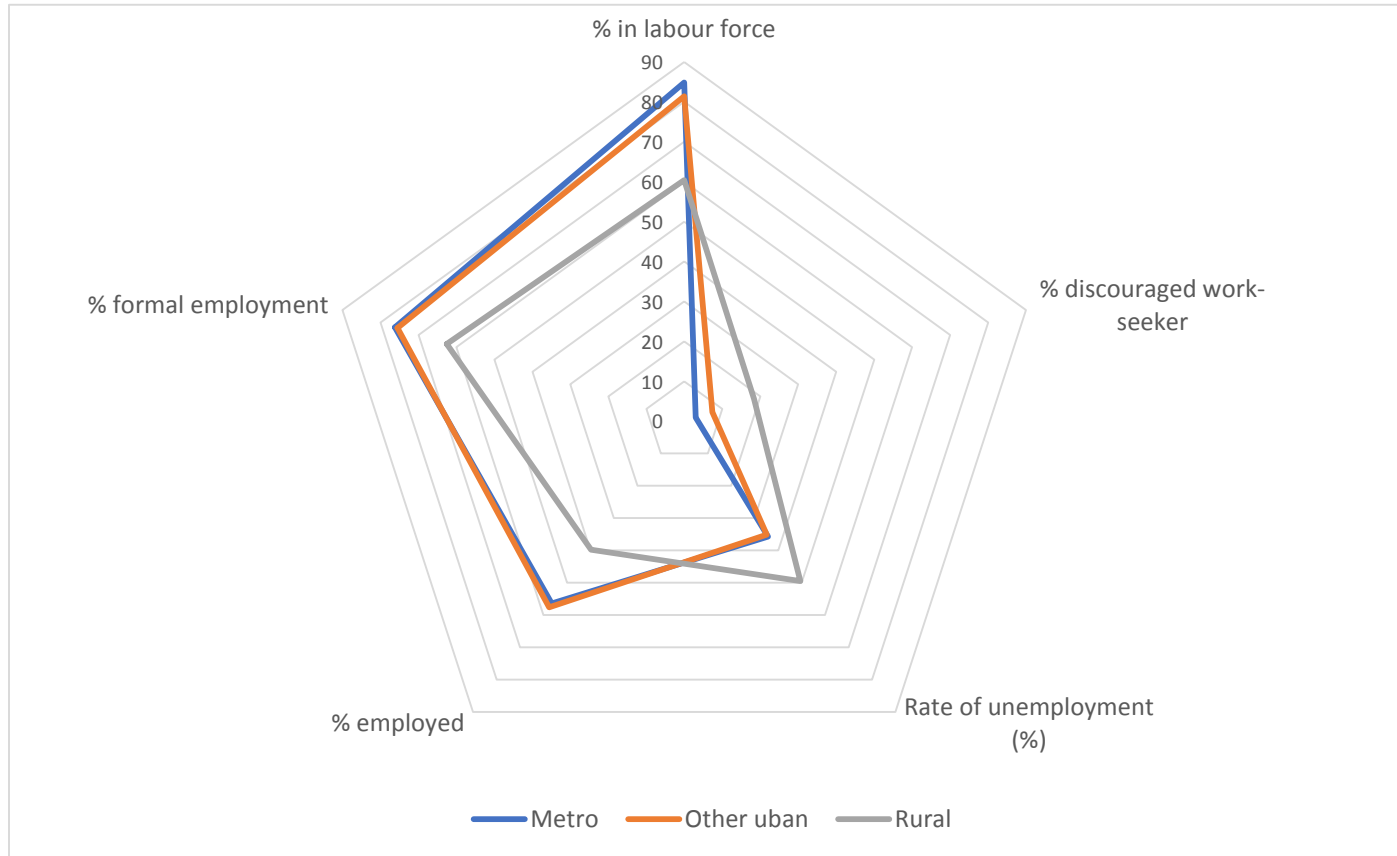
# Urbanisation and inclusion

Urbanisation is a rational response to inferior levels of service delivery and poor labour market prospects in rural areas.

- Gauteng experienced a net in-migration of 1.4 million people between 2001 and 2016
- Migrants face vulnerabilities through the loss of traditional kinship and subsistence systems, poor transport connectivity and barriers to employment through soft and hard skills.
- Those in informal settlements are particularly vulnerable to inadequate shelter, deficient basic services, exposure to environmental hazards and violent crime
- ***Would rural residents be better-off if they moved to a city?***

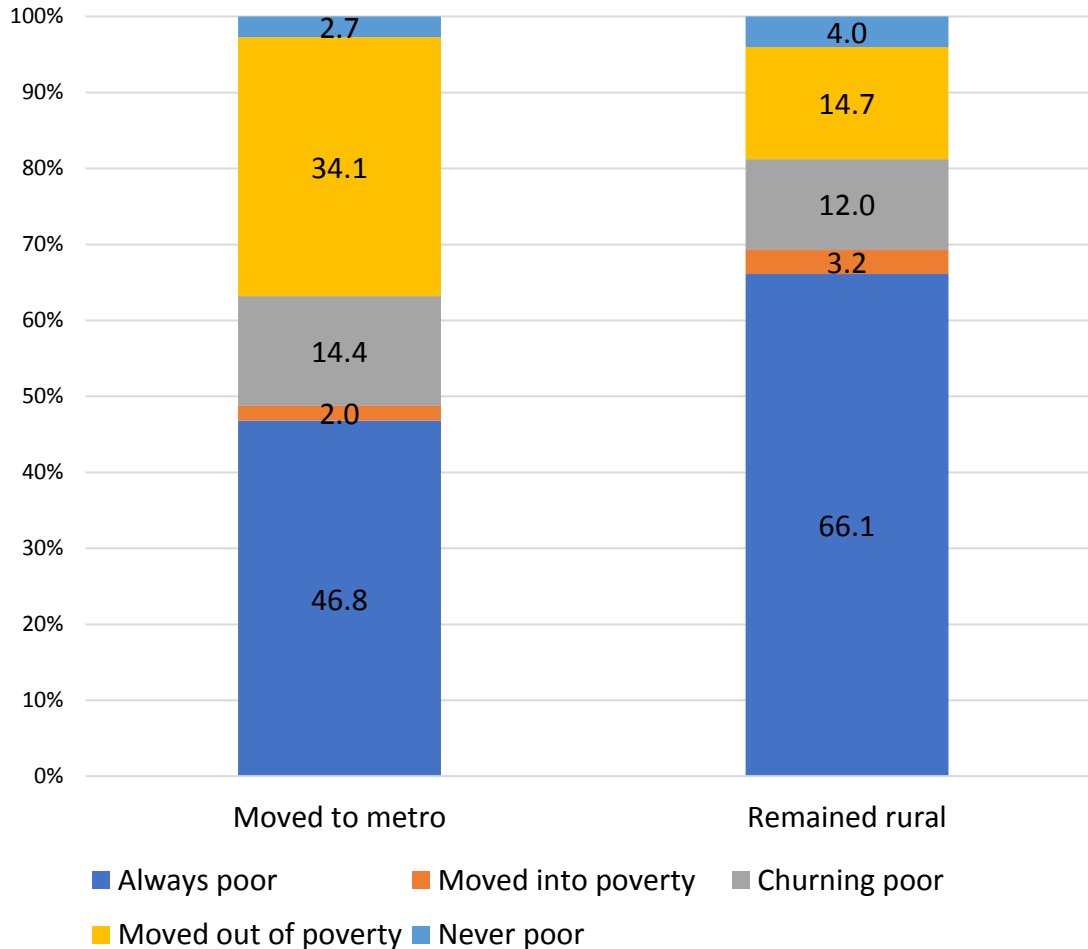


# Urban-rural labour market outcomes: African, aged 25 – 35, completed secondary school



A cohort of individuals with **similar characteristics** from urban and rural areas display large differences in labour market outcomes.

### Income Mobility and Migration



For every 100 people who migrated to a metro 34 escaped from poverty, compared to 15 among those who remained rural

The National Income Dynamics Study is a panel survey which follows individuals and their movements over time. New evidence from the survey suggests that rural-urban migration offers a pathway out of poverty for some

# Urbanisation and inclusion

- An inclusive growth strategy should take seriously the role of urbanisation in narrowing spatial inequalities.
  - Concentration enhances **productivity** and **innovation**. Promoting growth is most cost-effective in cities.
  - National **government remains ambivalent** and **split** despite policy documents such as the IUDF.
- **Inclusive urbanisation** would mean doing more to strengthen the capacity of cities to accommodate the inflow of rural migrants by creating more liveable environments.
  - Municipal by-laws, land-use zoning systems and public infrastructure can all be used as instruments of inclusion or exclusion for outsiders.
  - Not simply to accommodate rural migrants physically, but also to **integrate and assimilate** them into the existing social, economic and political fabric of the city.

# **Cities and Inclusion: a view of the metros**

*Key features*

			Cape Town	Joburg	Tshwane	Ekurhuleni	eThek-wini	Nelson Mandela	Buffalo City	Mangaung
<b>EQUITABLE</b>	A. Upward Mobility for all	A4. % enrolment in early childhood development	86.3	90.7	72.1	68.2	85.6	96.1	73.5	66.7
	B. Reducing inequality	B2. % below 50 percent of median per capita household income	27.0	28.1	29.5	26.0	31.6	25.2	22.4	30.6
	C. Equal access to public goods and ecosystem services	C1. % access to flushing toilet	92.8	90.2	79.2	86.3	73.9	93.2	77.1	67.9
		C2. % access to piped water on premises	88.0	92.1	89.6	87.9	85.4	93.4	71.1	90.1
		C3a. % electricity for lighting	97.3	91.0	92.0	85.5	96.0	95.6	86.4	95.6
		C3b. % electricity for cooking	98.3	92.0	92.1	86.1	95.7	95.4	85.5	95.9
		C4a. % completion of primary school year-on-year (2002 cohort)	76.6	84.7	80.3	81.9	77.0	72.7	71.9	71.2
		C4b. % completion of secondary school year-on-year (1997 cohort)	45.3	53.6	53.6	47.5	51.9	37.9	33.2	42.3
C6. % travel time 60+ min to work	11.1	13.0	13.6	6.5	9.0	1.4	2.3	7.4		

			Cape Town	Joburg	Tshwane	Ekurhuleni	eThek-wini	Nelson Mandela	Buffalo City	Man-gaung
<b>PARTICIPATORY</b>	D. People are able to access and participate in markets as workers, consumers, and business owners.	D1. Labour force participation rate	68.4	76.6	69.7	72.6	57.0	65.9	66.3	63.6
		D2. % workforce informal	17.7	27.3	22.5	22.5	30.6	24.9	31.5	29.1
		D4. Household income per capita per month	3 624	3 440	3 669	3 523	1 972	1 772	2 285	2 809
	E. Market transparency and information symmetry.	E1. World Bank ease of doing business score	73.1	67.5	70.5	72.5	72.4	67.9	71.4	72.0
		F1. % cellphone ownership	92.1	93.4	94.2	93.4	92.0	91.0	91.1	91.6
		F2. % usage of internet	20.0	15.8	16.6	11.6	12.1	12.3	9.5	15.1

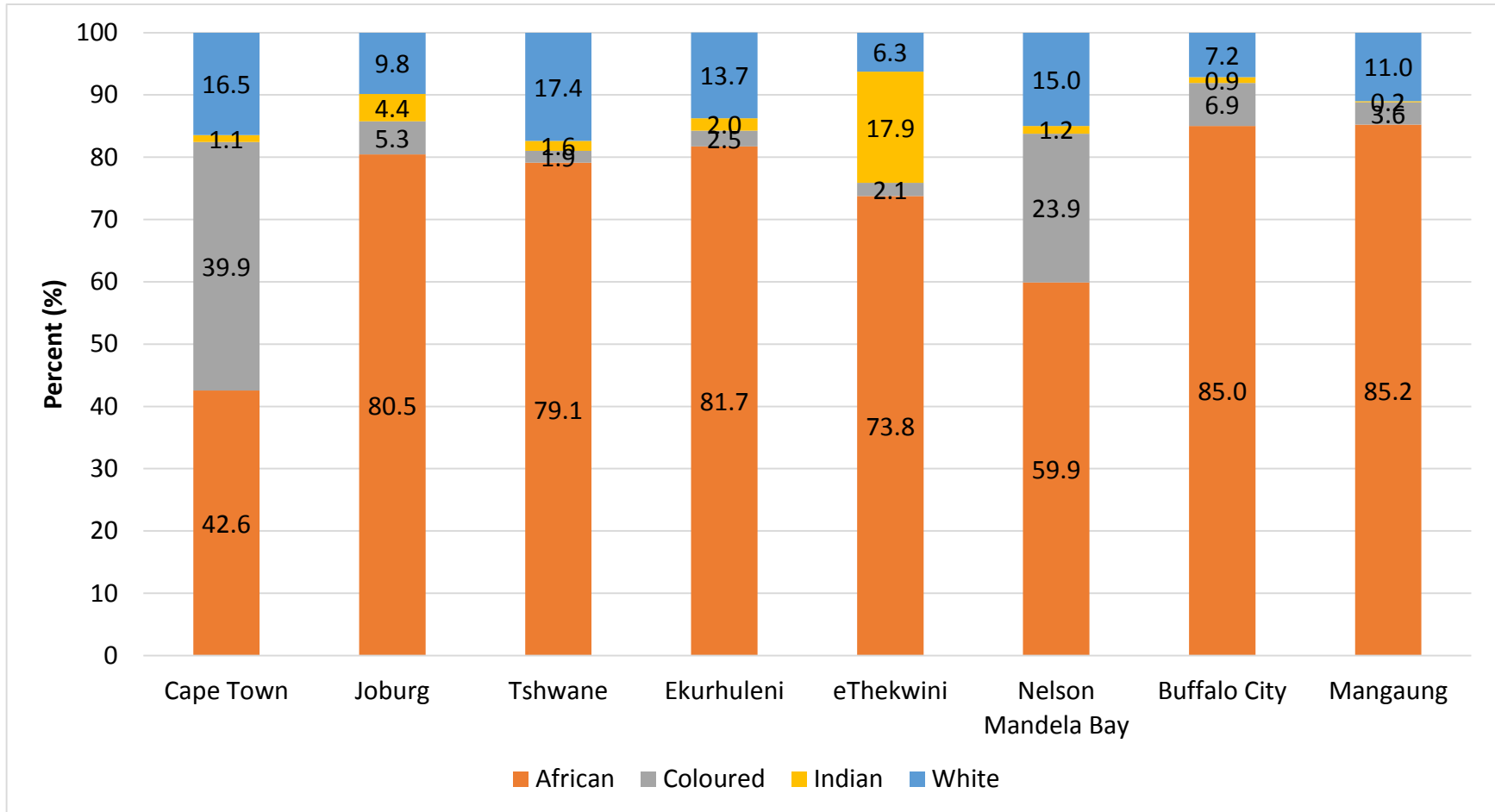
		Cape Town	Joburg	Tshwane	Ekurhuleni	eThek-wini	Nelson Mandela	Buffalo City	Man-gaung	
<b>GROWING</b>	G. Increasing good job and work opportunity	G1a. employment to population ratio	53.3	55.5	52.2	50.6	47.3	44.2	48.7	46.6
		G2b. unemployment rate (expanded)*	22.6	29.0	28.7	32.6	23.8	32.8	28.2	32.2
		G3. % below poverty line	37.3	42.6	40.6	42.3	63.7	61.8	56.4	51.4
	H. Improving material well-being.	H2. % ran out of money to buy food for 5+ days during the month	7.0	9.1	8.0	8.0	7.3	13.1	17.7	10.3
		H3. % living in informal dwellings	17.7	18.1	16.5	18.8	13.5	6.9	25.3	11.8
	I. Economic transformation for the betterment of all	I1. % completed secondary or tertiary education	49.4	49.7	56.5	48.3	46.5	41.9	41.7	46.2

			Cape Town	Joburg	Tshwane	Ekurhuleni	eThek-wini	Nelson Mandela	Buffalo City	Mangaung
SUSTAINABLE	J. Social/economic well-being is sustainable	J2. % change in % of households living in informal dwellings	-1.3	-3.0	-6.7	-10.5	-5.6	-15.2	-2.4	-10.1
	K. Greater investments in environmental health and reduced natural resource usage.	K1. Efficient energy usage index	41.0	49.2	61.0	44.5	13.6	61.5	59.0	70.3
		K2. Blue drop drinking water score	98.1	98.9	95.8	99.0	98.8	90.0	92.6	84.5
		K3. Green drop wastewater score	86.8	90.5	63.8	78.8	90.6	70.0	53.0	38.0
		K4. CO2 emissions index	73.4	74.0	64.4	69.0	61.7	26.5	3.1	27.9

STABLE	M. Public /private confidence & predict decisions	M2. % perceive their metro to be dealing with their problems	22.8	20.7	24.5	22.4	19.3	20.6	16.6	28.2
	N. Members of society are able to invest in their future	N1. % with bank account	65.6	66.5	79.7	75.3	53.8	55.0	63.6	60.6
		N2. % access to formal credit	16.8	15.4	28.3	18.0	12.3	15.4	20.4	16.8
		N5. % victim of crime over last year	10.8	10.2	9.0	7.8	6.3	7.5	8.1	6.4
	O. Economic resilience to shocks and stresses.	O3a. % share employment in manufacturing**	13.8	11.5	11.5	21.4	17.2	21.9	13.7	7.9
		O3b. % share employment in financial/bus. services	21.5	26.2	22.5	19.7	17.2	18.3	9.8	16.3



# Importance of demographics



Aggregates hide differences in social composition and capabilities

## Income and Poverty

	Cape Town	Jo'burg	Tshwane	Ekurhuleni	eThekwini	Nelson Mandela	Buffalo City	Mangaung
<b>Income per capita</b>	<b>3624</b>	<b>3440</b>	<b>3669</b>	<b>3523</b>	<b>1972</b>	<b>1772</b>	<b>2285</b>	<b>2809</b>
African	<b>2152</b>	<b>2601</b>	2774	2514	1228	1247	2040	2078
Coloured	2713	3326	4710	4209	3719	2062	2184	1713
White	<b>8639</b>	<b>8211</b>	7278	7389	7808	4732	5541	7412
Female-headed	4637	3785	3794	3327	2128	1717	2768	2435
Male-headed	5631	4573	5234	4389	3599	3215	3477	3894
<b>Poverty</b>	<b>37.3</b>	<b>42.6</b>	<b>40.6</b>	<b>42.3</b>	<b>63.7</b>	<b>61.8</b>	<b>56.4</b>	<b>51.4</b>
African	47.9	48.3	48.6	51.9	76.1	77.5	60.3	58.8
Coloured	41.9	46.1	37.6	40.2	18.9	45.4	59.2	78.1
White	6.0	10.4	9.6	7.0	8.9	5.2	4.9	3.2
Female-headed	40.4	46.6	49.3	53.2	63.6	68.3	54.2	58.2
Male-headed	24.2	31.1	29.0	31.8	36.8	41.2	38.6	35.2

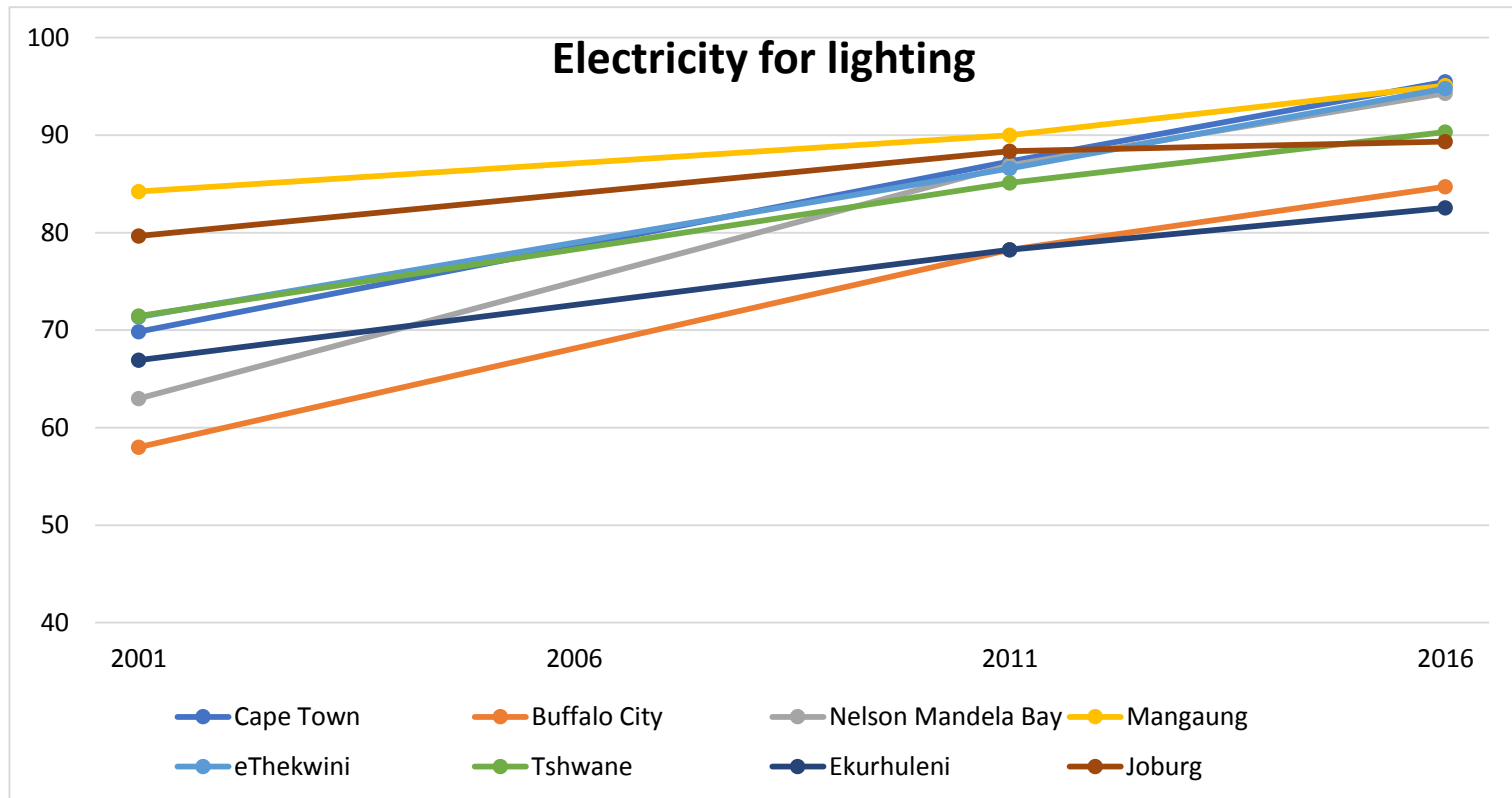
**Stark differences in average income by race and gender**

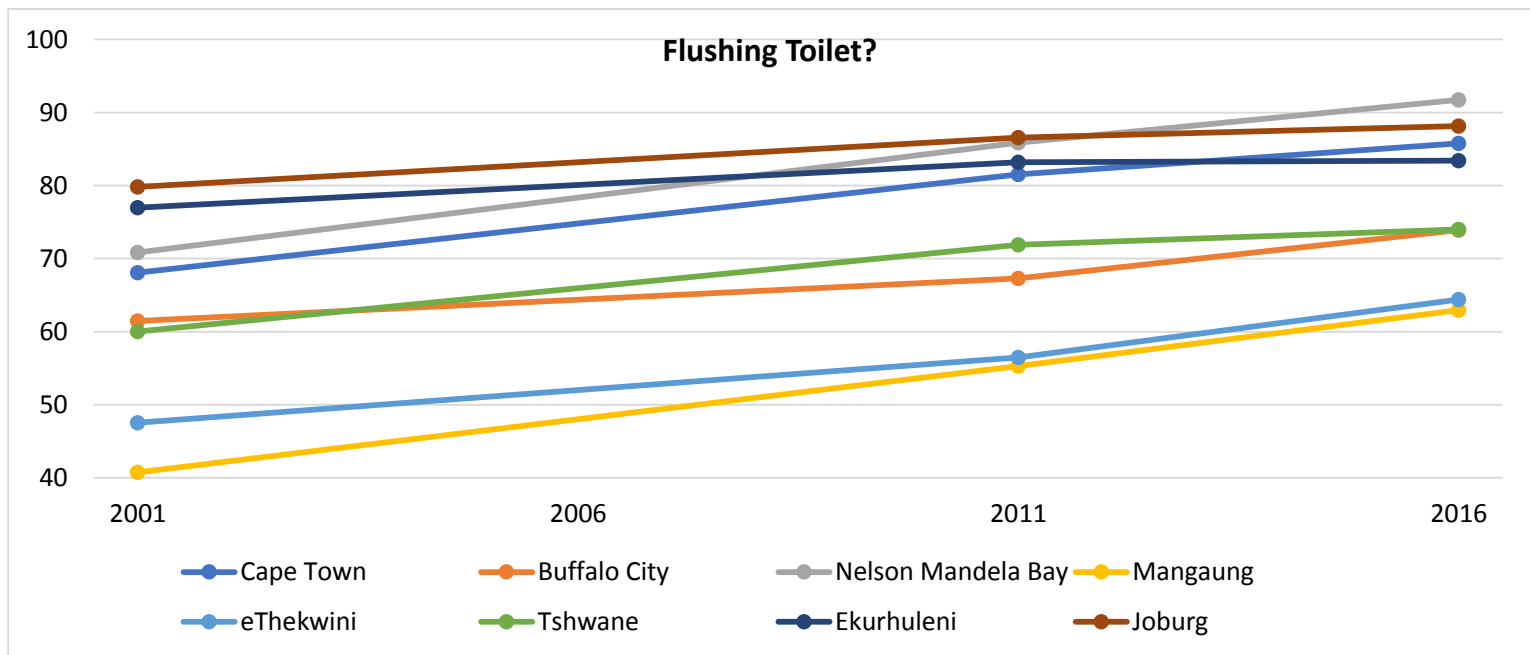
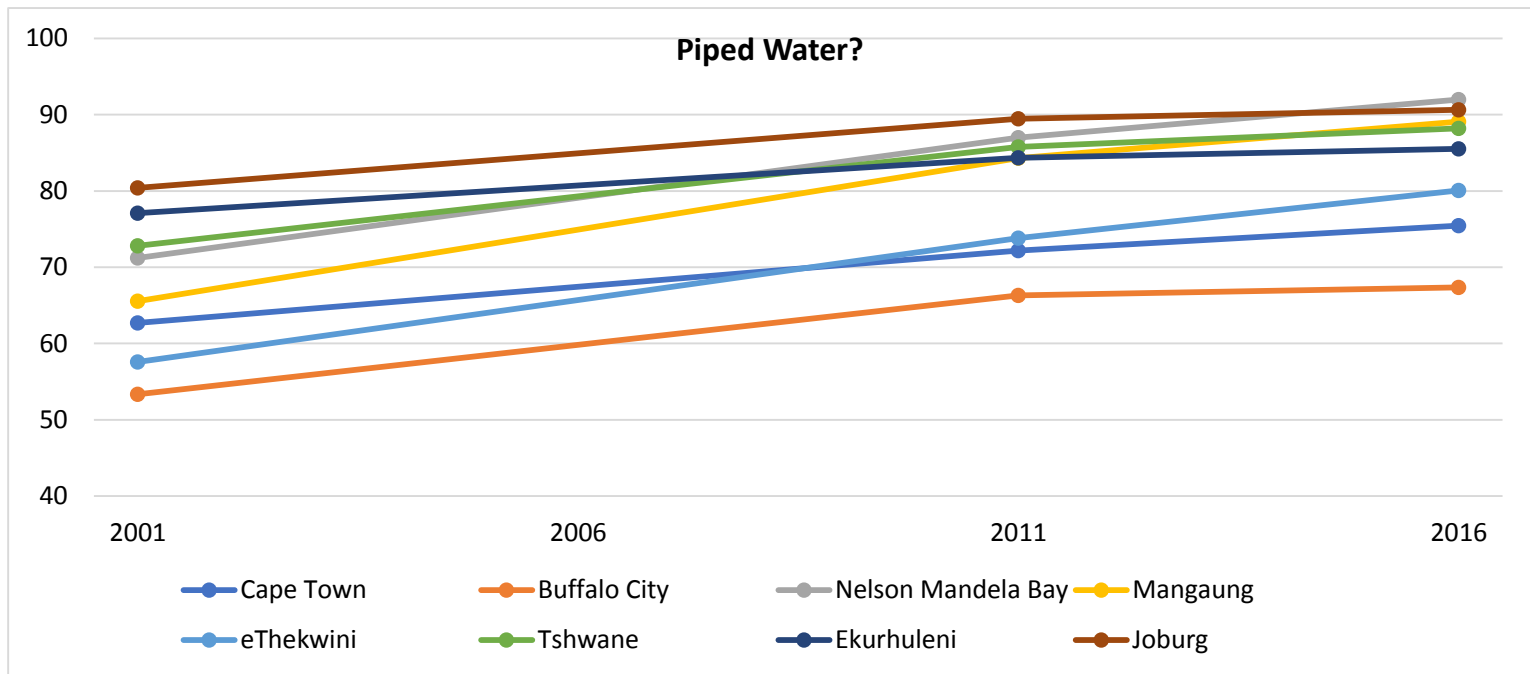
Sources: GHS 2015, own estimates

# Poverty and Income

- **Race-based patterns of exclusion** clear in all metros. Political transformation since 1994 not matched by economic transformation
- Narrower income gap between black African and white households, but increased inequality within race groups
- Biggest economic shift among black Africans with jobs in the public sector (grew by 500,000 in 2008-2014)
- More jobs needed in the private sector and social economy.

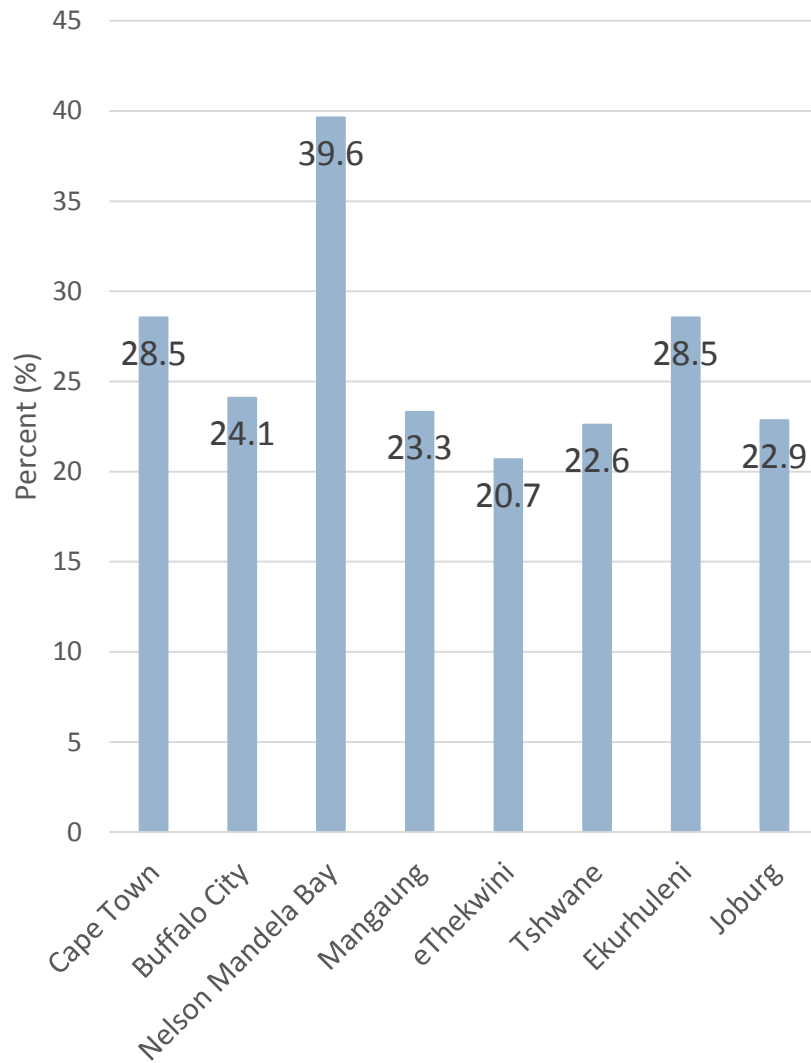
# Major improvements in access to basic services



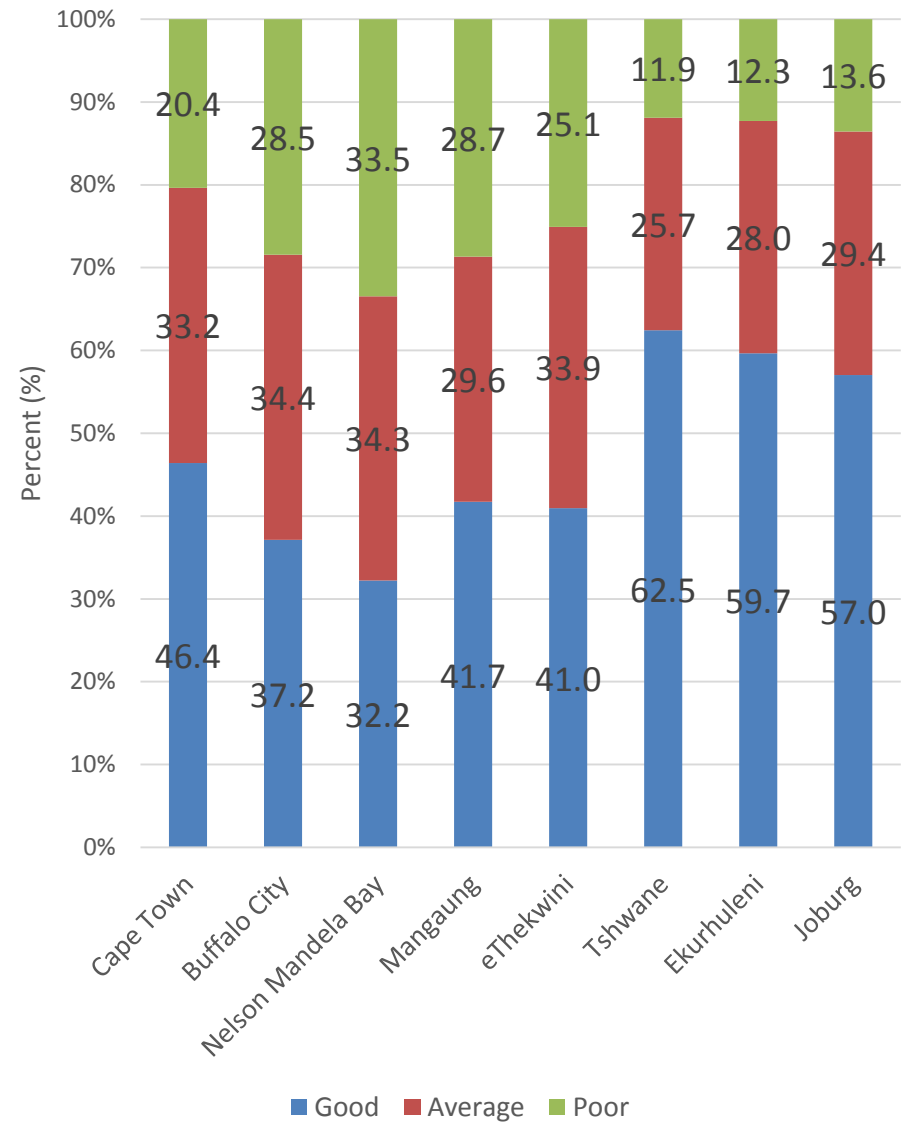


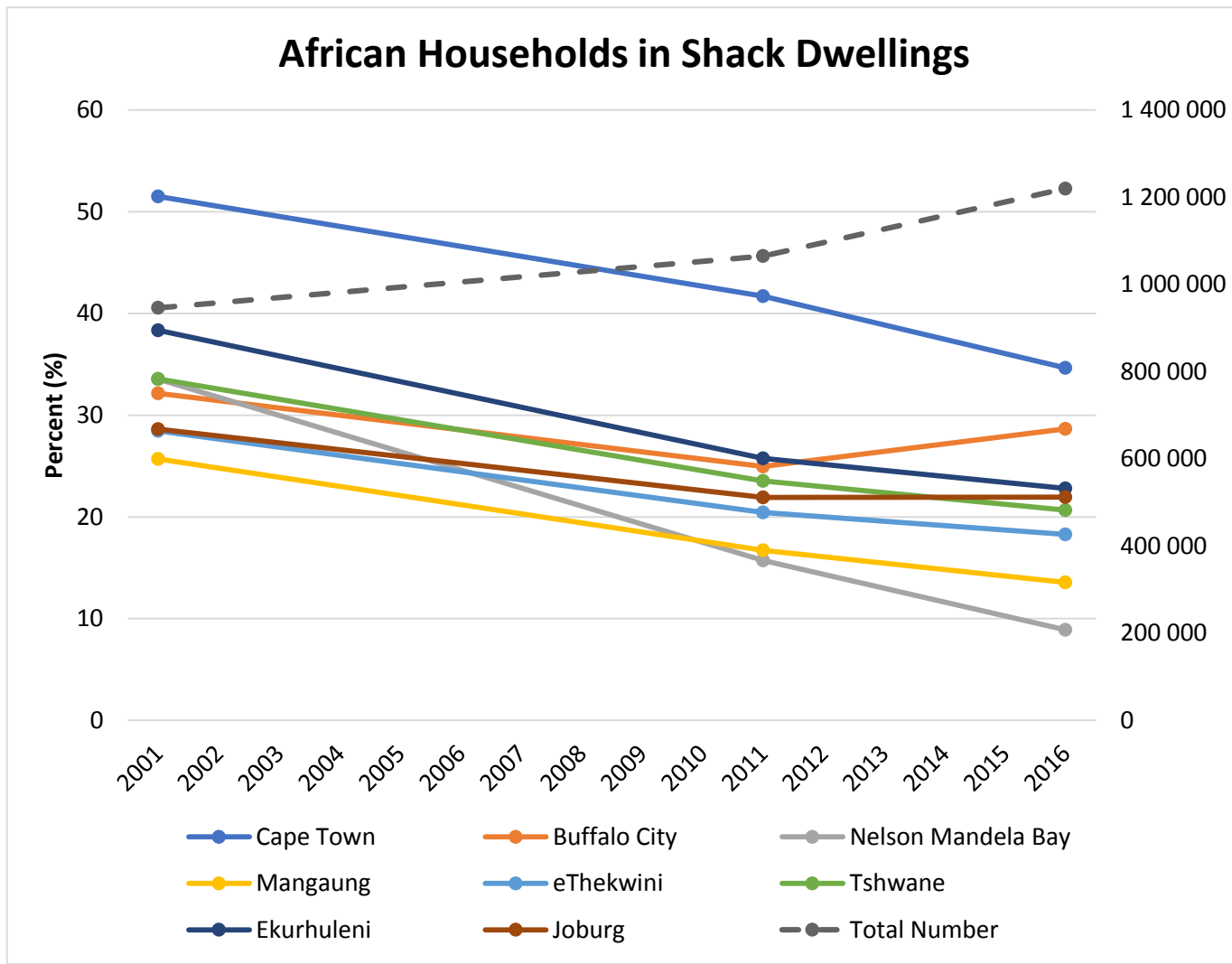
Roll-out of free RDP housing from **7.6%** of households (2002) to **28.5%** (2016)

### RDP or Subsidised House



### Quality rating of RDP house



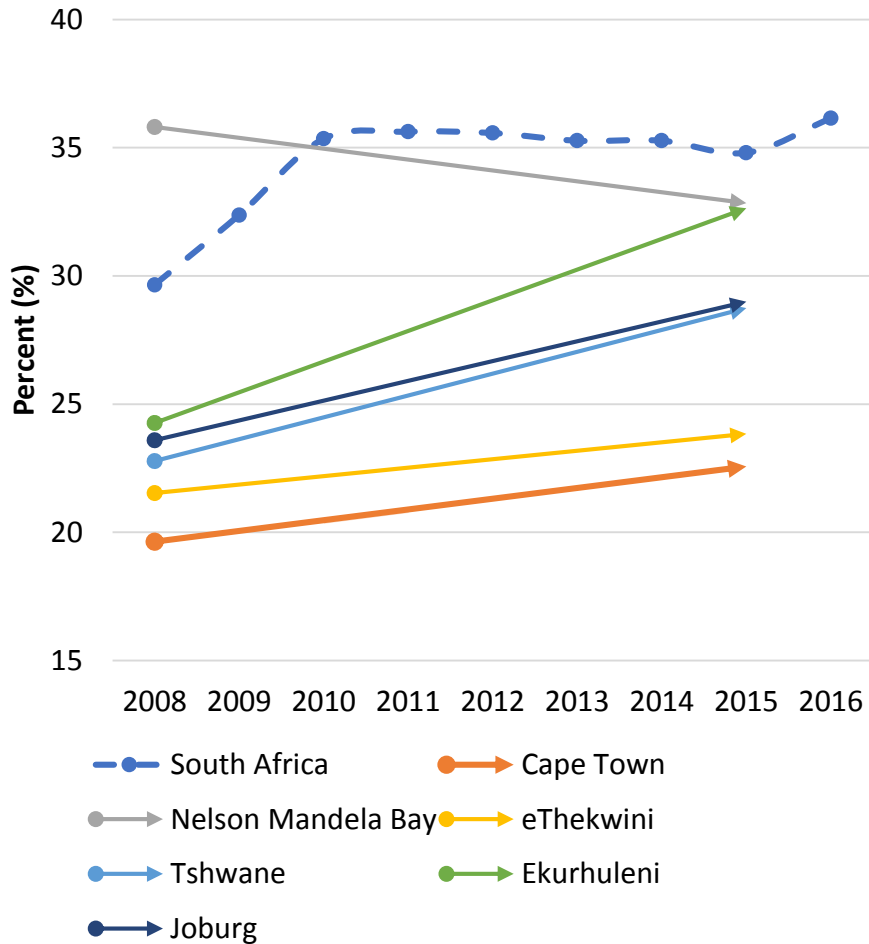


The share of shack dwellers fell in all metros between 2001-2016, but the absolute numbers increased. In Cape Town 1 in 3 Africans live in shacks.

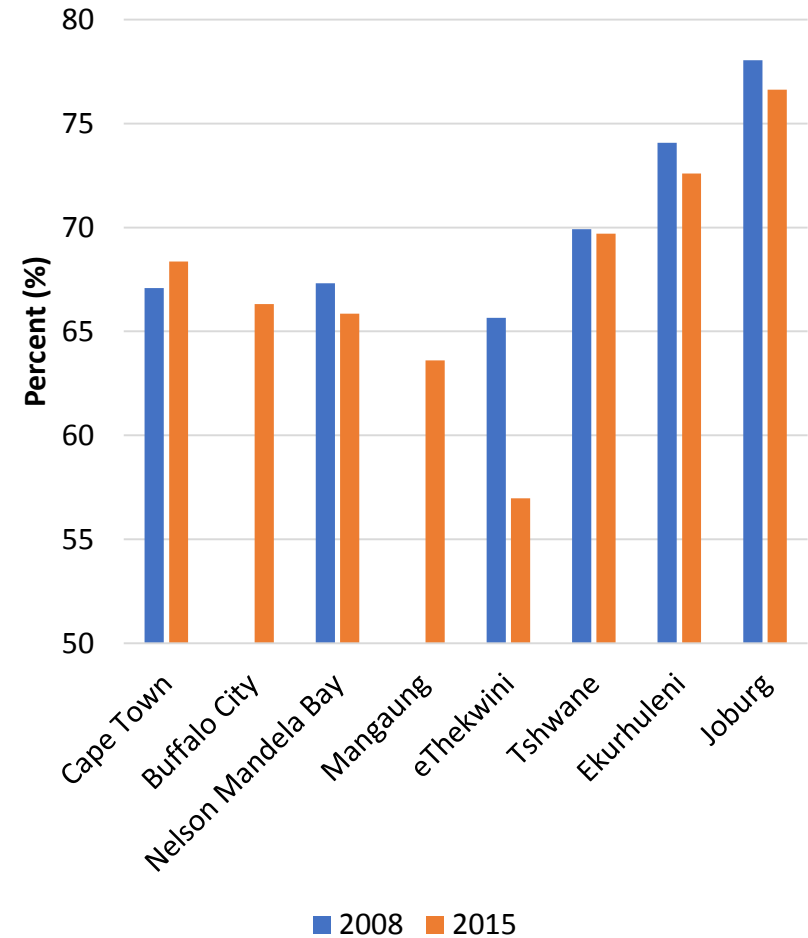
Sources: Census 2001, Census 2011, Community Survey 2016 , own estimates

# Economic exclusion

## Unemployment rate

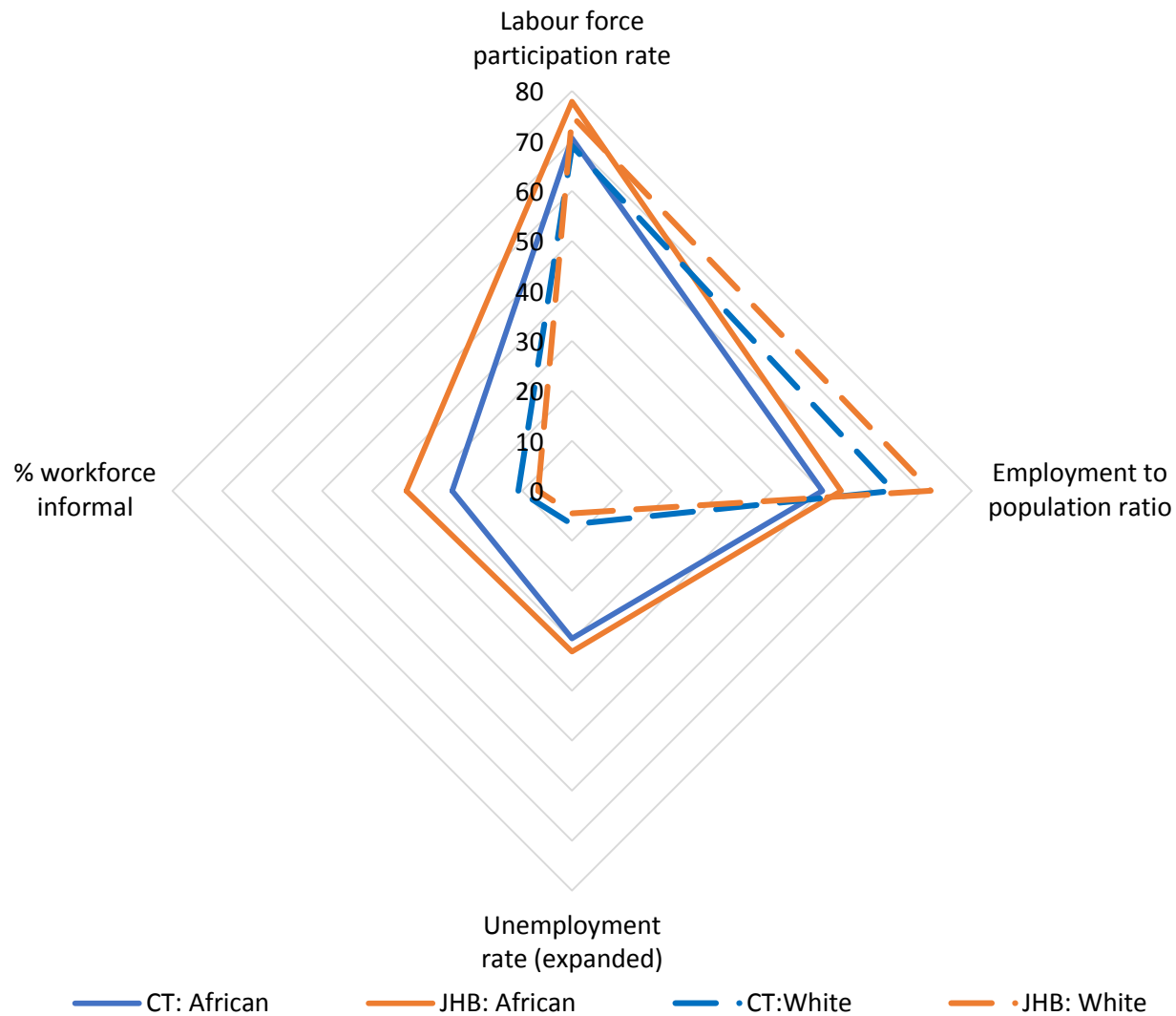


## Labour Force Participation Rate



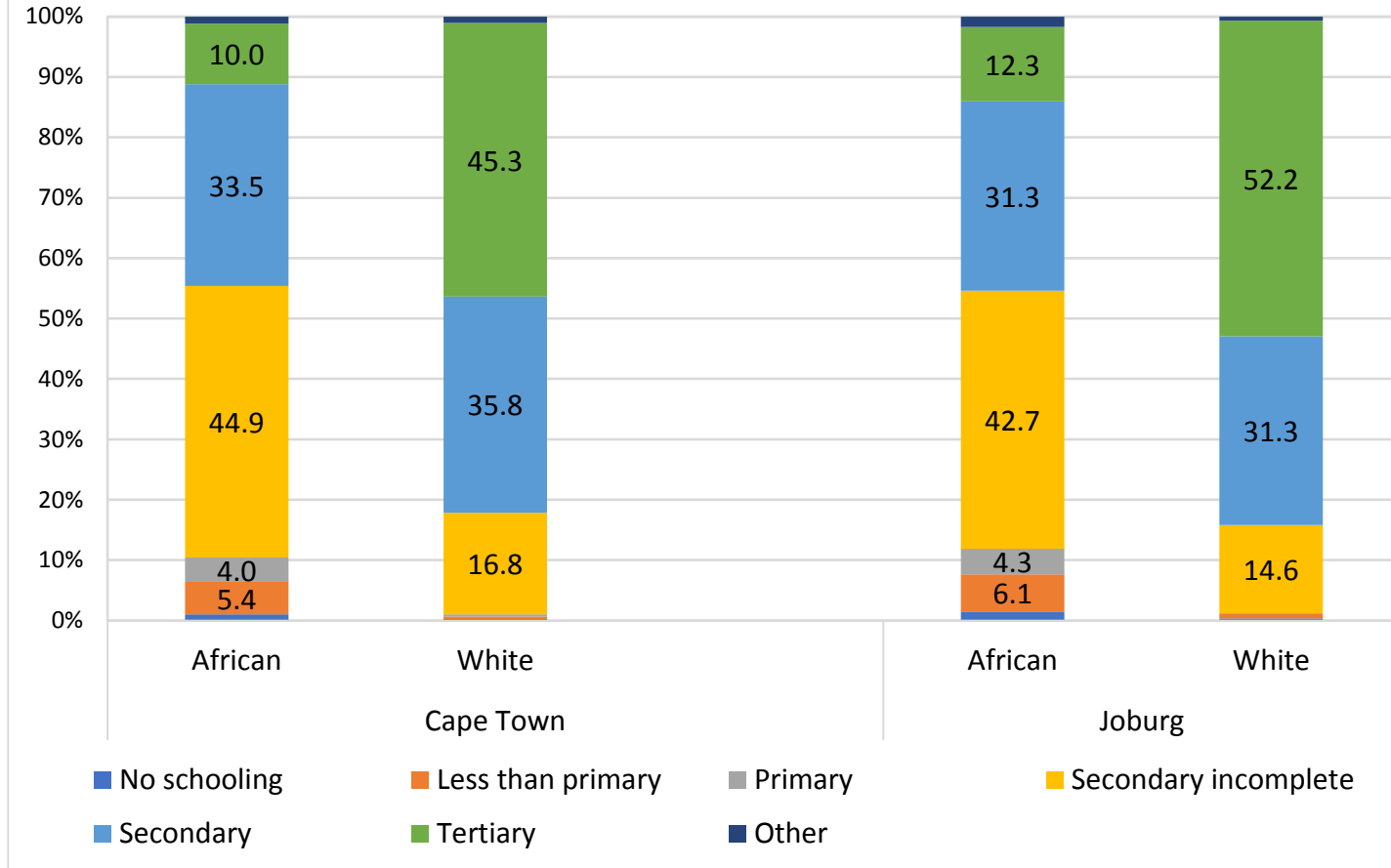
Unemployment reflects weak labour demand (jobs shortage), the skewed economic structure and various supply side weaknesses





Whites experience very low unemployment rates across the metros (7.2%), in line with the OECD average of 6.2%. Informal economy is small despite very high unemployment

## Education indicators by race



Half of white adults have a tertiary education and over 80% have completed secondary school. Among black Africans only 10-12% have tertiary and less than 45% have completed secondary.

# Conclusions and reflections

Overarching challenge of Inclusive Growth – crafting together efficiency and equity, prosperity and fairness. Not a quick fix. Principles:

## 1. **Participation**/active citizenship

- Economic; decision-making; housing delivery
- E.g. informality reflects an active process

## 2. Significance of **city-regions**

- More promising environments for IG
- Requires inter-governmental coordination

## 3. **Collective action** across sectors of society

**Not:** Centralised decision-making, state-centred, silos

# Four policy priorities for SA

1. Greater emphasis on the **physical foundations** of urban development, especially land, infrastructure and public spaces.
  - Intensification, integration and rebalancing
2. Major revisions to **housing/human settlements policy**
  - Rental, density, mixed-use, informality, inner cities
3. Supporting the start-up and growth of **SMMEs**
  - Regulatory burdens, coordinated support
4. More consistent support for **human development** through the life-course, with links to jobs and livelihoods

**Siyabonga  
Enkosi  
Ke a leboha  
Ndza nkhensa  
Dankie!**