



INCLUSIVE SOCIETY INSTITUTE

Op-ed

Leveraging ideas of hope to reduce inequality in South Africa

Creative solutions in the areas we now know that matter most for inequality, namely education and labour market access and progression, are needed if we want to reduce inequality in South Africa.

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South Africa began the post-apartheid era full of hope for change. And since the end of apartheid, the country has witnessed dramatic political, social and economic structural transformations. Yet, income inequality persists. Economic growth, equity and social cohesion in South Africa are generally considered poor or regressive despite considerable policy reform aimed at improving these outcomes.

In the first Inclusive Society Institute report on inequality in South Africa, the institute reviewed available literature on overall income and wealth inequality in South Africa, did calculations on the contribution of certain drivers (economic and demographic) to overall inequality and considered inequality in various wellbeing dimensions: economic, education, health, living conditions, political, physical security and legal, environment and social and cultural.

By interrogating the changes made in South Africa in a more granular way, the lived experience of South Africans may be better understood and reflected. This approach also allows the drivers of inequality to be identified. In this way, and as reported in the recently released second Inclusive Society Institute report on inequality in South Africa we were able to identify levers of change and opportunity, and recommend ideas in which wellbeing inequality can be tackled in a more comprehensive way.

Creative solutions in education and labour market access and progression are needed if we wanted to reduce inequality in South Africa. In doing so, but also in other areas examined in the report, namely financial markets that can support wealth accumulation and empowering policymakers (whether national or local) with data for building thriving communities, we need to work with what we have. We require both good, simple policies that support the potential routes out of inequality and better implementation of policies that have been developed.

As a key conversion factor that influences whether people can move out of poverty, improving access to quality education should be a key policy priority. Models that demonstrate improvements in early childhood development (ECD) education access and quality include features of innovative funding structures, smaller class sizes, and standardised assessment tools. Low investment in the basic education space is a threat to South Africa's aim to achieve equality and needs to be revisited, with a particular focus on high-impact investments.

Education policies should be quality-focused, placing emphasis on shifts in outcomes as opposed to inputs only. Outcomes-based funding models (results-based financing, outcomes-based contracting, social impact bonds and pay for performance) may need to be considered to achieve the required shifts. Public, private and NGO partnerships aimed at reducing education inequality are proving to be successful.

In the short- to medium-term, Government should continue to create employment through labour-intensive programmes that can absorb the excess supply of low-skilled workers. The South African youth need to be prepared for employment in a digital job market. Initiatives preparing youth in this regard target unemployed youth who have the least chance of accessing such opportunities. The most pertinent 4th industrial revolution (4IR) policy recommendation in the South African context is to invest in human capital development. Any 4IR policy intervention should be co-created with workers, unions, public and private sectors to ensure that sustainable job creation is able to evolve with the technological change.

We need to unlock the major source of non-financial wealth: housing by enhancing opportunities for ownership in the affordable housing bracket. The functioning of the Deeds Registry Office is not currently supporting households in having formal proof of this form of wealth and deeds registration backlogs need to be eliminated fast. Financial markets, namely the credit and long-term savings markets need to be better supported in enabling the type of activities that allow for the leverage of existing wealth (e.g. in the form of housing) and the gradual accumulation of wealth (through appropriate long-term savings products).

Much more granular data is required for the economic development of cities and local communities. Spatialised data can assist with economic development planning at a local level. Community development workers can form a bridge between local governments and communities, enabling planning that better speaks to community needs. Ultimately, much greater collaboration and dialogue between Government, civil society and the private sector are needed to develop cities and communities in a way that will enable them to thrive.

While economic growth is likely to assist with poverty reduction, there are many factors that play a role in determining whether it will have an impact on a reduction in inequality. As with population changes, GDP growth is a necessary but not sufficient mechanism for a material change in inequality. A focus on supporting the conditions that enable job creation for the bottom 50% of the economically active in the income distribution would have a more direct impact on inequality than only economic growth.

If we are to rekindle any sense of hope for real change, education and labour market access and progression must be seen as the potential levers for change with a view to improving social mobility, wellbeing inequality and social cohesion in South Africa.

This article draws on the content of the second Inclusive Society Institute report on inequality which has recently been published under the title 'Ideas of Hope: Policy directions and recommendations for reducing inequality in South Africa'. Dr Jodi Wishnia is attached to the Centre for Health Policy, University of the Witwatersrand and a consultant to Percept, a multi-disciplinary consultancy. Dr Anja Smith is a Researcher at Research on Socio-Economic Policy (ReSEP) at the Economics Department of Stellenbosch University. Dr Carmen Christian is attached to the Department of Economics, Faculty of Economic and Management Sciences and a consultant to Percept. Daryl Swanepoel is the Chief Executive Officer of the Inclusive Society Institute.

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