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Measuring economic transformation: Tracking the progress of an elusive South African dream

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ABSTRACT

This research report comprises two parts: a theoretical introduction and a long-form journalism piece "Tracking the progress of an elusive South African dream." The overall work seeks to understand one of the biggest challenges post-apartheid South Africa faces - achieving economic transformation, a process through which wealth of the country can be shared with all its people. The theoretical component explores the concept of economic transformation and describes various economic indicators, such as Gini coefficient and unemployment figures, in order to determine what these metrics are saying about economic transformation in South Africa. The long-form journalism piece incorporates all these different facets of economic transformation and economic indicators to examine how this important post-apartheid project is being monitored and in what ways. The long-form piece describes my journey of attempting to find answers to these two questions – what is economic transformation and how should it be measured? What the long form piece describes is that the concept of economic transformation still rests mainly on the governments' policies around Black Economic Empowerment. Many experts however, believe that this in it self will not lead to the Utopian dream the constutution sets out to achieve. The paper also finds that measurements around the use of BEE and inequality, conflict with one another making it difficult to track the real progress of this transformation.

DECLARATION

I declare that this research report is my own unaided work. It is submitted for the degree of Masters of Arts by Coursework and Research Report in the Department of Journalism, specilising in Financial Journalism, at the University of the Witwatersrand, Johannesburg.

It has not been submitted before for any other degree or examination at any other university.

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1. INTRODUCTION

Economic transformation - a process by which the governments hopes that the wealth of the country can be shared with all its people, is seen as one of the central economic challenges South Africa faces (Adelzadeh: 1996). Arguably, one of the biggest projects for the post 1994 democratic South African government. Since the fall of apartheid, the government has rolled out various projects, like extended public works programmes, and accepted policies, such as Black Ecnomic empowerment, to attempt to right the wrongs of the past.

However, how and by whom is this important process being measured? Surely, if this is one of the country's biggest projects, there must be a way in which government keeps track of its successes and failures. Currently, debates are raging about not just what is meant by economic transformation, but also about the validity of various economic indicators and data sets, such as census information (Jerven:2013; Roodt:2013).

Except for the debates amongst economic experts, the normal man on the street rarely understands what is meant by the country's GDP (Gross Domestic Product) or Gini coefficients, and what these numbers mean to them (Roodt:2013). In the data collection phase of this research, it became clear that no one could agree on one single measurement to use to track this project's progress. So, in the absence of one measurement, my research took me on a journey to find, interrogate and understand a range of economic data sets or instruments that could shed some light on economic transformation in the country. Possible indicators which are explored in this piece includes, but is not limited to, Gini coefficients, GDP per capita, unemployment figures, race based data that measures employment, economic growth, growth of populations, the quality of education, skills levels, and the success of Black Economic Empowerment (BEE).

It can be hard to make sense of these economic measurements. Even experts debate what exactly some of these indicators mean and if the measurements use the correct type of data to come to specific conclusions. Economic measurements are also less tangible than, for example, tracking to see if health in the country has improved. With health improvements, which were prescribed in the government's Reconstruction and Development Programme (RDP), one could for example measure tangible achievements such as the lowering of infant mortality rates or the amount of new clinics which have been built. These tangible achievements, unlike percentages from most economic indicators, are usually easier to grasp by most people.

The challenge with this piece was to find these indicators, to understand what they say, to grasp the debates around their use. Once I interrogated these data sets, my goal was to intrigue my reader with the notion of economic transformation and to find an interesting way to explain these economic indicators to the man on the street in a long-form journalism piece. The use of a long-form piece for this type of research would also help to give the reader more

clarity on this technical subject, which would in turn make this information more accessible to readers (Clark: 2000).

Like South Africa, the European country Germany also had the challenge to re-unify their country after the Berlin wall fell. In 1989 Germany had the task to re-unify the more affluent West and the underdeveloped East. Though there have been criticisms throughout the decades as to how much the East has truly gained from this exercise, by all accounts one can argue that economic reconstruction of the East, and thus of Germany's economic transformation, has been a success. Though one cannot compare apples with oranges, my referral to Germany's economic re-unification was not a pure comparison. Rather I attempted to discover how Germany measured their economic transformation and if any of these indicators could be used to explain the South African process. Information gathered on South Africa's transformation was also compared to some data from other developing economies, like Brazil and India.

2. BACKGROUND AND CONTEXT

Since the fall of apartheid the new democratic government has adopted a string of policies and legislative frameworks in an attempt to right the wrongs of the past, or make us a more equal society.

These included, amongst others, the adoption of the basic social development policy called the Reconstruction and Development Programme (RDP). Adopting the basic economic macro-economic policy document of 1996, named GEAR (Growth, Employment and Redistribution programme) and legislation around Black Economic Empowerment. Each year the government also allocated more public funds to social upliftment such as social welfare grants. Most recently the government produced the more than 400 pages National Development Plan, which devoid of a budget, many critics have dubbed merely a wish list rather than an actual plan.

One of the first interventions made by the democratic government was a basic social development policy, the Reconstruction and Development Programme (RDP), which would address citizens needs such as housing, land, health, education and services. Knight (2001) explains that this programme started in the early 1990s "when unions, the civic movement and social organisations began to develop a plan for social transformation needed for post-apartheid South Africa" Knight (2001). This plan was aimed at addressing the many social and economic problems facing the country (Adelzabeh: 1996; Knight: 2001).

"The RDP recognised that all the problems (lack of housing, a shortage of jobs, inadequate education and health care, a failing economy) are connected. It proposed job creation through public works — the building of houses and provision of services would be done in a way that created employment" (Knight: 2001).

With regards to supplying houses to the “previously disadvantaged”, as the majority of black South Africans became known after apartheid, the aim of the RDP programme was to supply well-situated and reasonably priced homes for all citizens by the year 2003 and to provide one million houses in five years. In a period of about seven years, from 1994 to 2001, over 1.1 million low-priced houses suitable for government subsidies had been built, accommodating 5 million of the estimated 12.5 million South Africans without proper housing (ANC:1994). Some of the criticism of this goal was the poor quality of homes. Some studies found that only a small percentage of these homes complied with building regulations. Others added that the locations of these homes resembled the spatial planning of the apartheid system, where homes were build far away from economic centres and job opportunities (Lodge: 2003). According to Statistic South Africa (StatsSA) if South Africa was a village of a 100 people, 78 of them would be living in formal dwellings, 14 in informal dwellings and 8 in traditional dwellings (Census:2011). At this stage, far from a house for all.

The RDP also added that in two years since its inception the government wanted to supply 20 to 30 litres of clean water each day to every person, and 50 to 60 litres per day within five years from a point no more than 200 meters from their home (ANC:1994). By 1998, 1,3 million rural people could access water from about 200 metres from their home and 2,5 million people were given access to clean water in the same year. Lodge argues that some of these projects to supply clean water to citizens struggled during the implantation phase, with things such as design faults and fights between officials on the ground (Lodge:2003). Due to these shortcomings people relying on rivers or dams were said to have increased (Lehohla:2001). A change in policy occurred in 2000 when government said that free basic allowances of 6,000 litres per month would be provided (Lodge: 2003). According to StatsSA in 2011 only 30% of the black population had access to piped water inside their dwellings, compared to 83% of coloureds, 97% of Asians and 94% of Whites (General:2011).

The RDP programme also wanted to provide electricity to 2.5 million households and all schools and clinics by the year 2000 (ANC: 1994). Lodge, however, notes that from 1994 to 2000 the government managed to get electricity to about 1.75 million homes, while those receiving electricity in the rural areas grew from 12% to 42% (Lodge: 2003). The most recent figure, according to StatsSA, indicates that 85% of households countrywide have access to electricity (Census:2011).

This programme also wanted to provide free medical care to children under 6 years and to homeless children; improve maternity care for women and to initiate programs to prevent and treat major diseases like TB and AIDS (ANC: 1994). From April 1994 to 1998 about 500 new clinics were built. About 8 million children were vaccinated against polio-hepatitis by 1998 (Lodge: 2003). Those who criticised this programme said that while a few new medical facilities were built, the quality of medical care actually dropped. (Lodge:2013). From 1995 to 1998 life expectancy of South Africans fell from 64.1 years to 53.2 years, with AIDS patients sometimes occupying up to 40% of beds in public hospitals (Bertelsmann's 2012). This, say critics, is indicative of a "public health system... in crisis" rather than one that is

assisting people (Lodge:2003). Currently the government is considering National Health Insurance (NHI), which at the time of researching this topic was still under discussion in parlement.

According to the RDP programme, land would also be redistributed to the poor and to those who were forcible removed during Apartheid (ANC:1994; Butler: 2009). Lodge argues that by the year 2000 just under 40 000 families were settled on 3,550 square kilometres of land (Lodge: 2003). This scholar adds further that the RDP's goal was to settle families on 300,000 square kilometres of land, so at that stage, only about 1% of this target was reached. Critics have argued that the removal of agricultural subsidies, also caused huge job losses (Lodge: 2003; Davies: 2012). Numbers have indicated that 1.4 million workers were employed on commercial farms in 1994, and by 1998 this number declined to 637,000 (Besada:2007). Thus the number of people employed in the agricultural sector actually declined substantially under the RDP (Lodge: 2003). In 2012 the government stated that it aims to transfer 30% of the 82 million hectares presumed to be in the hands of white farmers, to black farmers by 2014. By early 2012 around 6.7 million hectares had been transferred via redistribution and restitution. (Davies: 2012). "Land reform has been criticized both by farmers' groups and by landless workers, the latter alleging that the pace of change has not been fast enough, and the former alleging racist treatment and expressing concerns that a similar situation to Zimbabwe's land reform policy may develop" (South Africans long: 2005).

With regards to social security and social welfare, the goal of the RDP was to provide an equal system and to provide a pension system for people working in the formal and informal sectors (ANC: 1994). During apartheid the majority of South Africans received basic welfare. (ANC:1994). In 1994 the shift to allocating huge amounts of the fiscus to social upliftment took place. Today many regard South Africa as a welfare state, with about 4 million people working to fill the state covers, which then provides social welfare to about 16 million people (Bertelsmann's stigting: 2012; Fact:2013).

"To achieve literacy for all, equal opportunity, 10 years of free and compulsory education, class sizes of no more than 40 pupils, training workers to meet the challenges of the new political and economic conditions" (ANC: 1994). This was the RDP’s goal to improve education and training. And although more children are enrolled in school today than pre-1994, many however, have criticised the quality of education. Even the National Development Plan (NDP) states that especially the quality of education that black poor people receive is not up to standard (NDP: 2011). According to StatsSA just over 30% of African pupils completed grade 12 compared to 35% of coloureds, 65% of Indians/Asians and 76% of whites (General:2011).

So if one considered the dicussion above, one can see that at first the government used the RDP programme in order to socially transform society by ensuring that the basic needs of citizens were met.

Then in 1996 the government made a shift in policy direction, from one that is suppose to provide the basic needs to citizens, as intended by the RDP programme, to the Growth, Employment and Redistribution Strategy (GEAR) which was thought to be better suited to assist the country in delivering economic change. (Abzuldahe: 1996).
Knight argues that GEAR, which was released in June 1996, was a basic economic macro-economic policy. "A five year plan which was aimed at strengthening economic development, broadening of employment, and redistribution of income and socio-economic opportunities in favour of the poor" (Knight: 2001).

"The key goals of the policy as originally outlined were economic growth of 6% in the year 2000, inflation less than 10%, employment growth above the increase in economically active population, deficit on the current account and the balance of payments between 2 and 3 percent, a ratio of gross domestic savings to GDP of 21.5 percent in the year 2000, improvement in income distribution, relaxation of exchange controls and reduction of the budget deficit to below 4 percent of GDP" (Knight: 2001; Abzedeha: 1996).

Though the government has significantly lowered the budget deficit and inflation, South Africa's growth rate averaged 2.23% from 1993 until 2013 (StatsSA: 2013), far short of the 6% goal which is seen as necessary to reduce unemployment. One of the critics of GEAR has been the Congress of South African Trade Unions (COSATU), a federation of 19 unions with a combined membership of over 1.8 million. Because this union formed part of government's tri-partite alliance, and due to the huge amount of members, they have had the power to influence policy decisions. (Knight: 2001) For Cosatu, the GEAR-policy did not manage to create the jobs necessary to uplift the poor (Knight: 2001).

Harris (2010) on the other hand argues that the reality is that, along with many other inspired policy proposals, the ANC's "allies", like Cosatu, "blocked fundamental reforms outlined by GEAR including: flexibility in collective bargaining, scaled up privatisation, increased use of tax incentives, and an overhaul of training programmes. These reforms have worked to drive growth and create jobs in places like Chile and Brazil. GEAR, in turn, could have worked if Cosatu had not blocked its most imperative reforms" (Harris: 2010).

Adelzadeh (1996), however, argues that "overall, the proposed growth framework and policy scenarios are analytically flawed, empirically unsupportable, historically unsuitable for this country, and if implemented, will lead to disappointment and failures in achieving the RDP objectives of fundamentally transforming the inherited patterns of inequality."

At the end the GEAR policy was abandoned because not just of the criticisms against its use, but also because of leadership changes within the ruling party.

By 2000, former president Thabo Mbeki used privatization and liberal labour legislation to ensure the growth of the economy and to attract foreign investment (Economic assessment: 2008). Watkins adds that initially the ANC felt that privatization was merely a tactic to

refuse them control over the economic assets of South Africa, even after they achieved political control. After 1994 the new government accepted the need for privatization. Various state-owned enterprises such as Eskom (which supplies electricity), Transnet (trains), Telkom (tele-communications) and Denel (aviation, guided weapons and ordnance) were targets. Others, such as SAA (South African Airways), were completely privatised, with the state being the sole shareholder. "The Government of National Unity was facing severe shortages of government funds exactly at the time it most needed funds, and privatization was an attractive option in many ways" (Watkins).

Mbeki's policies faced strong opposition from organized labour. COSATU and others have opposed privatization[1] of state-owned enterprises because of its effects on the socio-economic interests of the poor and the working class. The goal of the privatized companies will be maximization of profits for shareholders, not provision of services to the poor, they stated. The result will be job losses and increased costs for the services (Economic assessment: 2008).

However, throughout the use of the above-mentioned policies to bring about a better life for South Africa, the constitution also made provision for affirmative action to take place to ensure that inequalities in society were corrected.

At the same time the government embarked on the RDP program, the ANC also initiated a system called Black Economic Empowerment (BEE) that would favour black employees and would entail the transfer of some of the white owned businesses, including mining companies, to black ownership (Butler: 2009).

According to a BEE strategy document by the department of trade and industry, the BEE "strategy is a necessary government intervention to address the systematic exclusion of the majority of South Africans from full participation in the economy" (BEE). This policy was adapted various times in order to accelerate progress toward equality. There are also various ways in which the success of BEE can be measured. One is through the score card a companie receives, based on its representation (BEE). It can also be seen in the number of black owned companies listed on the Johannesburg Stock Exchange, or the number of blacks on boards of directors (Mbeki: 2009). In 2010, whites still owned 45% of the companies listed on the Johannesburg Stock Exchange, compared to 31% foreign owners, 17% African, 3% Coloured and Indian and 1% state ownership (Atud:2011).

However, BEE, which is explained in more detail later in this paper, is frought with debates about its effectiveness. Moeletsi Mbeki, an analyst and brother of the former president, Thabo Mbeki, has in the past stated that BEE has "struck a fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive but wealthy black crony capitalists" (Mbeki: 2009). He added that while many, white and black, saw this policy as

[1] Privatization would include converting the enterprises to companies owned by shareholders. Restructuring includes

necessary for South Africa's future, many feel it was badly implemented. All seem to agree that the policy should be made to benefit a wider range of blacks, not just business people. Jones (2004) argues that "no where has affirmative action succeeded in helping those it was designed to assist and everywhere it has led to a worsening in race relations". Even with all of these criticism, BEE is still in use in South Africa today.

Then, in 2011 a new set of policies were researched when the former minister of Finance, Trevor Manuel, headed up the national planning commission with the aim of drafting a plan that would eliminate poverty and reduce inequality. Part of the process was for the commission to draw up a diagnostic report which would inform the final plan. In this diagnostic report the commission identified nine key challenges that South Africa faces. For importance of this proposal, the challenges of unemployment, standard of education and a South Africa which remains divided will be explored (National: 2011).

The latest policy shift in order to transform South Africa is the more than 400 page National Development Plan (NDP) which will inform most of the government economic transformation policies for the future. The NDP offers a long-term perspective for the country and aims to eradicate poverty and lessen inequality by 2030. According to the plan, South Africa can "realize these goals by drawing on the energies of its people, growing an inclusive economy, building capabilities, enhancing the capacity of the state, and promoting leadership and partnerships throughout society" (National: 2011).

The Bertelsmann Shifting Transformation Index for 2012 states that the inequality in the country remains one of South Africa's biggest challenges. The commissioner of the NDP agrees that some of the policies government put in place to achieve economic transformation did not reach the goals they initially hoped (National: 2011).

"Over the last 18 years significant progress has been made in meeting the basic needs of our people…However, the redistribution of economic assets, and the growth of job creating industries, have not met the expectations we had in 1994" (Economic: March 2012).

In the ANC's 4 February 2013 conference resolution on economic transformation, the party states the following:

"Over the next five years, the ANC will take decisive and resolute action to overcome the triple challenges of poverty, inequality and unemployment, which are at the heart of South Africa's socio-economic challenges. We intend to transform the structure of the economy through industrialisation, broad-based black economic empowerment, addressing the basic needs of our people, including women and youth, strengthening and expanding the role of the state and the role of state owned enterprises" (Economic: 2013).

3. RATIONALE

It is thus clear from these documents and previous policy directions that the government considers economic transformation as an integral part of its objectives. If this is the case, government, or any other institutions, should be measuring all these interventions to make sure the economic transformation stays on track.

For the purposes of this research it might seem too broad a scope to tackle all these economic indicators and other measurements, such as the success of the RDP programme. However, if I were to focus on just one of these metrics it could raise the prospect that I might not consider others that are actually fulfilling this purpose. However, the measurements of the RDP programme, or gains made with this programme, were just used as background to the research and these measurements were not analysed in the final piece. They are merely used as background and to understand if this is still what the government deems necessary as part of economic transformation.

This research explores the concept of economic transformation and attempts to discover how it should be measured to ensure its success.

This research is of value because economic transformation is regarded as a constitutional imperative. Though the constitution itself does not specifically spell out how economic transformation is suppose to be achieved, it does highlight the fact that the wrongs of the past need to be corrected. (Hlongwane:2012; Luti:2011).

The African National Congress (ANC)'s economic vision rests on the Freedom Charter's call that the people shall share in South Africa's wealth. “Through economic transformation we intend to build an equitable society in which there is decent work for all” (Economic: March 2012). One can understand why this would be one of the post-apartheid governments important goals, especially because South Africa has historically been ranked as one of the most unequal societies in the world. (Bhorat et al: 2009; Roodt: 2013). However, despite a plethora of transformation projects in the past 20 years (see the section on background and context above) South Africa is still called one of the most divided societies in the world. (Roodt:2013). Bhorat argues that even while the country has experienced sustained positive economic growth since 1994, the impact of this growth on poverty, and particularly inequality, has been disappointing (Bhorat et al:2009).

Debates about what direction the country should take with its economic policies have been raging amongst policy makers, it allies, its critics and experts in the last two decades (Adelzaheb:1996) Just before 1994 there were fears that South Africa would become unmanageable due to ethnic clashes or a military takeover by white-dominated armed forces (Butler: 2009). Heyns (1996), however, argues that the damage caused to the fiscus in South Africa during the tumultuous socio-economic years of the late 1980s, added to the final disintegration of the Apartheid system.

In order for the country or government to right certain wrongs of the past, certain economic interventions needed to be made. One can see these interventions in policies around black economic empowerment (BEE), legislation around employment equity, equal education and social interventions such as increasing public spending on social welfare. (Bhorat et al:2009) These concepts were explored further in the long form journalism piece with specific reference on how each of these programmes are being measured.

For example, in 1994, the ANC-led government inherited a country with various inequities and high unemployment (Butler: 2009). In 1996, the unemployment rate according to the strict definition, was 19.3%. The strict or broad definition of unemployment is where only people who are currently looking for jobs are accounted for in the calculation. (StatsSA: 2013). However, today the unemployment rate according to the same strict definition is just under 25% (StatsSA: 2013). However, as some of the debates would suggest, one cannot only believe one measurement at this stage, because even though unemployment figures according to a certain definition has increased in the last 20 years, other scholars have found that our poverty levels, or those people who live on less than $2 per day, have actually decreased by more than 80% (Fact: 2013). So in order to be in a position to accurately measure economic transformation it is not just important to right the wrongs of the past, but how these processes are accurately tracked to ensure its success, and the countries sustainability in the long term.

This type of information also needs to be accessible and understood, not just by economist and policy makers, but also by the man on the street. As such I decided to present the findings of this research in a long form journalism piece, which is explained in more detail later in this paper.

In the next section the research will focus on the literature review of the concept of economic transformation as well as some economic indicators, which could shed some light on the progress towards economic transformation.

4. RESEARCH QUESTION

* What is economic transformation?

* How is economic transformation being measured?

* Who is keeping track of the process and how?

* What are the challenges of the measurements currently being used?

5. THEORETICAL FRAMEWORK AND LITERATURE REVIEW

In this section the research explores the notion of economic transformation and what scholars deem it to be. After which a chapter by chapter discussion follows on economic indicators that measure inequality and unemployment in order to determine if any one of these metrics can successfully be used to measure economic transformation.

4.1. Economic transformation

"Empowerment has become a buzz word which means everything and nothing" (Meshack: 2001). It is said that John Friedman (1992) was one of the first people to describe this theoretical concept. Meshack (2001) adds that the use of the term empowerment has become jumbled. Today, in order to understand development, more and more economists are pushing for a "country-specific approach for the identification of growth opportunities and constraints to wealth" (Rodrik 2003). This approach focuses on the dynamics of development, where "change is central, history matters, structures are endogenous, and learning is at the heart of the story" (Stern et al. 2005: p86).

It would seem that there is a lack of specific theories on economic transformation, however, Syrqui argues that it is "commonly agreed that the process of economic development is characterized by a period of rapid per capita growth combined with structural change. While economic structural change can be defined as the shift in the fundamental structure of the economy, like for example, from a subsistence economy to a manufacturing economy. The interconnected processes of structural change that accompany economic development are jointly referred to as economic transformation" (Syrquin 1988).

However, some empirical findings suggest that the process can be seen in ways in which the economy changes. "These transformation patterns can be observed in newly industrializing countries in Asia and Latin America, yet also relate to the experiences of European countries during the 19th and early 20th centuries" (Meshack: 2001).

Scholars have noted, that first the agricultural share of the economy gives way to a manufacturing economy (Kuznets 1966). Secondly, the amount of people employed in the agricultural sector declines, while the amount of people employed in other sectors rises. Third, within this process, the economy moves from rural to urban centres, increasing the rate of urbanisation (Kuznets 1966; Stern et al. 2005). All things which have been seen in the South African economy.

According to the Bertelsmann Shifting Transformation Index for 2012, South Africa is classified as a middle income country with a strong industrial sector, and a well-developed infrastructure. The report mentions that "unlike many African countries, South Africa has never experienced a socialist experiment. For political reasons, state intervention was used

before 1994 to protect the white working class against labour market competition. Therefore, state and parastatal companies still play an important role. The fundamentals of a market economy are well-established in South Africa. Compared to other African countries, the informal sector is relatively small, comprising approximately only 16% of employment" (Bertelsmann:2012).

Part of my research will be to try and establish what the government means by economic transformation. Does it mean that all the country's citizens should have a house, water and electricity? Or should all citizens be employed? Or does it mean that a growing black middle class means economic transformation is taking place?

According to the National Development Plan (NDP) "success will be measured by the degree to which the lives and opportunities of the poorest South Africans are transformed in a sustainable manner. Presently, the country does not have a standard definition for poverty. The commission recommended using a poverty line of about R418 (in 2009 prices) per person per month...Success would mean reducing the proportion of people living below this level from the current 39% of the population to zero" (NDP:2011).

The task has been to determine if government has given a overall definition for economic transformation and if they have put measures in place to track its success. The question of this research will also be to determine if this transformation can be measured. And if so, by whom it is being measured. Various economic indicators exist, however, during the final research of this project the author learned that no one measurement exists to measure economic transformation. As such the research focused on those metrics that measure the strength of the economy and socio-economic changes in the country. The research will not focus on achievements made with the RDP-programme because the author views them as social-infrastructural improvements and not economic transformation. Thus only a few economic metrics, such as Gini coefficient and unemployment figures, will be used to see of these could track economic transformation in the country.

2. Economic Indicators

2. 1 Gini coefficient

In this section the research explores the Gini coefficient which is used to measure the extent of the inequality of income in a country (Gini: 1936). It was important to consider this indicator, because the progress made toward income equality in the country, would give one an idea of whether economic transformation is taking place or not.

The Gini coefficient assigns a number between 0 and 1 to a country after a specific calculation is performed. A Gini coefficient of zero expresses perfect equality, where all values are the same (for example, where everyone has an exactly equal income). A Gini

coefficient of one (100 on the percentile scale) expresses maximal inequality among values (for example where only one person has all the income)" (Giorgi:1990; Roodt:2013).

Thus, the closer to 1 a country's Gini coefficient is, the greater the inequality in that country. On the other hand, 1 means that one person owns everything but the rest own nothing. In reality, all scores are between 0.25 and 0.6 (between 25 and 60 on the 0 to 100 scale).

According to the World Bank and Mwabu (2002), between 2008 and 2009 countries in Africa had the highest pre-tax Gini coefficients, with South Africa the world's highest at 0.7. The UN and Hillebrand (2009) states that the global income inequality Gini coefficient in 2005, for all human beings taken together, was estimated to be between 0.61 and 0.68 by various sources. Thus according to South Africa's current Gini the country has extreme inequality in income and wealth. A working paper released by the University of KwaZulu-Natal school of development studies found that the country's income Gini coefficient dropped from 0.8, as given in Statistics South Africa's (StatsSA's) 2005/06 income and expenditure survey, to 0.59 after income from work, self employment and capital, social grants, free services and adjustments for personal income tax were included. The NDP states that "a reduction in inequality will be achieved if (South Africa's) Gini co-efficient falls from the current level of 0.7 to 0.6 by 2030" (NDP:2011).

The Bertelsmann Stiftung Transformation Index for 2012 states that in 2001 South Africa's Gini coefficient stood at 0.68 making it the country with one of the most unequal income distributions in the world (National: 2011) By 2008, this score increased further to 0.70 (Woolard et al:2009) Many scholars have noted that since 1994, income inequalities within the different race groups, especially within the black population, have increased sharply. Many feel that this increase is due to the rise of the black middle class.
Statistics have shown however, that the middle class is small, with about 13 million who are employed out of a potential labour market of about 31 million. Many scholars have noted that only about 5 million South Africans earn enough to pay taxes (Cronje:2013).

There has also been some criticism of the use of this measure. The age of the population, and number of people in the middleclass are not measured with this metric. "Countries with an ageing population, or with a baby boom, experience an increasing pre-tax Gini coefficient even if real income distributions for working adults remain constant" (Sung:2010). Scholars have developed various alternatives of the Gini coefficient (Yitzhaki: 1998; Sung: 2010; Blomquist: 1981).

However, the Gini coefficient has been used to study inequality in various disciplines such as sociology, economics, health science, ecology, chemistry, engineering and agriculture. For the purposes of this research I would like to know if this indicator is a true reflection of the income and wealth in South Africa, and in turn of economic transformation.

The international economist, Peter Attard Montalto (Montalto:2013), says that the relative Gini coefficient is the best instrument to use to measure inequality, but that it is actually meaningless on its own to track economic transformation. He adds that it is best to combine the Gini with something like lower income docile growth or absolute levels of poverty.

4.2 Unemployment

As Montalto suggests, another indicator one needs to consider, to determine the success of economic transformation, is poverty/ unemployment figures. This is one of the measurements of how people experience the economy day-to-day. An indicator that tells people what their job prospects are.

At this stage about a quarter (25, 5%) of South Africans are still unemployed (StatsSA: 2013). However, when other definitions are used the unemployment rate rises to about 40% (Economist: 2012). Since 1998, Statistics South Africa (StatsSA) has adopted a 'strict' measure of unemployment as the official measure for South Africa: to be counted, an unemployed person must have "taken active steps to look for work or to start some form of self-employment" (Stats SA 1998: 1). The official rate of unemployment therefore excludes all individuals who report that they do want to work but have not taken active steps (as specifically defined) to search for work in the previous month. (Posel: 2013). In South Africa unemployment just keeps on rising. It is seen as one of the biggest socio-political challenges facing the government (Bhorat:2009). While almost half of the population sits below the poverty line, the other half is pretty well off. Various authors have noted that most of the working population can buy homes and cars, but that most workers are not satisfied, with sporadic marches and 'toi-toi's' (protests) taking place when labour unions start to make claims for better pay. (Fast:2013).

Compared to many countries South Africa is at the bottom of the employment incentives. With an official unemployment rate of just under 25% (around 35% if one considers the expanded definition) it is much higher than compared to the BRIC'S countries (Cronje:2010). According to IMF (International Monetary Fund) figures for 2011, Brazil and Russia have an unemployment rate of 6%, while India is at 10%, and China at 4.1%.

According to the figures from the World Bank, 42.9% of South Africans can be considered to be poor, with less than $2 a day to live on. Most of these are black South Africans. Different studies state that South African poor are as high as 30% to 40% of the population, with some even suggesting it is as high as 50% (Fast:2013). Declines were seen when South Africa's economy grew before the financial crisis of 2008. However, many scholars have argued that these declines are mainly due to the growth of a small black middle class, and the increase in the welfare system. It is estimated that close to a third of the South African population receive some form of grant or pension from the state. Many experts have told the author that

this trend is unsustainable in the long run, and that only prioritising the country's high unemployment rate could turn this around. (Fast:2013; Bhorat:2009).

However, according to the Institute of Race Relations (SAIIR) the number of people living in poverty in South Africa, those living on less than $2 a day, decreased by 82% between 1997 and 2011. Over the same period the number of social grant beneficieers increased by 520% while unemployment increased by 103%. Adressing the inequalities that plague South African society has always been a government priority. Some 60% of the R1.15 trillion consolidated government budget for 2013/14 has been set aside for the provision of broad social services. A considerable amount of this is spent on social grants. In 2013 more than 16 million beneficiaries will receive grants to the value of R113 billion. As a result of increased social grant coverage, among other things such as access to basic services, the lives of South Africans have improved since 1994. Today, more than 60% of the population is situated in LSM[2] category 6 or higher (Fast:2013).

"However, fewer people than before think that the Government is performing well and social protests are on the increase. Perhaps this is indicative of the fact that what people really need, and more importantly what they want, is stable employment which will afford them the opportunity to receive an income with which they can do as they please," says Lerato Moloi (Moloi:2013) from the Institute.

The National Development Plan (NDP), which is supposed to be the Government's overriding policy blueprint for reducing unemployment to 6% by 2030, warns that high unemployment could be damaging to the fiscus. The NDP adopted by the Cabinet and the African National Congress in 2012 has a whole chapter on "social protection". It points out that social protection is a right in terms of Section 27 of the Constitution (NDP:2011). By 2030, the NDP says, everyone must enjoy a decent standard of living. It adds that there must be a defined social floor, or "minimum social protection below which no one should fall". This includes transfers in cash and kind that provide a minimum income, along with basic services such as water, electricity, sanitation, health care, and education. Figures by the Institute of Race Relations demonstrate that the provision of social protection in South Africa has gone quite far. Social grants are not a substitute for a wage or salary however, says the NDP. Indeed, "employment is the best form of social protection". The high poverty and inequality levels in South Africa are "rooted in the labour market". But it will "take time to address labour market challenges". So "short-term actions should be steered towards universal and inclusive systems of social protection" (Moloi:2013).

The NDP states that South Africa will have to commit "significant resources" to social protection. (NDP:2011). The State will have to generate sufficient income from the active

[2] LSM categories refer to Living Standards Measures where LSM 1 is for people living in the worst conditions and LSM 10 is for those living in the best.

groups of the population to redistribute to those who are less active or inactive. However, benefits should not be so many and generous that they contribute to an unsustainable fiscal position. Failure to create jobs will mean that public expenditure has to rise “dramatically”. Right now South Africa is enjoying a “democratic dividend” in that population ratios are such that there are enough people of working age to support those too old or too young to work. But this “sweet spot” could become a “perfect storm”. (NDP:2011). Unless urgent measures are implemented to increase employment among the youth, they will, in due course, become an older population reliant on social protection to achieve a minimum standard of living. This will happen at the same time as fertility rates drop and the number of children declines, pushing up the dependency ratio.

The proportion of state expenditure devoted to social services is substantial. The increase has been financed by the rising tax take (from 22% of GDP in 1994 to 28% in 2012); diversion of funding from education, defence, and policeing; and a reduction in the costs of servicing state debt. The last of these is now rising thanks to eight successive years of actual or anticipated budget deficits, so that the costs of providing the envisaged social floor may become unaffordable. The social protection chapter of the NDP seems aware of this risk. In fact it warns of an “undesirable scenario: based on current labour market participation and tax-base estimates, there will not be enough taxpayers and contributors to ensure state provision and sustainability of social protection”. Poverty and inequality would persist, posing problems for governance and “political legitimacy” (NDP:2011).

The chapter is also aware of the connection between the labour market and the burden on the fiscus that continued high unemployment will cause. Indeed, it says that “for those who are able to work, the right to work would provide a means to improve their standard of living”. Unfortunately, the Constitution contains no such “right to work”. (Maloi:2013)

From the above one can see that by using a different definition for unemployment, one gets a different percentage of how many people in South Africa are actually unemployed. In the long form journalism piece, the debates around these different numbers are explored further.

4.3. Black Economic Empowerment (BEE)

One of the policies, which is enscribed in the constitution, formulated by the government to bring about transformation is Black Economic Empowerment (BEE). Decades of discrimination resulted in a South African constitution that prohibits any form of discrimination on the basis of social class, religious belief or ethnic and racial identity.

According to the Department of Labour's basic guide to Affirmative Action, these policies "ensure that qualified people from designated groups have equal opportunities in the workplace." The government website explains that the Employment Equity Act applies to all employers and workers and protects workers and job seekers from unfair discrimination, and

also provides a framework for implementing affirmative action. "These measures say that employers must make sure designated groups (black people, women and people with disabilities) have equal opportunities in the workplace. And that designated groups must be equally represented in all job categories and levels."

Although Affirmative Action policies were adopted by the South African government as part of the push to right the wrongs of the past, many critics of these pieces of legislation feel that they are creating further injustices.

Some studies have found that progress on this front has been made. The Bertelsmann Stiftung Transformation Index for 2012 states that there are now more female students enrolled in secondary educational institutions than males. Women are well represented in the public sector with about 44% of South Africa's members of parliament being women. "This is one of the highest shares worldwide. The ANC has introduced a 50% quota for women in senior positions. Besides politics, women play an important role in public life. Many affirmative action programs include special provisions for black women." (Bertelsmann: 2012) However, in reality things are different, with many women making up the poorest parts of society and suffering various levels of abuse and sexual violence (Graham:2013).

There have also been unintended consequences due to BEE policies which have fuelled the views of critics that this policy has not benefitted the poor, but rather created a small, ANC-related black elite, at the expense of broader-based empowerment. Such policies have, according to these critics, put too much emphasis on ownership and not enough on employment.

According to research conducted by the trade union Solidarity, it appears that although there has been a shift in the demographic of employers and managers to some degree, the number of black South Africans in senior management positions has also been underestimated. The study found that an analysis of 367 JSE-listed companies shows that 1 023 of the 4 311 (or 24%) of company directors are black. Statistics South Africa's Household Survey found that 42% of legislators, senior officials and managers are black (Hermann:2012).

According to the South African Advertising Research Foundation (AMPS Surveys from 1997-2006), there have been significant shifts in senior positions in South Africa. Between 1997 and 2006 the number of black senior incumbents has grown from 8 766 to 28 658 – a 230% increase. White top management representation, on the other hand, has declined from 30 876 to 22 758, representing a 26,29% decrease.

The number of white males declined in all categories, and bar one category the decline was more than 20%. The number of white females declined by almost 25%. At the upper levels, where an increase in white female representation took place, the increase was considerably smaller than that of other races. Throughout the lower levels white female representation declined. The South African Advertising Research Foundation (AMPS Surveys from 1997-

2006) also found that whites in the labour market declined by 18%, and by more than 20% in the majority of categories (Hermann:2012).

Dr Dirk Herman from Solidarity says most definitive proof of the success of affirmative success is to be found in the growth of the black middle class.

South Africa's black middle class, increasingly referred to as "black diamonds", has grown by an astonishing 30%. "Black diamond's" now comprise an estimated 4 million, as opposed to 2 million in 2005. This represents 12% of the country's black population. There are more "black diamonds" in South Africa than working whites (Khanyile:2007). It must be kept in mind that the total black population has only grown by 1, 82%, while the other population groups have shown no growth at all. Looking at the international situation, it is clear that the middle class populations of the world are generally a third or fourth generation, while South Africa's black population has a first generation middle class as a result of BEE as the primary force, and secondly, as a result of economic growth. "Black diamond's" are worth R180 billion, which is 28% of the total South African buying power. Herman says the reason this growth is regarded as so astonishing is that the number of "black diamonds" only grew by 30% in the same period. He says the higher growth in the buying power simply results from the fact that the "black diamonds" are getting better jobs, together with better salaries because of BEE and AA. (Khanyile:2007)

According to the "Black Diamond" Survey, more than 12 000 "black diamond" families – or 50 000 people – are moving from the townships to the suburbs of South Africa's metro areas every month. The total number of "black diamond's" currently living in suburbia comes to approximately 1,2 million people and is likely to increase (Khanyile:2007).

Ismail (2007) argues that affirmative action is an important tool in the creation of an equal South Africa. However, a major constraining factor remains the insufficient supply of skilled black workers for the labour market.

It has been the ANC's own admission that BEE has failed to improve the lot of the vast majority of black South Africans (South Africa: 2010). The government's Black Economic Empowerment policies have drawn criticism from the Development Bank of Southern Africa for focusing "almost exclusively on promoting individual ownership by black people (which) does little to address broader economic disparities, though the rich may become more diverse" (Makgetla: 2010). Official affirmative action policies have seen a rise in black economic wealth and an emerging black middle class (Makgetla:2011). An increasing number of black candidates who are supposed to be beneficiaries of affirmative action are dissociating themselves from it, largely because of the perception that the appointments are not based on merit (Nedbank:2012).

From the discussion above one can see that BEE is measured in terms of the representation of black South Africans in various sectors of society, from judges to politicians. The

government has also adopted a policy that gives each company a specific score for the amount to which they conform to BEE. It is also clear from the discussion above that BEE is frought with problems and that most feel it has not really helped to economically transform the majority of citizens. Many feel that BEE will only truly be a success when black citizens actually receive the skills needed for the economy.

2.4 Education (matric pass rate)

Developing the skills that the emerging South African economy needs has been seen as another challenge that faces the current administration. During Apartheid the majority of South Africans, mainly the blacks, were hit the hardest by unequal education policies. Black South Africans in particular received the infamous Bantu education with low quality and low per capita spending. Scholars, and the government, has blamed apartheid for the poor performance of pupils and have added that the legacy of apartheid still continues to distort the labour markets, where masses of unskilled and uneducated South Africans have little chance of finding a job in the formal economy, while several vacancies for skilled labour exist in government and the private sector.

The Department of Education has been saying education has made great strides since 1994. Dwane argues that it is true that our government built new schools and electrified and upgrade others. "However, almost 20 years into democracy it is unacceptable that conditions remain dire at so many schools" (Dwane: 2013).

In the parliament in May Education Director General Bobby Soobrayan reported that only 55% of all schools meet a "very basic level of school infrastructure. He also reported that government spent only 37.5% of the R2 billion grants allocated for school infrastructure backlogs. The governments own statistics show that 3544 schools do not have electricity, that 5402 have no water supply and 11 450 schools are still using pit toilets. More than 20 000 schools lack libraries, labs and computer centres. And 2703 schools have no fencing at all.

"And what do they say to children who attend these schools, don't worry, the statistics are not as bad as they were in 1994." (Dwane: 2013)

One of the ways in which the success of education is measured is through the percentage of grade 12 learners who pass each year.

A total of 73.9 percent of matric pupils passed in 2012. According to the Basic Education Minister Angie Motshekga this is an improvement on the 70.2 percent pass rate in 2011. (Sapa: 2013)

From the above one can see that although South Africa spends a huge share of its funds on education, with the results being less than pleasing. Statistics have shown that although many

more children are now enrolled in schools, not many advance to higher grades or university levels. The quality of education has also been questioned. Scholars have noted that the quality of education has declined due to too few teachers to deal with classrooms filled with students. Others blame the trade unions for strikes that leave pupils to their own devices. Each year the department of education states that the pass rate of grade 12 pupils increases, but many see this increase as due to the lowering of standards. (Roodt:2013).

One of the ways in which parents can ensure that their children can receive the best education possible is to be in a position to afford better schools. And in order to afford better schools, one needs to earn more.

4.5 GDP per capita

GDP per capita is often considered an indicator of a country's standard of living and not a measure of personal income. Under economic theory, GDP per capita exactly equals the gross domestic income (GDI) per capita (Bertelsmann et al 2004). According to the World Bank gross domestic product (GDP) is the market value of all officially recognized final goods and services produced within a country in a given period of time. Duncan states that "when it comes down to it, size matters" (Duncan: 2013). Economically, this statement equates to the size of the economy as measured through the Gross Domestic Product (GDP).

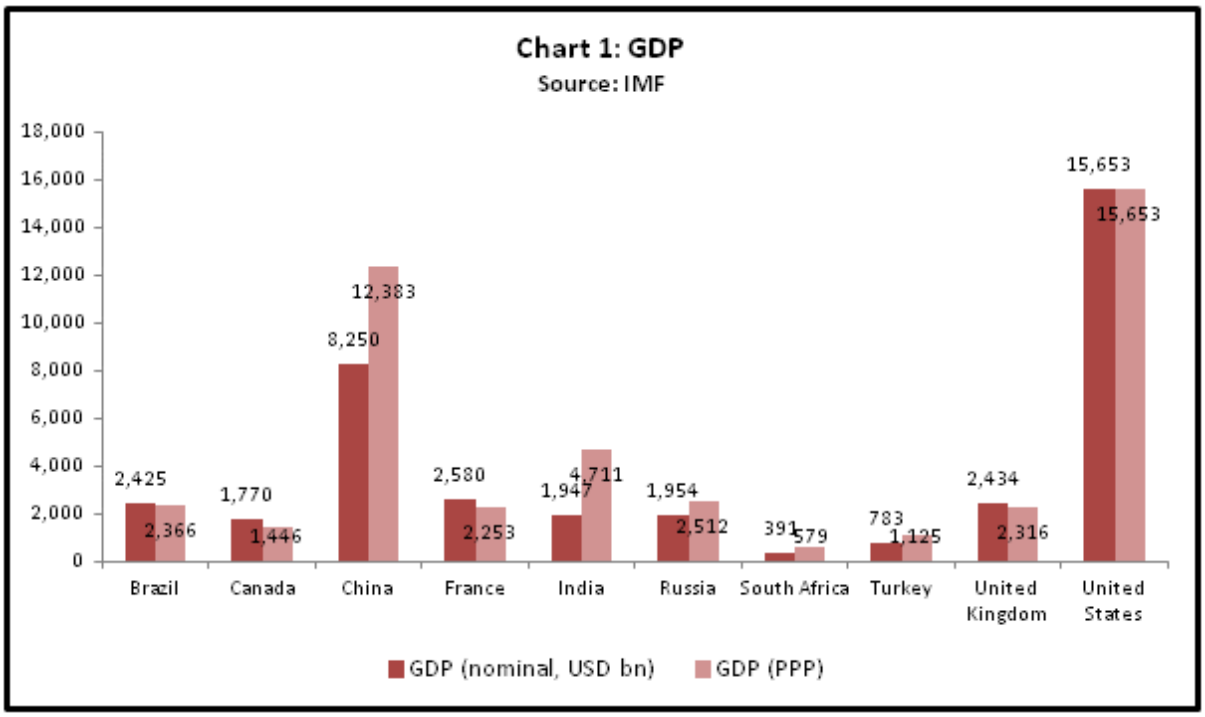
The Bertelsmann Shifting Transformation Index for 2012 states that in the three years following 2006 the per capita income of South Africans increased to $10,300 (PPP), the third highest in sub-Saharan Africa. The index does however warns that one needs to view this increase in relation to the country's high level of inequality. Currently South Africa has a Gini coefficient of 0.70, and its GDP per capita has declined to $7508 according to the World Bank. Various studies have noted that South Africa's economy would need to grow between 5% to 7% each year until 2020 to half its current unemployment rate of 25% (Bertelsmann:2012; NDP:2011).

World renowned economist and Nobel Laureate Professor Joseph Stiglitz argues on the South African Civil Society Information Service website that there are a large number of ways in which a focus on GDP is not a good measure of economic performance and societal wellbeing. "GDP doesn't tell you about what happens to the typical citizen and this is a problem when you have growing inequality in societies where most people, not just the poor, are becoming worse off" (Stiglitz:2011).

Saliem Fakir, previously a senior lecturer at the Department of Public Administration and Planning at the University of Stellenbosch, says that everything looks good on the surface, especially when we compare ourselves just with numbers. "GDP targets can mystify economic claims because they give us an illusion of prosperity that is often not warranted" (Fakir:2008).

He states that Angola has a higher GDP rate than South Africa, but Angola's GDP is distorted by the fact that it receives large junks of foreign direct investment (FDI) for two major resources – the mining of its oil and diamonds.

"A better indicator of a country's stability and share of wealth is also the disparity of income between rich and poor, the so-called Gini co-efficient. This too tells us whether GDP growth is leading to the spread of wealth or not, as economists and politicians usually promise" (Fakir:2008).



The graph above sourced from the IMF shows that compared to other countries, South Africa has a relatively small economy (2013).

What becomes clear from the discussion on the various economic indicators is that many scholars argue that these measures have various limitations in attempting to measure economic transformation. One just need to consider the contradictions evident when comparing the Gini coefficient and LSM figures or GDP per capita to understand the difficulty in measuring economic transformation. The gini coefficient indicates that South Africa still lives in a highly unequal society in terms of wealth, while LSM figures indicated that the amount of people living in the lowest living standards have decreased since 1994. So to some extent it seems that some of the policy interventions made by the post-apartheid government has yielded results, while other interventions have not yielded the desired results (Bhorat:2009).

So while economic metrics currently indicates a mixed picture with regards to transformation gains in South Africa, other countries which have shared similar historical experiences to South Africa might use different measures which could measure economic transformation more accurately.

6. GERMANY's RE-UNIFICATION

Part of my research was to discover what economic measurements Germany used to track the progress of their economic transformation after the re-unification of East and West Germany after the Berlin wall fell.

After the Berlin Wall fell in 1989, Germany had the task of re-unifying the more affluent West and the underdeveloped East. The start of this process is commonly referred to by Germans as die Wende (The Turning Point). The end of the unification process is officially referred to as German unity (German: Deutsche Einheit), celebrated on 3 October (German Unity Day).[3]

Though there have been criticisms throughout the decades as to how much the East has truly gained from this exercise, scholars and journalists have argued that economic reconstruction of the East has been a success. About four years ago a journalist named, Michael Sauga argued that "reunification did lead to a large rise in the average standard of living in former East Germany and a stagnation in the West as $2 trillion in public spending was transferred east. "While in 1997 Stuart Parkes showed that between 1990 and 1995, gross wages in the east rose from 35% to 74% of western levels, while pensions rose from 40% to 79%. Unemployment reached double the western level as well. (Sauga:2011).

Two years before Sauga made these statements another journalist from the Independent newspaper Moira Herbst wrote that "although about 14,000 companies in East Germany were closed or privatized in the five years after German reunification, resulting in the loss of about 4 million jobs... Today, the economy and business culture of the former East Germany offers a mixed picture. Cities like Berlin, Dresden, and Leipzig have developed strong entrepreneurial cultures that encourage technology start-ups and small business ventures. Employment levels are steady in the dynamic university town of Jena despite the recession" (Herbst: 2009). Though there are still critics of the German reunification, economically and politically one can argue that their strategy has worked to economically unite the two sides. Though South Africa and Germany would have experienced unique challenges central to their locations, demographics and ethnics, both had to rise to the challenge to transform their economies in order to right the wrongs of the past. Being thoughtful of the geographical, racial and economic differences inherent in both countries, I attempted to discover how

[3] According to the Unification Treaty signed by the Federal Republic of Germany and the German Democratic Republic in Berlin on 31 August 1990.

Germany measured their process, and if any of their measurements could be applied to the South African situation.

Montalto argues that Germany did much better in their transformation project than South Africa due to the very large fiscal transfers that occurred. According to him there were also lots of investments projects up front from the richer west to the poorer east. He argues that South Africa has only seen a slow slide of this situation just starting to occur. He states that there was no big bang in 1994 in terms of redistribution, and arguably politically there could not be (Montalto:2013).

Though I did not attempt to compare apples with oranges, the intention of using Germany as a mini case study was to show what economic measurements they used to track the success of their economic re-unification and to see if any of these measurements could be used to measure economic transformation in South Africa. South African economist argued that the success of Germany's economic transformation might be a less complex thing to answer when compared to South Africa's, especially if one considers the various demographic indicators and ethnics determinants. While a German scholar explained that Germany used some of the same measurements I explored earlier in this piece to track their project. These opinions are explored more fully in the long form journalism piece, the second part of this paper.

7. METHODOLOGY

This research took me on a journey to discover and understand firstly, what is meant by economic transformation in the South African context, and secondly what, if any, economic indicators are being used to track this goal.

I used individual, semi-structured interviews to gather data from economic experts, which allowed the researcher the freedom to explore and clarify the numbers behind the indicators. This method also allowed the author to follow up if new lines of enquiry emerged during the interview (Maree, 2008: 87). The interviews were all recorded on an cellphone to ensure accuracy of the information when it was added to the research and final piece. The researcher contacted various economic experts and staticians in order to explore the various economic indicators which could be used to track economic transformation. One of the first stops was with South Africa's statician-general. It was important to speak to somebody at Statistics South Africa because this is currently the body responsible for measuring various sectors in South Africa's society.

In addition to the above, extensive secondary research was undertaken in order to find and evaluate published information and data on the topic. In this respect, information from previous research, media reports and books were integrated into the final narrative. As such the project was carried out in a qualitative tradition, through the authors' individual

experience with the measurements, and through interviews with experts that could shed further light on the subject (Maree, 2008: 56).

First, it was important to understand what is meant by economic transformation, which will then inform which measurements would need to be used to track its progress. Devoid of locating one true definition of economic transformation in policy documents, one of the authors tasks was to interrogate various indicators, such as unemployment statistics and GDP per capita figures, to determine what these data sets are currently saying about South Africa's transformation process. Thus each of the measures are defined, placed into South Africa's historical context and debates around the use of each measures was highlighted.

Seeing as these types of figures and calculations are rarely presented in an interesting way, my goal was to relay the mountains of numbers to my readers in such a way, that they could understand what it means. With the intention of enhancing accessibility and clarity on this technical subject.

Seeing as I am completing a masters in Financial Journalism, I decided it was apt to present my final piece of research in a long form journalism piece, following the example of economic writers such as Micheal Lewis and Malcolm Gladwell. Although one rarely finds the writers personal voice in journalism pieces, long form journalism lends itself to the techniques used in narrative journalism. Long form journalism is a branch of journalism that encourages longer articles with rich context, intriguing writing and depth of reporting (Tenore, 2012). To entice a reader to read a piece that is almost the length of a short novel, elements of narrative journalism, such as scene-setting, dialogue, and establishing point of view, need to form part of the piece. The benefits of presenting the project as a piece of long-form journalism is that it makes the information contained in the article more engaging and accessible to readers (Clark, 2000). I used a personal reportage approach employing the first-person point of view of my journey towards understanding the topic and various data sets. The author of this piece used methods such as personal experiences, observations and face-to-face interviews with experts to distill facts about the subject (Ricketson: 2001) which was then used to make this technical subject more alluring to readers.

This article format provided the author with more flexibility, nuances and richer details than an academic research report. However, as it is still part of a research project, and therefore the long form piece also contains elements of the research. The elements of the research, such as percentages and figures, were added to the general story line while explaining the measurements. By explaining this technical topic in a long form journalism piece, the author ensured that the reader feels that the research was undertaken, while presenting it in a format that makes the research accessible to a larger group of readers.

8. CONCLUSION

Throughout the research and writing process it became clear that no one really understands what is meant by economic transformation and that various experts and government agencies would define it in different ways. Getting experts to agree on what type of measurement to use to track this process became a battle of definitions and ideologies. What is clear, is that even though South Africa has made strides in improving the life of citizens in the past two decades, the country is still fighting the legacy of inequality inherited from apartheid.

The long-form piece describes my journey of attempting to find answers to these two questions – what is economic transformation and how should it be measured? What the long form piece describes is that the concept of economic transformation still rests mainly on the governments' policies around Black Economic Empowerment. Many experts however, believe that this in it self will not lead to the Utopian dream the constutution sets out to achieve. The paper also finds that measurements around the use of BEE and inequality conflict with one another making it difficult to track the real progress of this transformation.

2. LONG FORM ARTICLE

Tracking the progress of an elusive South African dream

Introduction

"It is truly an elusive concept, and something which is still not in sight."

When South Africa's Statistician-General, Pali Lehohla said this in response to my question on what the definition of economic transformation is, I was concerned. Concerned, because, if the head of Statistics South Africa (StatsSA) viewed economic equality as an elusive thing, or for that matter, a governmental task which is hard to express or define, how will South Africans ever become economically free?

In order for the South Africa to right the wrongs of the past and as such to strive towards transformation on various levels such as race and income, the country adopted a constitution after apartheid. However, in the preamble of South Africa's constitution no explicit mention is made of economic transformation.

Even though South Africa's constitution or Bill of Rights does not mention a definition for economic transformation, it does focus on the empowerment of its citizens. Section Nine of the constitution guarantees equality before the law and freedom from discrimination. It is also the first right listed in the Bill of Rights. It prohibits both discrimination by the government and discrimination by private persons; however, it also allows for affirmative action to be taken to redress past unfair discrimination. (See exact text in Appendix A). So to address the discrimination of the past and to empower citizens, one needs to tackle inequality, a legacy of apartheid. Thus, this section makes it a constitutional imperative to empower citizens to economically transform their lives, in order to share in the wealth of the country, as prescribed by the Freedom Charter.

Now this sounds simple. But what does it mean to share the country's wealth? And how would one measure this? And if economic transformation of South Africa's citizens is a constitutional imperative, then understanding how the success of this project is measured, is important. Economic equality would not just be essential for individual citizens, but also for the country's sustainability, something that will be difficult to achieve if whites remain largely the haves, and the majority of blacks the have-nots.

Those from the left-wing in society, such as economists who support the ANC, and the right-wing, such as experts from the Afriforum, a South African civil-rights organisation linked to the Solidarity trade union, all agree that although things have improved on a basic level for citizens, if one considers the achievements made with the Reconstruction and Development Programme (RDP), most have found that the wealth that is created at the top does not trickle down to the majority of citizens still living in poverty. In order for South Africa's democracy to survive, we should not just be able to vote for whom we choose; we should also have the right to economic freedom.

But how does South Africa measure economic transformation in order to keep track of the progress towards equality in South Africa? And if economic transformation means economic equality, what measures are available to track the progress of this post apartheid project and to what extend do these metrics fulfill their goals?

And if Lehohla, and as such, StatsSA, views economic equality as an elusive concept which is difficult to measure, how is he, and other experts, able to say that we still live in an unequal society?

A metric currently in use to measure the inequality in income and wealth in a country is known as the Gini-coefficient. According to this metric, which places each country on a scale of 0 to 1, South Africa still has one of the highest divisions between rich and poor in the world, with a Gini-coefficient of 0.7, or 70%. But this metric has various limitations. For one, it only measures the extreme spectrums of inequality. It measures the difference between the really rich and really poor in a society, but it does not take into account certain incomes such as social grants or considers the size of the middleclass. And as one economist told me, it is in the strength and size of the middleclass that we can expect the most economic growth, and in turn, the route to economic transformation. So except for the Gini, the growth of the middleclass can also be considered as a way to track economic transformation in South Africa.

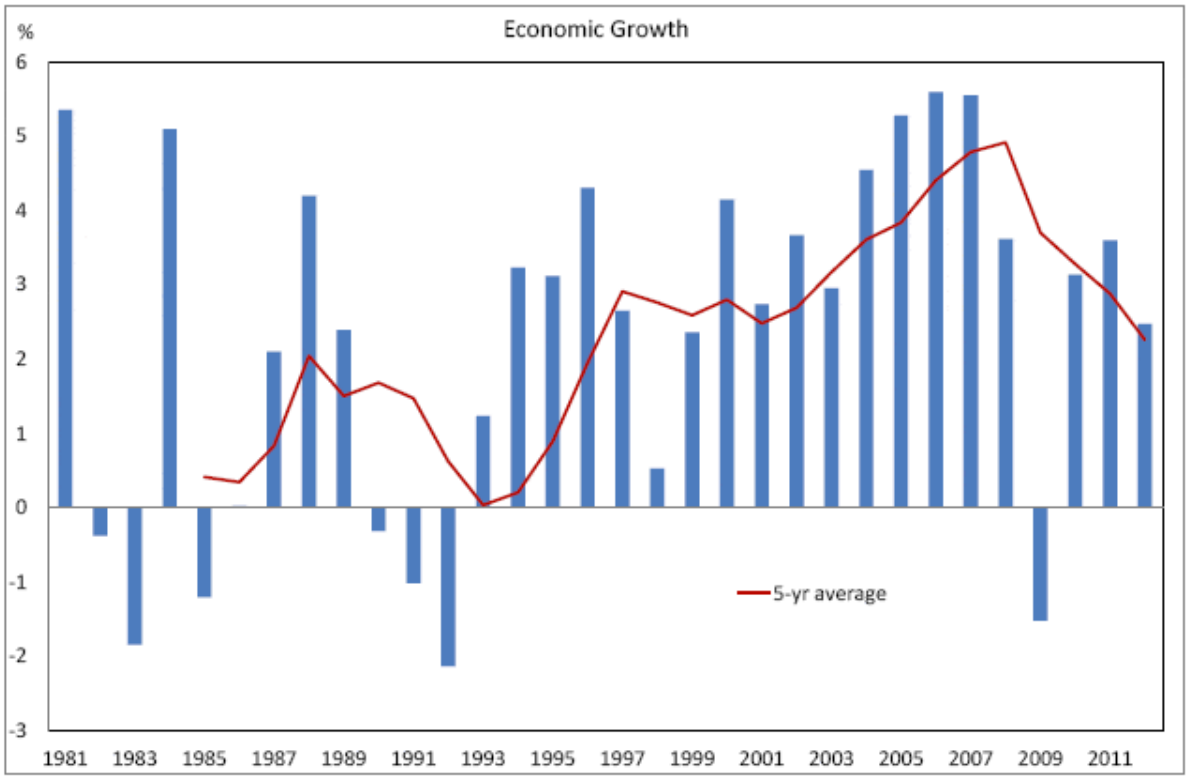
Another measure to consider is GDP per capita income, which basically means the total income of a nation, divided by its population. This metric can give one an indication of the progress made towards combatting inequality, but this, as well as measurements used to track unemployment, are undermined because of the growth in South Africa's population. Since 1994, millions of jobs have been created, but a similar amount of babies were born. Since '94 the South African population has grown by more than 13 million people, from 38,6 million people in 1994 to 51,7 million people in 2012. These people need jobs, not just to survive, but also to help the county's economy grow. Group Economist at Sanlam, Jac Laubscher, wrote in December last year that if you consider South Africa's GDP per capita growth since 1994, things seem to be going well.

"Measured against average standards of living as reflected in real GDP per capita, South Africa appears to have done quite well, with an increase of 33% since 1994," he explains.

Laubscher warns that this is, however, not the full picture. He adds that South Africans did not share an equal piece of this growth per capita, which according to him is evident in our high Gini coefficient and unemployment rate. Since 1994 the unemployment rate has increased with almost a quarter (from 20% to 24.9% as measured in 2012). Reports by the World Bank states that South Africa had a Gini coefficient of 59.33% in 1993, which increased to 63.14% in 2009. According to the South African government's report on the 2012 Development Indicators the Gini increased further from 2009 to 69% in 2012. According to the World Bank this indicates that South Africa is the country in the world with the highest income inequality.

From the increases in South Africa's Gini coefficient and unemployment rate in the past 20 years, it seems as if the country is regressing in terms of economic transformation. This is strange when one considers that South Africa experienced an increase in economic growth in the last two decades.

Laubscher explains that the graph below shows a sustained acceleration in economic growth from 1994 to 2007, except for the period 1998 to 2002 as a result of the then crisis in emerging markets, the millennium effect and the worldwide economic slowdown early in the previous decade.



According to a report released by investment bank Goldman Sachs in 2013, South Africa's Gross Domestic Product has almost tripled since 1994 from $144 billion to $400 billion (about R4,2 trillion according to 9 March 2014 exchange rate).

So if the economy grew, why didn't more citizens benefit from this? I started to wonder if it was even possible to track the post-apartheid project?

My quest to answer these questions brought me to the door of StatsSA. Sitting in the statician-general's boardroom, in an old government building in Pretoria, Lehohla laughed when I tried to rephrase my question and instead asked what he thought StatsSA saw as economic transformation?

"I would have refused to give you an interview if I knew you were going to ask such difficult questions," he said jokingly.

I struggled for more than two months to get an interview with the head of StatsSA, the governmental agency tasked with collecting and analysing data, which policymakers' later use to help them make informed decisions.

"You say it is an elusive concept?" I repeated his answer. "But was the Reconstruction and Development Programme (RDP) not part of this transformation? I asked.

"Back in 1994 and with the RDP, it was about meeting the basic needs and integrating our society," Lehohla explains in his deep voice.

Asking about the success of some of these earlier policies, Lehohla explained that the fact that social transformation has taken place, in the form of more people who now have for example access to water and electricity, does not necessarily mean that these people have been economically transformed.

"Transforming the economy of South Africa would then have meant, creating demographic equity in terms of the economy - it was short of saying - for every white person that owns a mine, there must be a black person that owns a mine. This has not happened."

Economically transforming citizens, or at least the progress towards equality, is a constitutional imperative. According to various experts and politicians, this has not happened. Surely, if this is such an important post-apartheid project, the real meaning of economic transformation should be understood at the highest level and some one should be tracking its progress. Why, you may ask is it important to track it's success? Well, as I was told by many experts, including Lehohla, "what gets measured, gets done."

So what are some common measurements that one could use to attempt to answer this question?

The Gini coefficient, GDP per capita growth rate, unemployment figures or Black Economic Empowerment (BEE). All terms that gets tossed around by politicians, economists and even newspapers. But what do they really mean? And can they measure one of the South Africa's greatest challenges – economic transformation?

Gini coefficient

The Gini in the bottle, as various newspapers have dubbed this indicator, is commonly used as a measure of inequality of income in a country.

According to the World Bank, South Africa had a Gini coefficient of 59.33% in 1993, which increased to 63.14% in 2009. According to the South African government's 2012 Development Indicators Report the Gini increased further from 2009 to 69% in 2012. According to the World Bank this indicates that South Africa is the country in the world with the highest income inequality. This also shows that South Africa is now more unequal in terms of income than under Apartheid. Which is strange is one considers that the size of South Africa's economy, or GDP, almost tripled since 1994. So has South Africa then gone backward in terms of income equality in the past two decades?

Economist Dawie Roodt explained that the “general idea is that you get a high Gini of 1 which is absolute inequality where one person takes all in the income in a country. Where Gini of 0 means everyone has the same income.”

When I met Roodt at his offices in Pretoria he explained that recent research indicates that Slovenia has the lowest post-tax Gini of 23.7%, and Chile the highest post-tax Gini of 57.2%, with South Africa scoring the highest pre-tax Gini in Africa at about 70%. Roodt explained that in theory, the Gini could be fixed, where one takes from the rich and gives to the poor, which is exactly what the South African government is trying to do with its social grant system.

However, the Gini number calculated for a country also depends on the type of income used in the equation. The Organisation for Economic co-operation and development (OECD) explains on their website that Gini coefficients for income can be calculated on a market income and disposable income basis.

“The Gini coefficient on market income – sometimes referred to as pre-tax Gini index – is calculated on income before taxes and transfers, and it measures inequality in income without considering the effect of taxes and social spending already in place in a country,” the OECD website states. If one uses market income in South Africa, then the country’s Gini coefficient is currently 0.7 or 70%, one of the highest in the world.

However, if one uses disposable income, which according to OECD measures inequality in income after considering the effect of taxes and social spending already in place in a country, then South Africa currently has a Gini of about 60%. So in this scenario a typical household in the highest income group earns 60 times more, than a household in the lowest income group.

The SAIIR says that this increase is mainly due to the increase of citizens who now qualify for social grants. SAIIR’s data shows that from 1997 to 2011, the number of social grants beneficiaries increased by 520%. In 2013 about 16 million beneficiaries received grants to the value of R113 billion.

“So if our government is spending such a huge chunk of its revenue on social grants, why is our Gini still so high (or close to 1)?" I asked Roodt.

Roodt's theory is that, unlike wealthier countries, we don't have, have-haves and have-nots.

"We have have-lots and have-little's or have-nothings...The reason why our bad Gini stays that way has nothing to do with the copious amounts of money that the have-lots cough up. It has everything to do with the little that the have-little's are refusing to share with the have-nothings. And they are not sharing, because the have-little’s do not want the have-nothings to participate in the labour market. If we are to get the Gini out of the bottle and back on the charts, we must allow the have-nothings to compete with the have-little's. There is no other

way. If we liberalise labour laws to allow for competition, the Gini will improve dramatically."

For him our current labour laws are the culprits, because they act as barriers to entry for the have-nothings.

"The have-little's, led by the Cosatu's of the world, are only interested in their members, who tend to be employed. They could not care less about the unemployed, because the unemployed are not their members. And since Cosatu, our biggest trade union federation, forms part of government, it can exert huge pressure to ensure that barriers to entry remain by way of labour laws, that prevent the unemployed from sharing in the spoils of the employed."

But, for Paul Graham, director of Afrobarometer, formerly part of Idasa and now an independent research group, inequality, which is measured by the Gini, does not really say anything about poverty levels.

"In 1994 our poverty levels might have been here," he indicates with his hand above his shoulder. "And now there might have less poverty, because the government is spending so much on social services, but the inequality in our society is still high."

He adds that one "cannot just tackle poverty, one also needs to address inequality, or the rich poor divide."

"One could take a country like Brazil as an example, which was, at one stage, one of the most unequal societies in the world. Since the Lula regime introduced various new ways to fight poverty, their inequality also started to drop. After years of not making any impact on equality, but on poverty, suddenly their Gini started dropping. Pools of researchers have gone through everything to try and determine what policy changes led to this achievement. People are still arguing about what truly made this difference - Was it the investment in education or improved public transport? What definitely can be seen is that a difference was made to the poverty cycle."

According to the World Bank's latest figures, Brazil's income inequality has been declining steadily in the last two decades. About 20 years ago, in 1993, Brazil had a pre-tax Gini coefficient of 60.80%. According to the latest results, based on 2009 figures, Brazil currently has a Gini of 54,69%. This was a decrease of 0.69% from the 2008 Gini of 55.07%, according to the World Bank.

Graham adds that although South Africa has also introduced programmes to fight poverty, such as through social grants, and inequality, such as through Affirmative Action policies, he says that Brazil "has now reached an unemployment rate of 5%, which is something, we have not yet achieved."

But is the Gini a good indicator of economic transformation?

Roodt's younger colleage Merina Willemse, and a researcher at the SAIRR, Georgina Alexander, say the Gini does not measure the middleclasses in a country.

The Middleclass

"It might be a good measure of the disparity between the really rich and really poor in a country, of which the difference is indicated by the Gini figure, but it does not measure the middleclass," explains Willemse.

Alexander told me: “You can look at the Gini as a measure of economic transformation, but is misses everybody in the middle. It measures the richest person against the poorest. Which shows that yes, we have super wealthy people, and also super poor people, but it does not take into account the middleclass. And it is within the middleclass that we can expect the most economic growth."

So what is the middleclass and why do they matter to the economy? I asked Alexander.

"Well, usually the middleclass tends to be more racially integrated. They also spend more on education, because they realise the worth of it. They also tend to be independent of the state.”

“Which is interesting in South Africa because the new emerging black middleclass are dependent on the state - in that they are mostly employed or paid by the state? Politically the function of the middleclass is to hold the government to account. They usually say hold on, we pay so much tax, but you are not maintaining the roads, for example. This is not really happening in South Africa.”

Alexander says it has been a combination of investment in social grants by the government, Black Economic Empowerment (BEE) policies and the uptake of more black South Africans in the civil service, which has led to an increase in South Africa’s black middle class.

"As a result of increased social grant coverage, of which the government spent more than a R100-billion in the last year alone, among other things such as access to basic services, the lives of South Africans have improved since 1994. Today, more than 60% of the population (about 31 million) is situated in LSM category 6 or higher," explains Alexander.

According to the South African Advertising Research Foundation (SAARF) bi-annual All Media and Products Survey (AMPS), which collects data for the advertising and marketing industry, only 26% of people (about 7,8 million people) lived in in LSM category 6 or higher in 1994. This data was gathered by the South African Advertising Research Foundation, which sampled more than 25 000 respondents representing 34 million adults.

The Performance Monitoring and Evaluation Minister Collins Chabane stated in August 2013 that South Africans in the poorest living standards measures group (LSM1 to 3) had fallen from 40% in 2000/01 to about 12% in 2011 (with just over 700 000 people in LSM1), while

those in LSM4 to 7 (the middle class) having increased from 42% to about 60% (with just over 7 million people in LSM6).

LSM categories refer to Living Standards Measures where LSM 1 is for people living in the worst conditions and LSM 10 is for those living in the best, she explains.

She says one might regard this LSM as an indicator of economic transformation, but that LSM's are not (on their own) a true reflection of this transformation.

"This indicator takes into account the ownership of certain goods, such as for example a microwave. So if you for example own a microwave or a fridge you could be bumped up to a higher LSM category, but it does not mean that you buy a new fridge every year. You might have bought your fridge 10 years ago. So it gives us an idea of people's living standards and that that has improved in the past decades, but most of these are a function of the social grants and not necessarily that people now earn more to afford it."

But does this not indicate economic transformation to some extent? I asked her.

"To some extent it does, but there are still too many people who are living in extreme poverty and our unemployment rate is still to high. We also need a larger middleclass group to keep the economy going," she explained.

Studies released by the University of Cape Town's (UCT) Unilever Institute of Strategic Marketing at the end of 2013, found that the black middle class population in South Africa had grown to 4.2-million people. This increase from the 1.7-million in 2004 goes hand in hand with increased spending power. The black middle class spends R400-billion annually, far more than the R323-billion spent by the historically wealthier white middle class, Alexander told me.

The UCT study classified South Africa's middle class as households earning between R15 000 and R50 000, with their own transport, a tertiary education, employment in a white-collar job and owning their home or spending more than R4 000 a month on rent.

My search for an international standard of what a person is supposed to earn to be qualified as middleclass came up empty handed. The Director of Economic Planning and Research at the Eastern Cape Department of Economic Development, Justin Visagie argues on politics.web that boundary lines for what constitutes affluence vary greatly. "In one study conducted in 2008 they define the middle class of developing economies as households who earns from US $2 – $13 per person per day, whereas another study found that an interval of US $16 – $82 per person per day more relevant. Such divergence reflects the extent to which the standards of living of developed countries are applied to developing countries – or the extent to which researchers grasp the reality of poverty and incomes in developing countries."

On inquiry, Frans Cronje, the CEO of the South African Race Relations Institute (SAIIR), told me that he is unaware of any international definition that prescribes a minimum of R4000 per month income to qualify in a society's middleclass.

"Pushing the definition downwards is a mistake analysts often make in South Africa.

However, if you cannot access a loan from a bank, achieve a higher level of education or transport yourself around, you really have no place in the middle classes by South African standards," he explained.

Alexander, his colleague at the SAIIR, agrees and says she is currently in the process of determining what the SAIRR will regard as middleclass.

"My suspicion is that the amount of black middleclass people that the Uniliver institute found might be far too high. At the end of the day it is a definitional debate and I think that they used a very low-income level in their research. Even though the international norm might be an income of about R4000 per month, we are looking at people that would be able to afford a bond or rent of at least R5000 a month. For us this means someone or a family with an income that could afford other luxuries, like a car, that the middleclass usually possesses," Alexander explained.

According to the economist Willemse, there are "several challenges in defining what constitutes the middle class in South Africa."

"In the group we call middle class, there is a small group who maintain a very high standard of living, and the majority who earn very little," she adds. According to her one really cannot lower the standard too much, because the people who are then qualified as middleclass do not earn enough to ensure that South Africa's economy growths further. "If someone for example earns just R4000 per month, how will they be in a position to afford a car of their own, and bond on a house or flat and ensure that their children are sent to good schools? At this level they hardly earn enough to survive each month," she said.

Even with these debates on what criteria to use to define the middleclass, one can still consider the growth within the black middleclass as one of the successes of post apartheid policies. In 2012 the Unilever Institute found that South Africa's black middle class, of about 4 million people, continues to grow despite economic turmoil around the globe. This institute, which conducted various studies on the rise of the black middle classes, states on their website that in contrast, the white middle class has remained fairly stagnant over same period, with its adult population growing from 2.8 million in 2004 to 3 million in 2012.

Cronje regards the growth of South Africa's middleclass as the definition for economic transformation. According to Cronje the SAIIR benchmarks the middle class status on whether you own property of a certain value, have a bond on a house and pay for a private medical aid and other luxury items. "Our data shows that about 70% of households are seen as middle class, with 7% of these being black households."

However, saying that 70% of South African households are middleclass is contractictory to other research. A report published by The Bureau of Market Research (BMR) of the University of South Africa (Unisa) on household income and expenditure patterns in South Africa for the year 2011 found that about 22.4% of households were considered to fall within the emerging middle class. According to this report these households had an annual income

that ranged between R151 728 to R363 930 per annum – thus about R12 600 to R30 300 per month. If one then considers the SAIRR's limit of at least R5000 spent per month on a bond or rent, then those earning on the lower end of this scale, might not even be considered as middleclass by the institute.

So if the growth in South Africa's middleclass is considered a defining criterion for economic transformation to occur, do measurements around Black Economic Empowerment aid in this goal?

Black Economic Empowerment (BEE)

Section Nine of South Africa's constitution allows for affirmative action to be taken to redress past unfair discrimination. And as such policies around affirmative action and Black Economic Empowerment (BEE) have been put in place as a measure to attain transformation in this sector of the population. Even though BEE is a constitutional imperative, it has become a contentious issue, with government on the one side advocating BEE policies for transformation reasons, and those on the right calling it another form of Apartheid.

South Africa's constitution paved the way for policies that could focus on affirmative action and BEE. The head of special research at the SAIIR, Anthea Jeffery, recently wrote in Business Day "during the constitutional negotiations, all parties, including the African National Congress, had accepted that section 9(2) required a "soft" form of affirmative action, with a focus on training and "inputs" rather than quotas or "outputs". She adds that "contrary to this understanding, that section had become the fountainhead for employment equity and BEE rules that targeted demographic representivity in many spheres with often unrealistic racial quotas".

According to her the majority of private companies had not yet reached the government's goal of 75% of black citizens represented at management level. Hence, under the Employment Equity Amendment Bill of 2012, they could soon face fines of up to 10% of annual turnover for failing to achieve this quota.

SAIIR have found that from 1994 just over 520 000 students enrolled at university, which increased to over 890 000 in 2012. An although the number of these people who actually received a tertiary undergraduate degree increased by 86% since 1994, from over 85 000 people in 1994 to 160 000 in 2012, it is still not enough skilled people to fill the jobs the economy needs, Willemse explained.

The department of trade and industry defines BEE as "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and bring about significant increase in the number of black people that manage, own and control the country's economy."

If one looks at some of the numbers one could be excused for believing that this policy has been a success. According to the Institute of Race Relations, the proportion of black people (black-African, coloured, and Indian) in top management jobs has doubled in proportion since 2000, from 13% to 24%.

And while a report published by the Emplyment Equity Commision published in April 2013 also showed that black, Indian and coloured people now hold more top management positions that in 1994, it is still in contrast to about 72% of whites who are in top management positions today.

And there for the BEE-policy has been criticised by friend and foe of the ruling party.

Moeletsi Mbeki, an analyst and entrepreneur and also the brother of the former president, Thabo Mbeki, has been one of the outspoken critics of the BEE system.

In 2009 he stated that BEE has struck a “fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive, but wealthy black crony capitalists.” For him many, white and black people, still viewed this policy as essential for the country's future, but said that it had been badly implemented. All seem to agree that the policy should be made to benefit a wider range of blacks, not just business people. Critics of BEE and scholars have argued, "no where has affirmative action succeeded in helping those it was designed to assist and everywhere it has led to a worsening in race relations."

Dr Dirk Herman from Solidarity, a trade union, says the only proof of the success of affirmative action is to be found in the growth of the black middle class.

(According to its website, Solidarity is a trade union within the Christian tradition of unionism. This differentiates it from the majority of other South African trade unions who have socialist ideologies. Solidarity has a broader focus than workers' rights and includes defending civil rights for its members.)

“South Africa’s black middle class, increasingly referred to as “black diamonds”, has grown by an astonishing 30% since 1994,” he explains one afternoon in his offices in Pretoria.

“This represents 12% of the country’s black population. It must be kept in mind that the total black population has only grown by 1, 82% in the last year (2012), while the other population groups have shown no growth at all. Looking at the international situation, it is clear that the middle class populations of the world are generally a third or fourth generation, while South Africa’s black population has a first generation middle class as a result of BEE as the primary force, and secondly, as a result of economic growth.”

So will measurements around BEE assist the country to keep track of economic transformation?

Not according to Alexander.

“Measures of BEE will really only tell you about the transformation with regards to a small segment of a certain race group. It does not explain why millions are still living in poverty or if their lives have improved.”

“And if we cannot get people skilled to suit the type of jobs in our economy, I do not see how things will change.”

Alexander’s boss, Cronje adds that even though the SAIIR currently also uses BEE and its verification to track the growth of this transformation, he adds that it is a problematic measurement to use.

"Firstly BEE and EE policies are directed at the elite of black society. If you are poor or badly educated there is nothing these policies can do for you. Hence empowerment policy in South Africa tends to ignore the great majority of people who need empowering. The reason is that BEE tries to measure the outcomes of empowerment, but does nothing to address the inputs – such as the quality of schools. "

And as such he views economic transformation in its current form in South Africa as a "failure". "Just think that 50% of black South Africans are classified as relatively poor, 30% plus are unemployed and only a third have matric,” says Cronje.

He says that though other measurements such as the Gini coefficient or unemployment figures can be useful up to a point, he says that goal should be the status of the middle class.

However, the CEO of AfriSake, Cornelius Jansen van Rensburg, feels that true economic transformation can only be accurately measured by unemployment figures and the GDP. "I would be very hesitant to regard the Broad-Based Black Economic Empowerment (BBEEE) score card or the Gini Coefficient as accurate measurement tools."

He adds that the business world’s classic and accepted definition of transformation entails a turnaround strategy for a business that is struggling. On a national level the concept would imply the implementation of a strategy aimed at growing the economy and increasing the welfare of citizens. "By implication, this includes new entrants into the economy. In South Africa, however, economic transformation is used by policy makers as something totally different. Economic transformation in South Africa is in actual fact, a redistributive policy which is based on the racial profile of the country.”

But, Tracy Ledger, an economist at the Public Affairs Research Institute (Pari), says she is not interested in how many black people are in the economy.

"That's the wrong argument to have. Transforming the economy is about how best the economy will serve a society. So how an economy is structured to deliver the greatest amount of good to the greatest amount of people."

She explains that we as societies create the social norms that determine how economies work.

"We condone the way the economy works. We do not condone human trafficking. So even though there is lots of money in human trafficking, it is deemed immoral and thus illegal. So people who say that inequality is inevitable and that we cannot have any moral arguments, are talking absolute nonsense," she says while widely waving her hands around.

"Nothing is inevitable, we create the laws, structures and standards of what a certain economy looks like."

So according to Ledger's argument, in Post-Apartheid South Africa, we have actually created legislation that only favours a few, and that the country is working on an assumption that if we simply grow the country's economy, then "magically" everybody will share in the country's wealth.

"Real GDP per capita increased by 33% since 1994, but still there was no effect on poverty and unemployment. Yes there was a small decline, but this was basically due to the social grant system. You cannot manage your economy to achieve GDP growth, maximize competitiveness, or increase exports and then expect something different such as human wellbeing. The data has already shown there is little link between those things and the real lives of South Africans."

For Ledger, transformation is truly that tired old ANC slogan, of a better life for all.

"But while GDP growth is good for the JSE and shareholders portfolios, it is not necessarily good for the majority of people who still go hungry. For me it really relates to that saying that the definition of insanity is doing the same thing over and over again and expecting a different result."

For Ledger the solution to how economic transformation should be measured is simple.

"If your goal is a better life for all, then why are you measuring GDP growth? There are lots of things that are good for the economy, but not for people. Crime is good for the economy, because insurance becomes necessary, or you have to replace a vehicle. Eating lots of KFC is good for GDP growth, but not for people health. But deciding to grow your own food is good for you and the environment, but bad for GDP. There will always be trade-offs. But if you want an economy for example to deliver a more equitable income for all, then you must manage it to deliver that and not just manage it to attain economic growth," Ledger said.

Thus if South Africa wants to economic transformation to take place, then it must be managed to do that, and not just managed to grow the country's GDP, which according to Ledger, has not yielded any results in terms of economic transformation in the past two decades.

GDP per capita

GDP per capita is often considered to be an indicator of a country's standard of living, and is noted as a measure of personal income. Basically, one takes the country's GDP, the output of the economy, divided by its adult population.

South Africa's GDP per capita grew by just over 31% since 1994 till 2012, with people earning a Real GDP per head of average R28 000 in 1994, which increased to just over an average of R37 000 (real GDP per capita) in 2012, a report by the SAIIR notes. Economists like Mike Schüsler have stated that for South Africa to halve its current rate of about 25%, the economy would need to grow at a rate of up to 7% per year, until 2020.

However, this measure is also not without its limitations. World renowned economist and Nobel Laureate Professor Joseph Stiglitz, wrote an article on the South African Civil Society Information Service website in which he argues that there are a large number of ways in which a focus on GDP per capita is not a good measure of economic performance and societal wellbeing.

"GDP (per capita) doesn't tell you about what happens to the typical citizen and this is a problem when you have growing inequality in societies where most people, not just the poor, are becoming worse off."

Saliem Fakir, previously a senior lecturer at the Department of Public Administration and Planning at the University of Stellenbosch, states on the same website that everything looks good on the surface especially when we compare ourselves just with numbers.

"GDP targets can mystify economic claims because they give us an illusion of prosperity that is often not warranted."

He argues that a "better indicator of a country's stability and share of wealth is also the disparity of income between rich and poor, the so-called Gini co-efficient. This too tells us whether GDP growth in the country is leading to the spread of wealth or not, as economists and politicians usually promise." However, as discussed previously, the Gini has various limitations, and most agree that it cannot be used on its own to track the progress towards equality in South Africa.

One of these promises government makes that rides on the back of an increase in GDP of the country, is that it will lead to a creation of jobs. And even though the Minister of Finance, Pravin Gordhan indicated in his 2014 budget speech that more than 5,9 million jobs were created by the government since 1996, these jobs have not been enough to keep up with a population growth rate of 1.18% annually, or more than one million people per year, as measured by the World Bank in 2011.

Unemployment

Unemployment figures are also riddled with different perceptions on which definition should be used for what constitutes an unemployed person.

If one considers the broad definition, which takes into account discouraged work seekers, then South Africa's unemployment is particularly high. In fact when both the narrow and broad definitions are used, unemployment is high. It is regarded as one of the main socio-political problems facing the government. Almost half of the population lives below the poverty line, while the other half is well off.

"The narrow definition is when government only counts those poeple who are currently looking for jobs. They do not include discouraged work seekers (people who are employable but have given up looking for jobs) or informal traders such as street vendors," says Willemse.

It also does not matter how you define unemployment, it nevertheless increased by more than 24% since 1994. A report by the Institute of Race Relations shows that if the broad or expanded definition is used unemployment increased from 31.5% in 1994 to 36.2% in 2012. The same report states that if one uses the narrow definition, then unemployment increased from 20% in 1994 to 24.5% by 2012.

According to StatsSA's Labour Force Survey for the first quarter of 2014, South Africa had about 35 million people who are of a working age of between 15-64 years. However, in the same period South Africa's labour force consisted of just over 20 million people. The Chief Economist and Strategist at Investec Wealth and Investment, Brian Kantor says the South African labour force is the sum of the employed (15 million) plus the unemployed (5million). So according to these figures a quarter (25,2%) or just over 5 million of the 20 million people in South Africa are unemployed according to the narrow definition. If one uses the broad definition, the unemployment rates are as high as 42% or just over 15 million people. StatsSA regards these unemployed people, according to the broad definition as "not economically active". This figure of 15 million includes discouraged job-seekers of about 2,3 million people and "other non economically active" people of about 12,7 million. The report does however not say what is meant by "other non economically active" people.

So put more simply, for every four adults, only one has a job and generates an income. Of course the situation in reality is never as simple as numbers would want to make us believe. In some families both parents work. In others teenagers have weekend jobs. In other families, such as child headed households, the oldest sibling works. And in some communities income is derived from selling fruit or loses cigarettes on the streets. Most of these income-generating activities are not accounted for in StatsSA's unemployment figures. So whom can we believe?

According to the figures from the World Bank, 42.9% of South Africans can be considered to be poor, with less than $2 (about R22.20 on 2 February 2014 exchange rate) a day to live on.

The overwhelming majority of these are black South Africans, their report states. Though this sounds high, experts at the SAIRR I spoke to say the number of people living in poverty has declined from just over 6,8 million people 1994 to 1,8 million people in 2012.

Experts from for example the SAIRR and even StatsSA say that these declines are mainly due to the growth in the black middle class and the expansion of the welfare system. Statistics produced by government and research institutions have all shown that almost a third of the South African population (16 million people) receive some form of grant or pension from the state. According to economist such as Roodt and Schussler, this trend has turned South Africa into a welfare state, where the fate of the many, is funded by a very small number of the population (about 5%) who actually earn enough to pay taxes. And many feel this scenario is unsustainable and contributes to our high Gini-coefficient. A similar situation can also be seen in countries like Brazil, Roodt explained.

So, if unemployment figures can be viewed as a measurement of how people experience the economy day-to-day, or as an indicator that tells people what their job prospects are, Paul Graham adds that anecdotal evidence collected by Afrobarometer, showcases peoples real experiences with poverty.

"Not only is our data as current as October 2013, but we asked the same questions during surveys in other African countries, which can then be used as a comparison."

The Afrobarometer survey released in October 2013 found that while economies grew in the form of GDP, there was almost no change in poverty levels in Africa over the last decade.

The survey, which involved citizens from 34 countries, found that one in five Africans suffer from something they refer to as "lived poverty". Measured in how frequently people have to go without food, water, medical care and cash rated on a scale of zero to four. With zero meaning no poverty and four meaning that there is no access to any of these services. These researchers found that even though South Africa's poverty levels increased only slightly from 0.71 to 0.81 (about 10% according to their figures) during the period this survey was conducted (between October 2011 and June 2013), they found it noteworthy because South Africa's economic growth was similar to that of other countries where a decrease in poverty was actually found. Between 2002 and 2012, South Africa saw a 3.6% growth rate annually, yet it was listed only sixth on Afrobarometer's Lived Poverty Index (LPI).

Robert Mattes, co-director of Afrobarometer, said that while Africa was the fastest growing region in the world, over the last year no organised effects in terms of overcoming poverty were seen. "This raises questions about how that growth is used," he said.

According to Graham, one of the co-founders of Afrobarometer, it seems that policies on poverty alleviation can only go so far in society.

“It seems they are not changing the lives of the extremely poor. It might make it a bit easier for the few people when they receive a food parcel or two and some basic services, but they

are not enabled to lift themselves and their children out of poverty and contribute to the economy."

He adds that some things in the South African context are tough.

"In some areas it can be very costly to get services. In other parts of Africa the rural areas are not considered poor. They may not have running water or electricity, but they are completely self-sufficient. The problem in South Africa is that we have destroyed our rural economies and forced them to link to the urban economy."

"I do not want to be negative, but in the long run these poverty alleviation policies are not going to work. We cannot just say, "wait, over time things will improve", because the people who are drowning now, might just grab you and pull you down with them. That is the risk we are going through at the moment with the levels of anger, frustration and despair in society - it is these people who turn to demonstrations and burning down councillors homes."

Alexander, a statistical researcher at this institute, says the number of people living in poverty in South Africa, those living on less than $2 a day, decreased by 80% between 1994 with about 6,8 million people to about 1,3 million people in 2012. For her this indicates that to some extent, change is taking place, "but not at the rate that people would like."

If one considers the Gini coefficient for the same period, then those living in income inequality increased with about 10% from a Gini of 59% in 1994 to one of 69% in 2012. These two indicators, those living on less than $2 a day and the Gini coefficient are in conflict with each other. While the one shows that less people are living in extreme poverty now than 20 years ago, the other shows that income inequality has increased with more people on the extreme ends of the scale – either very rich, or very poor.

However, according to the poverty trends report of StatsSA released in April 2014, there has been a 20% reduction in poverty from 2006 to 2011. The report states that in 2006, more than half (57,2%) of the population of South Africa were living in poverty. While there was a marginal decline in 2009 to 56,8%, by 2011 less than half (45,5%) of all South Africans were living below the poverty line. To get to these numbers StatsSA used a poverty line in which people earned R308 per month in March 2006 which increased to R620 per month in March 2011.[4]

[4] StatsSA Poverty Trends Report 2006 to 2011: "In 2012, South Africa published a set of three national poverty lines – the food poverty line (FPL), lower-bound poverty line (LBPL) and upper-bound poverty line (UBPL) – to be used for poverty measurement in the country. The FPL is the level of consumption below which individuals are unable to purchase sufficient food to provide them with an adequate diet. Those below this line are either consuming insufficient calories for their nourishment, or must change their consumption patterns from those preferred by low income households. The LBPL includes non- food items, but requires that individuals sacrifice food in order to obtain these, while individuals at the UBPL can purchase both adequate food and non-food items."

StatsSA stills views this 20% as a “substantial decrease”, even though it is hardly the 80% decrease from 1994 to 2012 that the SAIRR advocates.

When questioned on how the SAIIR data could show that there has been a decrease of 80% in poverty, while other studies showed a lower percentage decrease in extreme poverty, Alexander explained that their research showed that the current wellfare system in South Africa has helped extremely poor people to afford basic things, like food.

Alexander says: "Our data shows that these changes are mostly due to the increase in social grants. I also suspect that we might have used a different amount defining our poverty line than what other researchers do," she told me in one of the institutes boardrooms, lined with bookshelves filled with concertina-files.

“So these people are getting funds from the government to survive, but it seems as if it is not really helping these people to pull themselves out of poverty. So the rich-poor divide keeps growing,” she told me.

Another researcher from this Institute, Lerato Moloi, states that although numbers show that less people are living in poverty, fewer people than before think that the Government is performing well and social protests are on the increase.

“Perhaps this is indicative of the fact that what people really need, and more importantly what they want, is stable employment which will afford them the opportunity to receive an income with which they can do as they please," says adds.

For Lehohla at StatsSA, it does not matter which definition we use for unemployment, the numbers stay the same. "Employment has stayed on this high, flat plateau, of around 24% to 25%,” he explains to me while dragging his hand through the air. "It has not changed no matter what declaration was made to improve it."

For Lehohla this will only change when we can get to the root of the education problem, which he views as stemming from the lack of support black children receive at home.

"We can measure the Gini or unemployment, but until we have honest discussion about the structural constraints (such as skills levels and apartheid spatial planning) in our society, nothing will truly change. If you look at the numbers they tell a difficult story.... The Story of how the architects of Apartheid destroyed the black family unit as the basic unit to foster production."

He suddenly became sad and turned to how most black children have to grow up with one parent and how their parents have to travel far distances to go to work, while their children stay home unsupervised.

"We have to ask ourselves what does the constitution promise children - if we can re-build the support structures in black families, then their intellectual capacity would be improved. The effect of Bantu education has left deep effects on our society...Once you affect people in their brains, you have defeated them. I mean the only thing that distinguished us from animals is our exercise of labour and that is an intellectual process. So, when you hit a person

at intellectual level and you stunt them there, you finish them and they remain at the bottom. And they remain unproductive."

Education (matric/grade12 pass rate)

Economist and experts on the educational sector I spoke to say that it does not help to merely look at the matric pass rate anymore.

“The quality of education is really the thing you need to be concerned about,” Paul Graham from Afrobarometer explained.

“It is amazing. Give a clock to a five year old and they will take it apart and put it back together again, but stick them in school for 12 years and they can’t do anything.”

In 2012 a total of 73.9 percent of matric pupils passed, according to the Basic Education Minister Angie Motshekga. According to her this was an improvement on the 70.2 percent pass rate in 2011.

Then last year, 78.2% of matric pupils passed, the Third National Diagnostic Report into the 2013 matric exams found that many grade 12 students can barely read of write in English, do not understand their examination questions and also ignorant of the key jargon in their subjects.

In this report, Minister Motshekga is quoted as saying: "Though the class of 2013 has recorded the highest pass rate in six years, the quality of passes in key subjects such as mathematics, physical sciences and accounting are still below desirable levels."

Economist Dawie Roodt explains that even though South Africa’s spending on education is mostly on par with, or exceeds that of other countries, the results are not what one would expect.

“It is the single largest expenditure item on the national budget, yet, when compared to other countries, the outcome of our education system is dismal to say the least.”

“It might sound nice, but when pupils need 30% and 40% to pass matric and you see it in this context one can see that it is actually not going as well as government would have us think,” says Roodt.

During the 2012/13 financial year, expenditure on education accounted for 21% of the total budget, a massive R212 billion. However, data collected by the SAIIR shows that education has always taken up a big chunk of public spending. In 1994 education was the second largest public expenditure item with 21.2% (about R31 million) out of the total budget of R148 million. While it is expected by the SAIRR that public expenditure on education will grow to 20.5% (about R258 billion) of the more than R1, 2 trillion budget in the 2015/16 financial year.

Yet in the past few years the education system was rocked with controversies around a lack of textbooks, striking teachers and lost school days.

Roodt explains that while South Africa spend $1685 per child on basic education, neighbouring countries like Botswana and Swaziland spend $1136 and $634 respectively. But Panyaza Lesufi, Spokesperson for Basic Education, warned that this comparison is an unfair one. “An estimated 12.5 million learners are enrolled in South African public schools this year, which is far more learners than that of Botswana and Swaziland. There are 367 000 educators in the school environment and the majority of learners are in the public education space. About 83% of 16-18 year olds are in school, and 99% of 7-15 year olds are in school, while 800 000 children are enrolled in Grade R."

Just over 20% of the white population has a tertiary qualification, making them the best-qualified race group in the country. However according to Roodt, other races are catching up fast. In 2011, 2.9% of blacks, 4% of coloureds and 11.8% of Indians had a tertiary qualification. Showing an increased from 2002 when only 1.7% of blacks, 1.8% of coloureds and 7,7% of Indians had a similar qualification.

Alexander adds that although more children are enrolled in schools today, pupils are not receiving the skills needed for the new economy. “Our economy has changed from one that relied on mining and agriculture, to one that is mainly focused on financial institutions. For the one, workers needed to be strong, but for our current economy, we need workers with skills like mathematics.”

In Minister Motshekga speech in January this year she said the number of passes in Mathematics, that is, 142 666 in 2013, is 20 696 more than the 121 970 of 2012. The pass rate for Mathematics is 59.1% in 2013. This is an improvement from 54% of 2012. The number of passes in Physical Science, that is, 124 206 in 2013, is 14 288 more than the 109 918 of 2012. The pass rate for Physical Science in 2013 is 67.4%. (It was 61.3% in 2012.)

From the above one can see that although South Africa spends a huge share of its resources on education, the results have been disappointing, with just over a half of pupils in grade 12 passing subjects necessary for today’s economy. While high enrolment rates have been achieved, graduation rates are low, and the quality of education in many public schools is questionable. One reason is that the quality of teachers and the teacher–student ratio, is insufficient, especially in rural areas. Some experts also blame strong teaching trade unions who block necessary reforms. Though the department of basic education reports that a significant increase in the pass rate of “matric” exams, some have pointed out that this may have been due to a lowering of standards, and that the number of students choosing sciences as the main subject has decreased. Tertiary education standards in some universities are fairly high but the number of university leavers qualified in technical subject areas is too low for the demand from the economy.

According to Stephen Taylor, Researcher and Policy Advisor to the Department of Basic Education, "we need to avoid simplistic views." These, he says, are explanations that deduce that poor schools perform badly because they are under-resourced, or that resources are not the issue. "We need to be cautious when talking about the casual impact of resources, as some are fuelled by misleading correlations." For example, do schools with swimming pools perform better? The answer is probably yes because these schools are usually better resourced, but does a school need a swimming pool for its students to perform well? The answer here is probably no.

While education spending is now virtually as pro-poor as is feasible, this is limited by teacher salaries, as 78% of the basic education budget goes to compensation of employees. Other important cost drivers are the size of the school, enrolment rates, pupil teacher ratios and teacher salary levels. So how can we achieve better outcomes? Taylor believes we have a few options. "We could pay teachers more, which we have already done in South Africa, or employ more teachers, (but there is the cost-effectiveness issue to consider). Alternatively, we could pay teachers much more to attract skills to teaching or spend resources to improve existing teachers e.g. through workshops and training." But equally important is what Taylor refers to as the theory of change. "While we need textbooks to be delivered on time to schools, the schools and the teachers need to use these textbooks, learners must be able to read and understand the textbooks and the textbooks must be of sufficient quality to enhance teaching."

According to Lesufi, the department has prioritised teacher development, learner achievement through extra classes, teacher learner materials in the form of free textbooks, infrastructure development, with R8 billion set aside to eradicate unsafe school environments, and curriculum support in the form of workbooks.

Nic Spaull, who is currently completing his PhD in Economics at the University of Stellenbosch, agrees. He pointed out the need to acknowledge that not all schools are born equal. "Existing research in South Africa shows exceedingly weak links between increased expenditure and improved outcomes." Spaull stresses the importance of measuring the learning outcomes and not just allocation.

Of the 99% of learners between the ages 7-15 years enrolled in schools, 71% were actually literate and were able to read for meaning compared to Namibia's 80%, Zimbabwe's 75% and Tanzania's 82%. According to Spaull, we need to ask how we can incentivise the best teachers to teach in the poorest schools. "As it is only when schools have both the incentive to respond to an accountability system, as well as the capacity to do so, that these will be an improvement in student outcomes."

Roodt adds that throwing more money at the problem is not the solution.

"Standardised numeracy and literacy tests show that even though education takes up the bulk of public spending, it does not deliver the desired result."

Willemse from the SAIIR believes one needs to focus on specific things to grow the economy.

“Education, and making it easier for people to start small businesses, are at the top of the list. The more pupils do better in Math’s and Science, the more would be able to enter tertiary institutions, the better the skills available for the current financial environment. If people are not educated for the jobs that the economy needs then poverty and inequality will remain the same.”

Lehohla from StatsSA agrees. "As far as enrollment is concerned, things are going well. I mean 97% of children under the age of 14 are enrolled in schools, but the progression beyond primary school and high school is bad."

"And if we do not progressively deal with the support structures at home, then the performance of black children is less likely to improve. And I think this is where the measurements should go. So we need to ask how many children are living with two parents...These are the things we need to measure carefully and social policy must target that. Only then the quality of education will also fall into place."

INTERNATIONAL CASES

I started to wonder, if other countries in the world could transform their economies to benefit its citizens, surely there might be a lesson or two South Africans could learn from them. My mind turned to Germany, which like South Africa, also lived through a broken past and had to re-unite to different sectors of their society and economy.

Finally I found a Germany economist and senior research fellow at the Liberal Institute of the Friedrich Neumann Foundation for Freedom in Germany, Dr. Peter Altmiks who told me that during Germany’s own transformation process in the late 1980’s, the country used measurements such as the Gross domestic product per capita, productivity indexes, labour costs, unemployment- and growth rates to keep track of their project. Similar measurements currently used by South Africa.

Dr. Altmiks, who studied economics in Germany and the North America, says Germany defined their economic transformation, rather as a process of reunification.

“The reunification process was economically a transformation of a nationalised planned economy, into a social market economy. Politically it was a move from a socialist dictatorship into a parliamentary democracy.”

He explains that even today Germany uses the above-mentioned economic measurements to measure their country’s performance.

“Unemployment rates are lower compared with five years after reunification, however the

productivity of East Germany still lags behind, but has improved steadily. Labour cost are also lower in East Germany."

Altmiks explains that in the book written by Karl-Heinz Paqué, named Die Bilanz, meaning the balance sheet, the Paqué states that the results of Germany's reunification should not be sheen as disappointing, but rather that expectations were too high. Saying that the union did not destroy the East German economy, but rather that it destroyed socialism in these parts.

For South Africa, Dr. Altmiks is of the opinion that we can use these same measurements to track economic transformation in our country, but that we would need to give attention to a few three key things before income inequality in the country will start to change.

"Before focusing on the Gini coefficient, South Africa should concentrate on total GDP and GDP per capita, economic growth, productivity unemployment figures, and educational development."

However, Jansen van Rensburg, from AfriSake, says one has to keep in mind that there is a marked difference between South Africa and Germany.

"In Germany a single ethnic/cultural community which had been artificially divided was re-united. In SA we do not only have a racially divided past, but we still live in a diverse country. There are ideological, political, economic and cultural issues at play here that underpin vastly differing business principles and impact on trust levels between communities. I presume that Germany did not have to grapple with similar problems."

Another economist I spoke to also indicated that South Africa has not performed as well as other developing countries such as Brazil and India. Jac Loubser, Sanlam group economist, argued that even though the BRIC (Brazil, Russia, India and China) countries started with a share of a little over 10% in world GDP and less than 4% in world trade in 1990, BRICS (with the recent inclusion of South Africa to the forum) now constitutes about 25% of world GDP and 15% of world trade.

"The increase in GDP implies that the economic size of BRICS in terms of its share in world GDP has expanded by 150% in the past two decades."

According to the World Banks latest figures, Brazil's income inequality has been declining steadily in the last two decades. About 20 years ago, in 1993, Brazil had a Gini coefficient of 60.80%. According to the latest results, based on 2009 figures, Brazil currently has a Gini of 54,69%. This was a decrease of 0.69% from the 2008 Gini of 55.07, according to the World Bank. At the end of 2012 Brazil's population was the 5th largest in the world with more than 198 million people, an increase of more than 1,7 million from the year before, a growth of 0.87% according to the World Bank. Brazil is considered an upper-middle income country with a GDP per capita of USD 11,747.

India currently has the 11th highest income inequality in the world with a Gini of 33.90% in 2010, compared to a Gini of 30.82 in 1994. This BRIC country has the second largest

population in the world with a population of more than 1,2 billion people, which grew with 1.26% from the previous year. According to the World Bank, India is considered a lower-middle income country with a GDP per capita of USD 3,843.

Loubser and Graham highlighted that these developing countries have got similar transformation programmes in place as South Africa, but for some reason, they outperform South Africa on these data sets. It is also difficult to argue that South Africa's increase in population over the past two decades, have hampered the country's transformation, especially if one considers the huge populations of the above-mentioned countries.

From these examples it seems that even in other developing economies there is no, one measurement to track economic transformation. Measurements like the Gini coefficient, GDP per capita and unemployment figures are normally used to track economic transformation.

CONCLUSION

However, what is evident from the debates mentioned around these measurements is that datasets conflicts with one another.

If one for example considers the LSM figures and the Gini coefficient, one sees that even though less people live in extreme poverty today than 20 years ago, there is still a huge divide between the rich and poor in the country. Where those that earn at the top end of the scale, earn about 70 times more than those living at the bottom end of the income scale. And as many experts have pointed out, makes South Africa the most unequal society in the world when it comes to income levels.

Another contradiction is that although South Africa's economy has grown by 33% (from about R135 million in 1994 to about a trillion in 2012) and GDP per capita with 31.3% (from about R27 000 to R37 000) in the past 20 years, this has not really helped to create the amount of jobs the country needs, with about a quarter of the population who are still unemployed. Other experts have stated how this growth in the economy has not trickled down to the poor at grass roots level, with 2.7% of the population (or just over 1,3 million people) still living in extreme poverty.

What is true is that since the fall of Apartheid the new democratic government has adopted a string of policies and legislative frameworks in an attempt to right the wrongs of the past, or make us a more equal society.

These included, amongst others, the adoption of the basic social development policy called the Reconstruction and Development Programme (RDP). Adopting the basic economic macro-economic policy document of 1996, named GEAR (Growth, Employment and Redistribution programme) and legislation around Black Economic Empowerment. Each year the government also allocated more public funds to social upliftment such as social welfare grants. Most recently the government produced the more than 400 pages National Development Plan, which devoid of a budget, many critics have dubbed merely a wish list rather than an actual plan.

The National Planning Commission (NPC), a initiative of government launched in 2010, is "mandated to take a broad, independent and critical view of South Africa, so as to help define the South Africa government seeks to achieve in 20 years time and to map a path to achieve those objectives."

If anyone then could define what economic transformation is and how it should be measured, they surely should.

But the only spin I received from Zamandlovu Ndlovu, spokesperson for the NPC, is that their detailed proposals for transforming the South African economy are captured in chapters 3, 4 and 6 of the National Development Plan (NDP).

"When these chapters are read together, supported by the proposals detailed in the rest of the plan, they provide a comprehensive view of how the South Africa can eliminate poverty and reduce inequality by 2030."

In chapter 3 of the NDP only the following is mentioned about economic transformation:

“Economic transformation is about broadening opportunities for all South Africans, but particularly for the historically disadvantaged. It is about raising employment, reducing poverty and inequality, and raising standards of living and education. It includes broadening ownership and control of capital accumulation. In addition, it is about broadening access to services such banking services, mortgage loans, telecoms and broadband services, and reasonably priced retail services. It is also about equity in life chances and encompasses an ethos of inclusiveness that is presently missing. This includes equity in ownership of assets, income distribution and access to management, professions and skilled jobs.”

So according this section, the approach toward economic transformation has not changed since 1994. It is still seen as a way to “broadening opportunities for all South Africans, but particularly for the historically disadvantaged”. And so it should be.

According to this large document the government hopes to achieve the above through “raising exports, improving skills development, lowering the costs of living for the poor, investing in a competitive infrastructure, reducing the regulatory burden on small businesses, facilitating private investment and improving the performance of the labour market to reduce tension and ease access to young, unskilled work seekers.”

However, no mention is made on how these goals will be measured to ensure their success. One must thus assume because the government still wants to focus on economic growth, on reducing unemployment and raising skills levels that the measures discussed in this paper will be used.

My assumption was confirmed when I saw another one of the handful of mentions of the word economic transformation in the NDP in the section discussing BEE.

It states: “Economic transformation is defined by the Broad- Based Black Economic Empowerment Act (2003 (BBBEE Act) as the empowerment of African, Indian and Coloured people, as well as women, workers, the youth, people with disabilities and people living in rural areas, through:

- Increasing the number of black people that manage, own and control enterprises and productive assets.
- Facilitating ownership and management of enterprises and productive assets by communities, workers, cooperatives and other collective enterprises.
- Human-resource and skills development.
- Achieving equitable representation in all occupational categories and levels in the workforce.
- Preferential procurement. AND
- Investment in enterprises that are owned or managed by black people.”

So even though many have criticised this above mentioned policy direction and experts I spoke to indicated that measuring BEE would not be a sufficient indicator of economic transformation, this is the plan for 2030 for South Africa.

The NDP, which is supposed to be the Government’s overriding policy blueprint for reducing unemployment to 6% by 2030, warns further that high unemployment could be damaging to state coffers. The NDP also has a whole chapter on “social protection”. It points out that social protection is a right in terms of Section 27 of the Constitution. By 2030, the NDP says, everyone must enjoy a decent standard of living. It adds that there must be a defined social floor, or “minimum social protection below which no one should fall”. This includes transfers in cash and kind that provide a minimum income, along with basic services such as water, electricity, sanitation, health care, and education. Figures by the Institute of Race Relations demonstrate that the provision of social protection in South Africa has gone quite far. However, social grants are not a substitute for a wage or salary, says the NDP. Indeed, "employment is the best form of social protection”, it states. The NDP states further that the high poverty and inequality levels in South Africa are “rooted in the labour market”. But it will “take time to address labour market challenges”. So “short-term actions should be steered towards universal and inclusive systems of social protection”.

The NDP states that South Africa will have to commit “significant resources” to social protection. The State will have to generate sufficient income from the active groups of the population to redistribute to those who are less active or inactive. However, benefits should not be so many and generous that they contribute to an unsustainable fiscal position. Failure to create jobs will mean that public expenditure has to rise “dramatically”. Right now South Africa is enjoying a “democratic dividend” in that population ratios are such that there are enough people of working age to support those too old or too young to work. But this “sweet spot” could become a “perfect storm”. Unless urgent measures (mentioned above) are

implemented to increase employment among the youth, they will, in due course, become an older population reliant on social protection to achieve a minimum standard of living. This will happen at the same time as fertility rates drop and the number of children declines, pushing up the dependency ratio.

In this document the NDP Commissioner - agrees that some of the policies government put in place to achieve economic transformation did not reach the goals they initially hoped.

"Over the last 18 years significant progress has been made in meeting the basic needs of our people…However, the redistribution of economic assets, and the growth of job creating industries, have not met the expectations we had in 1994," he states in the preamble.

What has become clear to me is that while measuring the success of the RDP policy seemed quite simple, such as counting how many citizens now have access to piped water, it is measuring the success of all of these policies combined that became like hunting for a needle in a haystack.

And if we have not yet achieved economic transformation as the NDP states and Lehohla believes. Then what should we do to get there? And what measurements should we use?

"We need to look at the post-2015 agenda and transform the economy for jobs, inclusive growth and ownership," Lehohla said.

"Our constitution implies that one should not find one racial group being dominant in the economy; this is not the case in South Africa. Sure, a number of blacks have moved into the middle class, but this has not changed the ownership patterns in terms of transformation."

Lehohla says further: "We're at a difficult space in terms of putting metrics to economic transformation. Only once we have normalised society, then that can be done. But we also have to be careful on the route we decide upon, because there are always unintended consequences. And hopefully, once we have all agreed on the national development plan, it will give our society a vision to work for, no matter who is in charge of government."

Throughout my journey of this complicated subject, it became clear that economic transformation in South Africa has become a battle of perceptions and definitions. With the definition for economic transformation meaning anything from the growth in the middle class to better educational outcomes.

However, all of the experts I spoke to, agreed that our focus needs to shift to how three key areas – economic growth, unemployment and education – and their quality, should be measured to ensure that economic transformation can take place, for all to share, and not just by some.

APPENDIX A:

Section 9 of the Constitution, under the heading "Equality", states that:

9. (1) Everyone is equal before the law and has the right to equal protection and benefit of the law.

(2) Equality includes the full and equal enjoyment of all rights and freedoms. To promote the achievement of equality, legislative and other measures designed to protect or advance persons, or categories of persons, disadvantaged by unfair discrimination may be taken.

(3) The state may not unfairly discriminate directly or indirectly against anyone on one or more grounds, including race, gender, sex, pregnancy, marital status, ethnic or social origin, colour, sexual orientation, age, disability, religion, conscience, belief, culture, language and birth.

(4) No person may unfairly discriminate directly or indirectly against anyone on one or more grounds in terms of subsection (3). National legislation must be enacted to prevent or prohibit unfair discrimination.

(5) Discrimination on one or more of the grounds listed in subsection (3) is unfair unless it is established that the discrimination is fair.

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