



THE SOUTH AFRICAN QUALIFICATIONS AUTHORITY

5th Ben Parker Memorial Lecture

Economy, Society, and Education and Training for a Sustainable Future in South Africa

*Delivered by Pundy Pillay, Professor of Economics and Public Finance,
and Research Director, School of Governance, Wits University*

4 September 2018





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Acronyms

AET	Adult Education and Training
ASGISA	Accelerated and Shared Growth Initiative for South Africa
CET	Community Education and Training
DBE	Department of Basic Education
DHET	Department of Higher Education and Training
ECD	Early Childhood Development
FET	Further Education and Training
GEAR	Growth, Employment and Distribution Strategy
GET	General Education and Training
HET	Higher Education and Training
IDC	Industrial Development Corporation
IDP	Integrated Development Plan
IMF	International Monetary Fund
MEC	Member of the Executive Council
MTSF	Medium Term Strategic Framework
NDP	National Development Plan
NGP	New Growth Path
NQF	National Qualifications Framework
PSET	Post-School Education and Training
SAQA	South African Qualifications Authority
TVET	Technical and Vocational Education and Training
VET	Vocational Education and Training

Foreword

The late Professor Ben Parker was a highly respected and widely published teacher and researcher of philosophy, education development, and ethics. Prior to Ben Parker being the Research Director at SAQA, he worked at the Universities of Rhodes, Witwatersrand, Natal (Pietermaritzburg), Durban Westville, Fort Hare, and KwaZulu-Natal (Durban). At other times in his life he worked for the then Department of Education, a development NGO, a Further Education and Training College, and the Centre for Education Policy Development (CEPD). He was deeply committed to furthering the ends of social justice.

The South African Qualifications Authority (SAQA) instituted the Ben Parker Memorial Lectures to honour this spirit. The purpose of the lectures is to commemorate and build on Ben Parker's activism, his deep and progressive theoretical and practical understandings, and his work on the development of education and training across the range of communities in South Africa.

The 5th Ben Parker Memorial Lecture *Economy, Society, and Education and Training for a Sustainable Future in South Africa* is presented by Pundy Pillay, Professor of Economics and Public Finance at Wits University. We are living in times of low economic growth and high unemployment in South Africa, where our country continues to struggle with poverty and inequality, and where sustainable development is key. In the context of the South African National Qualifications Framework (NQF), the system and communities for education, training, development and work need to focus on the full personal development of each learner as well as the social and economic development of the nation at large. Pundy Pillay's message is an important one for this work.

It is important to reflect on the issues of inequality, poverty, and the creation of jobs, particularly at this time when more people are out of work rather than in formal work – and when youth unemployment is particularly high. We are also in the midst of discussing the 'fourth industrial revolution', and how it could impact on us and the world. Pundy Pillay's message is important to hear, as one of the voices trying to find a way forward out of the situation we find ourselves in – and to show us where we have gone wrong, and what we are getting right.

Mr Joe Samuels
Chief Executive Officer, SAQA

TRIBUTE TO PROFESSOR BEN PARKER

It is a privilege, but a challenging task to pay tribute to Professor Ben Parker. It is a privilege because I got to know him and worked closely with him, especially when he was Director of Research at the South African Qualifications Authority (SAQA) (2006-2008). It is a challenge, because so many tributes have already been paid to Ben and I do not want to repeat that which has been so well recorded, amongst others, in the material published by SAQA especially in the previous Ben Parker Memorial Lectures. I choose to highlight two aspects of Ben's phenomenal contribution to South Africa's education and training system.

Firstly, I highlight his contribution to our National Qualifications Framework (NQF), which culminated in his work as the Director of Research at SAQA. Since its inception, as the founding SAQA chief executive, I articulated the idea that "we will make the NQF Road by walking reflectively, accountably and boldly". I borrowed from the book, "We make the road by walking" by Paolo Freire and Miles Horton, and added the three adverbs to show how we would walk. The success of our NQF depended on its legitimacy and key to this was intellectual scrutiny, the democratic participation of stakeholders, and accountable leadership. It in the area of intellectual scrutiny, Ben added significant value to the work of SAQA through building its research agenda and capacity via its Research Directorate. Ben established research communities of practice for the NQF, and strengthened the research collaboration between SAQA and our universities. His personal standing as an academic, his research outputs and his leadership of our Research Directorate enabled SAQA considerably to strengthen its ability for critical scrutiny of our evolving NQF. Notwithstanding his untimely death, he established firm foundations for SAQA's Research Directorate that his successors and our nation can be proud of, and which could be built upon.

Secondly, Ben and I spoke about the difficult policy discussions around, and the implementation of the decision for, closing the colleges of education and moving their teacher education functions to Education Faculties at universities. I asked him, if in hindsight, he thought that it was the right policy decision. Ben's honesty at reflecting on this matter, in which he had been deeply involved, left an indelible impression on me. He firmly argued that it was the right decision based on international best practice, but what had been underestimated was the commitment to transfer the total funding for Teacher Colleges that was available via the nine Provincial Governments to the Universities. He argued that the underfunding of the Faculties of Education and their increased scope created great difficulties in the planned restructuring of teacher education. His deep insight and willingness to seek the best policy solutions and implementation in an imperfect world, calls us all to continue the struggle for quality education and training for all.

Dr Heidi Bolton, SAQA's current Research Director, writes in her introductory note to the third Ben Parker Memorial Lecture *Whither Progressive Education and Training?* by Professor Crain Soudien, that the purpose of these memorial lectures is to commemorate and build on Ben Parker's activism, his deep theoretical understanding, and his work on the development of education and training across the range of communities in South Africa. I concur with Professor Ken Harley when he writes that Ben's precious legacy should not be lost, for he demonstrated the

power of true scholarship in showing how much we can do for education and democracy, and how we can set about doing it.

Building a culture of quality lifelong learning for all requires that we value and commemorate the contributions of people like Professor Ben Parker, but also requires of all of us to continue the work.

Dr Samuel B.A. Isaacs

**Chief Executive Officer of SAQA from its inception in 1997,
until his retirement in 2012**

ECONOMY, SOCIETY AND EDUCATION AND TRAINING FOR A SUSTAINABLE FUTURE IN SOUTH AFRICA

Pundy Pillay, Wits School of Governance

BACKGROUND

It is well known that education and training in every sense are amongst the fundamental factors of development. No country can achieve sustainable development without substantial investment in education and training. However, the converse is not always true – not every country that has invested in education and training has achieved sustained patterns of development, with South Africa a prominent example in this category. This paper focuses somewhat disproportionately on this second aspect of the relationship between education and training on the one hand, and development on the other. It argues essentially that we need to focus much more seriously on generating high and inclusive rates of economic growth to reduce inequality and poverty to ensure more equitable outcomes in education and training.

The impact of education and training has not been the same in every country. There are at least two reasons why education and training so often have fallen short of what was hoped. First, it is likely that education and training quality have been so low that ‘years of schooling’ or training have created little ‘human capital’. Schooling has in some countries been very effective in transmitting knowledge and skills while in other countries it has been essentially worthless and created no skills. Again, this is true to a large extent in South Africa where the emphasis has been placed disproportionately on the quantitative dimensions of education and training such as enrolments and pass rates to the exclusion of ‘quality’ and ‘outcomes’ (e.g. knowledge, skills).

Second, the returns to investment in education and training by individuals could have fallen rapidly as supply expanded while the demand for educated labour was stagnant. The rate of growth of demand for educated labour has varied widely across countries mainly because of structural changes in the economy (for example, in moving from an agriculture/mining based economy to a manufacturing/services-based one) or the absence of such changes (e.g. countries that remain primarily commodity-based but increase the output of educated labour for which there is little or no demand). The latter point is true of many African and South Asian countries where there is the growing policy challenge of ‘educated unemployment and under-employment’. In other words, the economy and labour market have not made the necessary adjustments for absorbing educated and skilled labour.

None of these arguments suggest however, that governments should invest less in basic schooling, for many reasons. First, most, if not all, societies believe that at

least 'basic' education is a 'merit' (good) so that its provision is not, and need not be, justified on economic grounds at all. To deny a child an education because the expected economic growth impact is small would quite plainly be wrong. Second, schooling has a large number of direct beneficial effects beyond raising economic output, such as lower child mortality and personal development. Third, the evidence is clear that initial education (especially if done well) does raise cognitive skills. The implication of a poor payoff from increasing cognitive skills in a poor policy environment is not 'don't educate' but rather reform the education/training and economic systems so that investments (past and present) in cognitive skills pay off.

Education under *apartheid*, as we all know, was characterised *inter alia*, by racial, class and regional inequalities. Substantially more funding for instance, was provided to education for Whites resulting in better schools and other education and training institutions and more highly qualified and trained teachers for this group. Education and training for the black African population, on the other hand, was characterised by limited financial and human resources and poor quality of tuition and outputs.

Post-*apartheid*, serious inequalities persist along racial, class and geographical lines. The quality of schooling and post-schooling is substantially differentiated between urban and rural areas, between poor and rich, and within the majority African population.

Affluent areas within the country are characterised by good schools, with effective school governing bodies, while the urban 'townships' and rural areas have poor schools often with ineffective or non-existent governing bodies. Moreover, the public funding system has not adequately addressed the racial and geographical inequalities in funding in the Basic Education sector. In the National Qualifications Framework (NQF) context, in Adult Education and Training (AET), Vocational Education and Training (VET), Higher Education, and professional development under recognised professional bodies, there have been developments in the directions desired, although these trends need to be strengthened further.

Moreover, the persistence of high income and wealth inequality, which is clearly inhibiting economic growth and poverty reduction, cannot be meaningfully dissociated from the limited and unequal access to human capital; they are inextricably linked. Therefore, efforts to foster education and training accumulation, and particularly education and training equality, should pay off handsomely in a context of broader social equality. However, this process is occurring painfully slowly resulting in the continued loss of generations of young people leaving either the schooling system with inadequate knowledge and skills or the post-schooling system with qualifications that often do not adequately equip them for the labour market.

Improving the quality of macroeconomic management can only take South Africa so far. Raising the overall quantity of education and training means little if quality improvements do not go hand in hand. By all accounts the quality of education and

general skills development is low. This common observation is confirmed by empirical evidence from national tests in the Basic Education sector (e.g. the Annual National Assessments – ANAs – of the Department of Basic Education) and international comparisons of student learning (such as SACMEQ, TIMSS, PIRLS¹).

In the most recent Trends in International Mathematics and Science Study (2015), the five poorest performers were Jordan, Saudi Arabia, Morocco, **South Africa** and Kuwait. The five best performers were all in East Asia – Singapore; Hong Kong, South Korea, Taiwan and Japan.

These poor education outcomes have little to do with low public expenditures *per se*. Basic Education for instance, is at the very minimum a R500 billion industry in South Africa inclusive of the private sector. The efficiency of that expenditure, however, leaves a lot to be desired. There are also some serious questions relating to the equity of education expenditure, particularly the distribution of financial resources between urban and rural areas, and between schools and post-secondary institutions catering to the poor and those for the rich. These patterns impact on Post-School Education and Training.

As a consequence of these persistent inequalities, South Africa exhibits a poorly distributed and low quality human capital. While providing quality and extensive education and training to all socio-economic groups in society is a matter of social justice, the issue of education and training distribution is also one of crucial economic implications. While gains have been made in increasing average education and training levels, they have not been accompanied by a fully just distribution of education and training. South Africa's poor education and training distribution is not only attributable to the lack of initial access to schools and post-school institutions, but also to high and more rapid drop-out rates among the poor. The result is that education and training remain highly stratified (even within relatively wealthy cities such as Cape Town and Johannesburg) and are not a mechanism of social mobility. Rather, they act to perpetuate current socioeconomic structures and reinforce inequality.

My intention here is not to focus on the education and training system *per se* but rather to ask what I think are the important policy questions as they relate to inequality, poverty, economic growth and development in general. There is evidence that education and training in South Africa, given the disparities in outputs and outcomes described earlier, is actually reinforcing patterns of income and wealth inequality.

The Twenty-Year Review of democracy undertaken by the Presidency in 2014 pointed to some remarkable achievements on the part of government particularly in the provision of electricity, water, sanitation and housing. In the education/training

¹ SACMEQ – Southern and Eastern Africa Consortium for Monitoring Educational Quality; TIMSS – Trends in Mathematics and Science Study; PIRLS – Progress in International Reading and Literacy Study.

and health sectors, impressive progress was made in terms of access by the poor accompanied by significant increases in the provision of financial resources. Finally, we saw the development and implementation of a universal social grants scheme for the elderly, the sick and disabled, and vulnerable children.

However, a notable omission in the list of developmental successes relates to the economy. For the democratic period as a whole, economic growth has been singularly anaemic, unemployment has been rising consistently, and income inequality has worsened. There has been some poverty alleviation certainly on the most conservative measures of \$1 and/or \$2 a day.

This lack of real progress in terms of economic development has occurred in spite of a plethora of policy documents including 'GEAR' (Growth, Employment and Redistribution strategy), 'ASGISA' (Accelerated and Shared Growth Initiative for South Africa) and the 'New Growth Path'. All these documents promised an 'Economic Nirvana' characterised by steady and inclusive growth, employment creation, falling unemployment, and declining inequality and poverty.

Finally in 2011 we reached what many considered as the ultimate success of South African policy development with the arrival of the *National Development Plan: Vision for 2030* formulated under the auspices of the Presidency. The NDP was greeted with great enthusiasm in various quarters not least in the three spheres of government and most interestingly, it was universally welcomed by the private business sector (both old SA capital, and newly-empowered capital). A cynic might argue that the private sector's enthusiasm for the NDP was motivated by the total absence of any real intention in the NDP substantially to transform the South African economy particularly in terms of ownership, redistribution of income and wealth, and employment and decent work. In this regard, the NDP has not been terribly helpful.

To be fair, the NDP did introduce a new and important component to the South African planning process – namely, a long term vision that is particularly important for a government to plan, for instance, large infrastructure projects. In addition, the NDP complements very nicely the medium term planning instruments (namely, the Medium Term Strategic Frameworks – MTSF – of the national departments and the provincial governments), and the Integrated Development Plan (IDP) of local government, and the three-year budgeting process (Medium Term Expenditure Framework). Moreover, the establishment of Departments of Performance Monitoring and Evaluation in the Presidency and Offices of the Premier must surely be welcomed as it provides, for the first time, a mechanism to link inputs (e.g. expenditure) with outputs and outcomes.

However, it is the content and projections of the NDP that are hugely problematic especially with regard to economic policy and its related, projected outcomes. Let us examine a set of economic indicators in turn.

On economic growth, the NDP projects an average economic growth rate of 5.4 percent per annum to 2030. While this may seem exceptionally ambitious in the current scenario of 'no growth', achieving an average growth rate of 5.4% over a twenty-year period will still not deliver real economic development in terms of, for example, low unemployment and poverty eradication (not 'alleviation'). Even a cursory glance at the history of economic development internationally since the 1980s will show that if you want to transform economies from a state of

underdevelopment in a relatively short period of time, policy needs to aim for, at the very minimum, 8-10 percent annual growth over a period of two decades, and avoid the scourge of 'jobless growth'. The fact that the NDP settled on a significantly lower economic growth rate is indicative of the singular lack of ambition in that document, for real economic transformation in this country coupled with a lack of imagination about how such transformation might be effected in the next two decades.

This pattern of economic conservatism is evident elsewhere as well. On income inequality, the NDP projects the Gini Coefficient² falling from 0.7 in 2009 to 0.6 in 2030, a decline of 0.1 in the index or 14% over two decades! A similar situation prevails with respect to poverty. By 2030, the NDP projects that no household will be living below the (extremely conservative) poverty line of R2090 per month³ (2009 prices), true of 39 percent of South African households in 2009. It is much easier to speak of 'poverty eradication' on the basis of a conservative poverty line such as this one than to design a national poverty line that takes into account the real needs of poor people.

Turning to the present time where growth is at an all-time low and unemployment at an all-time high, the NDP might actually appear to be a rather radical document! However, the real causes of the economic crisis in South Africa at the present time are somewhat obscured by the political crisis of recent months. This political crisis has provided an opportunity, *inter alia*, for mainstream economists to reinforce the need for 'fiscal discipline'. Fiscal discipline, exemplified, *inter alia*, in maintaining 'respectable' budget deficits, and keeping inflation within the target range of 3-6%, is seen by both the private business sector and the National Treasury as the key (if not the only) factor in delivering growth and development. Economic policy is essentially reduced to the maintenance of macroeconomic stability.

Fiscal discipline (and political stability) is clearly an important pre-condition for economic growth. However, there is more to life than macroeconomics. In the language of orthodox economics, fiscal discipline is a necessary, but not a sufficient condition, for growth of the magnitude and kind that is needed in the country.

It has been evident for some time now that the South African private business sector, in collusion with international actors such as the International Monetary Fund and the World Bank, and the Credit Ratings Agencies, is 'leading' on economic policy with the government 'following'. It is clearly time for government to reverse this trend and to take charge of economic policy, including macroeconomic policy, so that the country's real development needs can be addressed.

Achieving growth rates of 2-3% per annum may be adequate for the private business sector and the top 10% of South African society, but it will not address the important challenges of unemployment, inequality and poverty. In fact, growth of such modest proportions will serve to accentuate inequalities in the country with the rich yet again apportioning to themselves a hugely disproportionate share of the fruits of economic growth. If real economic transformation is to serve the needs of the bottom 60% of

² The Gini Coefficient is the most commonly used indicator of 'inequality' varying between 0 and 1; a coefficient closer to 0 indicates greater equality; one closer to 1 indicates higher inequality. South Africa's GC for income is around 0.65, one of the highest in the world.

³ The NDP refers to R418 per person per month in 2009 prices. For a five-person household this translates to R2090 in 2009 and probably around R3000 in 2018 terms.

the population, it requires a rigorous analysis of why economic and social policy has not delivered “growth and development”.

WHAT SHOULD BE DONE?

What then should be done to build a more equitable and inclusive society? Here are some preliminary thoughts on these important issues.

1. Government must take charge of economic policy

It is important to reiterate and reinforce the point that government must take charge of economic policy rather than being subservient to the private business sector, the credit ratings and multilateral agencies. It is well-known that the economic and social policies foisted on African countries by the World Bank and the IMF since the 1970s have been responsible to a significant degree, for the fact that Africa remains the most under-developed continent. Moreover, there is strong evidence that the credit-agencies serve only their own interests and that of private capital⁴.

2. Expanding industrial policy

Industrial development is a key driver of economic development, because it is considered as the solution to overcome commodity dependence. By investing in higher value-added manufacturing, and restructuring and diversifying production in favour of dynamic activities, new and better paid jobs are created for semi-skilled workers. However, it has been debated whether this process should be driven mainly by the private sector or by a strong ‘developmental state’. Here South Africa has to find the right balance between the power of market forces and private initiative on the one hand, and the obligation of governments to provide for an enabling framework and to intervene in favour of the public interest on the other.

In spite of being a late starter on industrial policy, considerable progress has already been made in this regard. However, much more can be done with increased funding for much needed growth in and greater diversification of manufacturing.

3. Developing small business

A particular weakness of the economy, aggravated by racist and sexist policies, is the inability to maintain a dynamic small-scale and micro enterprise sector. Smaller firms, especially if owned by black people, can develop productive linkages with the large-scale sector. However, at the present time, most people in the informal sector lack productive and managerial skills plus access to business sites, capital and markets. They face an array of repressive regulations originally designed to undermine black business and farming.

While almost everyone agrees that small business has to be a critical component of any development strategy, the sector has been characterised by a singular lack of

⁴ See Council on Foreign Relations (2015) *The Credit Rating Controversy*, February, Washington DC; and John Ryan (2012), *The Negative Impact of Credit Ratings Agencies and Proposals for Better Regulation*, German Institute for International and Security Affairs, Berlin.

success in terms of either sustainability or employment. We need to move away from the notion that the most important challenge with respect to small business is government funding and rather ask why so many small businesses are failing in spite of substantial funding by the Industrial Development Corporation (IDC) and other government agencies. A much more important issue here is the exploitation of the small business sector by big business. One needs only to examine the history of the large supermarkets and their ruthless exploitation of small suppliers, as recent investigations have demonstrated, to get a sense of the highly unequal and exploitative relationship that currently exists in virtually all sectors of the economy. And let's not shy away from the pertinent racial issues: large business is white-dominated and the struggling small-business sector is largely black. A relevant question then is this: what is government doing to ensure that small business can survive in the monopolistic environment which characterises contemporary South African capitalism?

4. Breaking up monopolies and cartels

The South African economy is also characterised by the excessive concentration of economic power in the hands of a tiny minority of the population. Through the pyramid system and the resultant control over a vast network of subsidiary companies, a small number of very large conglomerates now dominate the production, distribution and financial sectors. In addition, there is a high degree of monopolisation and blatant anti-competitive tendencies such as predatory pricing and interlocking directorships in certain industries. With regard to land, white ownership and often corporate ownership are overwhelming. Not only does this create racial and social tensions, but it is to be seriously doubted that such high levels of concentration can be economically beneficial.

One of the most progressive features of South African economic policy post-1994 has been the development of the competition architecture, comprising in particular, legislation that established the Competition Commission and the Competition Tribunal. Sterling work has been done by these institutions to expose collusion particularly with respect to price setting and carving up their respective sectors so that all of the (few) businesses extract maximum profits. However, the Commission and Tribunal are seriously underfunded. Much more funding is needed to provide these institutions with the resources to embark on a greater national effort including investigation of many other economic sub-sectors not yet within their reach.

5. Ensuring real black economic empowerment

It goes without saying that 'black economic empowerment' needs to progress beyond the elite few who are closely linked to the ruling party. One can start with an evaluation of the tourism sector, for example, to get a sense of continued white domination. However, this sector can provide opportunities for government to think creatively about more equitable modes of black economic empowerment while at the same time developing new patterns of ownership that are more innovative and beneficial to all parties. Even a cursory analysis of tourism-intensive provinces such as Mpumalanga and the Western Cape will reveal the extent of white domination in both the big and small business sectors. In a labour intensive sector such as tourism, there are myriad opportunities for innovative models such as shared ownership.

Real black economic empowerment is clearly also linked to the question of land reform as the current debate in the country demonstrates. We clearly need to break up monopolistic ownership, but also to ensure it is used productively. We have had previous attempts (e.g. by President Mbeki) to develop a class of black capitalist farmers – but with what success? Most communities who do win their land back, sell it. It is evident that if we do not deal with poverty and the skills deficit first, land on its own is merely collateral, to be sold back to corporates. While there is a stalemate in the willing buyer/willing seller situation, the ‘give us the land’ question on its own remains symbolic, but no less important for that.

6. Building the developmental state

Given the current political climate, there is a great deal of scepticism about the potential of the developmental state, particularly in the light of the pervasive governance and fiscal crises afflicting important parastatals such as Eskom, SAA, Transnet, Denel, and the SABC to mention a few.

However, there is no alternative to the developmental state. We cannot leave economic development to the South African private business sector whose immense wealth has been built on the misplaced notion of the ‘free market’ and exploitation of cheap labour. This is the only model that South African capitalism knows.

For the developmental state to be effective, it has to be competent, or to use the language of the NDP, it has to be ‘capable’.

There is much to be learnt from the international experience of the developmental state. It is imperative that South Africa absorbs these lessons. There are at least three categories of the developmental state from which important lessons can be derived. First, there is the ‘high-growth’ (without democracy or trade unions, in many instances) of East Asia, with China being the most prominent recent example in this category. Second, there is the Scandinavian model of the developmental state (inclusive of democracy and trade unions). Finally, and most recently, there is the Latin American experience of the developmental state, exemplified in countries such as Uruguay, Costa Rica, and Brazil – characterised by clearly defined roles for government, public corporations and the private business sector.

Building the developmental state does not imply a return to ‘yesterday’s socialism’ of total state control of the means of production. Rather, we should focus on an appropriate mix of roles, with the state as the ‘driver of development’ coupled with truly competitive markets producing goods and services.

7. Getting Basic Education and Health right: revisiting decentralization

As stated earlier, there is a widespread view in South Africa that the main challenge to getting onto an inclusive developmental path is a lack of good quality Basic Education and to a lesser extent, good health. If everybody received good quality Basic Education, it is widely argued, then the challenges of unemployment, inequality and poverty would soon disappear.

There is no doubt that Basic Education and health are crucial for development. Again, as stated earlier, South Africa spends a large proportion of public resources on these two sectors, but the returns in terms of outputs (e.g. pass rates in Basic Education) and outcomes (e.g. knowledge, skills) are appallingly low. However, it

should not be a question of “get education and health right first” and the rest will follow. This is the convenient ideology of the wealthy in South Africa. Social and economic policy need to work in tandem if we are to embark on an equitable development path that can ensure that we do not sacrifice more ‘lost generations’.

A related challenge in the Basic Education and health sectors relates to the well-known divergence between policy development and policy implementation. In this context, we have to ask some important but awkward questions regarding the prevailing structure of political decentralization.

The example of Basic Education is used here to demonstrate how provincial governments constitute a serious hindrance to effective policy implementation thus hampering effective outcomes in this sector.

According to the South African Constitution, ‘Basic Education’ or ‘Schooling’ is a ‘concurrent’ function shared between national and provincial government. How is concurrency defined in the Basic Education sector? Essentially, national government formulates policy and provinces implement policy. For the first two decades of democracy, national government **formulated education and training policy** in all of the following areas: early childhood education, primary and secondary education, Adult Education and Training (AET), General and Further Education and Training (GET and FET), Vocational Education and Training (VET), and Higher Education. Basic Education was **implemented** by the provincial governments.

From an efficiency perspective, the idea of concurrency made a lot of sense for the simple reason that national government located in Pretoria cannot implement Basic Education policy across the country without some form of decentralization in place. In the case of Basic Education (and health), the form of decentralization adopted in South Africa has brought with it a set of challenges that has undoubtedly affected issues of access, equity, and quality.

It is argued here that the constitutional autonomy of the provincial governments who are charged with implementing Basic Education policy may be a serious impediment to ensuring effective outcomes in Basic Education. There are at least two important issues here. The first relates to the budgeting process. In terms of the Constitution, each province is entitled to an ‘equitable share of nationally collected revenue’. The formula to distribute these financial resources is unashamedly redistributive and is based, *inter alia*, on criteria such as population and poverty. Provinces such as the Eastern Cape, KwaZulu-Natal and Limpopo benefit because they are relatively poor with populations that are relatively young. On the other hand, the richer provinces, such as Gauteng and Western Cape ‘lose’ in the formula.

The equitable share comes to the province as a block or unconditional grant (in terms of the Division of Revenue Act) which is promulgated when the Minister of Finance presents the budget. This equitable share thus confirms a province’s ‘autonomy’ in terms of the Constitution. This means that the province is free to allocate this block grant as it sees fit, in terms of the policies and priorities of the

provincial government. While cognisance is taken of national Basic Education policies in the provincial education budget, the provincial budgeting process is not linked to the Ministry of Basic Education in any way. The MEC for Education in the province is accountable to the Premier of the province and takes part in a budgeting process that is convened by the provincial MEC for Finance and the provincial Treasury.

There are several institutional mechanisms in place to ensure effective coordination between policy makers (national government) and policy implementers (provinces), for example, the Committee comprising the Minister of Basic Education and MECs for Education (Education MinMEC). However, the effectiveness of such institutions in ensuring that all national Basic Education policies are implemented is questionable.

In fact there is considerable evidence to the contrary. The Eastern Cape, for example, has consistently run into serious problems with its Education Budget, specifically its inability to pay all its teachers, clearly a situation arising from the merger of two large Bantustan bureaucracies, Ciskei and the Transkei with 'white' South Africa in 1994. The Eastern Cape Education Department has often responded to the teacher salary crisis by diverting financial resources from other sub-sectors of Basic Education such as ECD and FET. What this effectively means is that national policy in key areas such as ECD and FET did not get implemented.

The national government (specifically the Ministry of Basic Education in this case) has responded in two ways. First, it provides 'conditional' grants, in sub-sectors such as ECD, to ensure that national minimum standards are implemented in this sub-sector. In a sense, the national government provides a conditional grant to 'reward failure' on the part of the provincial government to implement ECD policy as part of its provincial education mandate. Moreover, until recently, there was little monitoring on the part of the national department to ensure that conditional grants are actually used for the purpose for which they were designed.

Second, given the consistent neglect of sectors such as Adult Education and Training (AET) and FET (now known as VET) by provincial governments, the national government decided that the solution would be to 'take back' these functions to the national level, which it has done by locating both AET and VET in the Department of Higher Education and Training. However, it is a moot point whether efficiency and effectiveness in these sectors have been enhanced by their 'nationalisation'.

In summary, the structure of the three-level intergovernmental system, in particular the resource allocation process and associated provincial autonomy, does throw up some important challenges for ensuring that national Basic Education (and health) policies in fact do get effectively implemented in the provinces.

Given the policy implementation challenges described, it may well be an opportune moment to revisit the role of provincial governments. The writers of the Constitution

seriously underestimated the human resource needs of a three-layered, significantly autonomous structure, and the local government sphere is paying the price in terms of inadequate resources. There is plenty of evidence to demonstrate that regional administrations acting on behalf of national government can derive greater efficiency in the utilisation of both human and financial resources. Regional administrations could, for example, comprise provincial executive councils appointed by national government to manage policy implementation in a province.

Most importantly, we need to rid ourselves of the wasteful provincial legislatures for at least two reasons. First they consume large amounts of financial resources that could be usefully deployed elsewhere, e.g. under-resourced municipalities. Second, significant numbers of highly-paid provincial bureaucrats are used to support politicians in the provincial government and legislature when they could be attending to the implementation of policy for example, in schools and hospitals.

CLOSING COMMENTS

In summary, education and training in and of itself cannot deliver development. Economic policy in South Africa needs to focus on generating higher and more inclusive economic growth rates, at the same time as improving access and quality issues in education/training and health.

There is considerable international evidence to show that inequality of income and wealth impedes the prospects for high and sustained rates of economic growth. This fact has been acknowledged somewhat belatedly by the IMF and the World Bank. However, some parts of the South African government, and the business sector, appear impervious to this emerging knowledge. Moreover, if policy efforts are to succeed in producing more equitable patterns of income distribution, it is evident that wealth redistribution cannot be ignored.

We cannot rely on the so-called 'free market' to deliver equity and development. In the words of the Cambridge economist, Ha-Joon Chang: "If we remain blinded by the free market ideology that tells us only winner-picking by the private sector can succeed, we will end up ignoring a huge range of possibilities for economic development through public leadership or public-private joint efforts"⁵.

There is often great scepticism about whether the state can deliver development, some of it justified. According to Acemoglu and Robinson, whether the state is an empowering and enabling partner depends on whether its economic and political institutions are inclusive or extractive⁶. There are too many examples of the latter on the African continent. If the state is inclusive, then in the view of Acemoglu and

⁵ Ha-Joon Chang (2010) *23 Things They Don't Tell You About Capitalism*, London: Allen Lane.

⁶ Acemoglu, D. and J Robinson (2013) *Why Nations Fail: The Origins of Power, Prosperity and Poverty*, London: Profile Books.

Robinson, many citizens are given a say in decision-making, unlike extractive states that privilege the few and allow them to exploit and rule over others. According to these authors, “(T)he threat of the authoritarian state is very real, but so are the dangers of market fundamentalism”.

Finally, implementing new ideas is not easy as was already acknowledged by the great British economist John Maynard Keynes in the 1930s who had the following to say in this regard: “It is no easy task to look at new models for the economy in [the] face of dominant paradigms”. As he developed his ground-breaking theory of growth and employment in the 1930s, he admitted “a struggle of escape from habitual modes of thought and expression The difficulty lies not in new ideas but in the old ones which ramify, for those of us brought up as most of us have been, into every corner of our minds”⁷. In the realm of economic policy in South Africa, we certainly have difficulty in ridding ourselves of ‘ramified’ and ‘ossified’ ideas!

South Africa has been praised for its Constitution, considered by many to be the most progressive in the world. As a country, we negotiated a peaceful settlement after decades of racial strife. A relevant question at this point in our history is this: why are we unable and/or unwilling to put in place economic and social policies that promote more equitable patterns of development?

⁷ Keynes, J.M. (1936) *The General Theory of Employment, Interest and Money*, London: Macmillan.

Author Information

Samuel Isaacs

Samuel Benjamin Arend Isaacs was the Chief Executive Officer of SAQA from its inception in 1997 until he retired in 2012. He is a graduate of the University of Cape Town (UCT), where he obtained the following qualifications: B.Sc, Diploma for Educators of Adults, and Higher Diploma in Education (Technical). He received an Honorary Doctorate from the University of the Western Cape (UWC) for his leadership in the education and training system in the context of the NQF in South Africa. He has wide experience in the Electrical Construction and Engineering Industry, and for 12 years was the Managing Director for SMI Electrical (Pty) Limited. During this time he served the Electrical Construction industry as the Chairperson of the Electrical Development and Training Fund, and the National Training Advisory Committee. As an educator he taught at the Proteaville and Athlone Technical Colleges, and for over eight years was the Director of the Centre for Continuing Education at Peninsula Technikon (now part of the Cape Peninsula University of Technology [CPUT]). He was ordained as a Priest in the Church of the Province of South Africa (Anglican Church) in 1984, and has served the Church as a non-stipendiary (worker) since that time. His work in setting up the NQF in South Africa included (1) being a member of the task team that prepared the report for the Centre for Education Policy Development (CEPD) document *Implementation Plan for Education and Training*; (2) participating in workshops that led to the Human Sciences Research Council (HSRC) publication *Ways of Seeing the NQF*; (3) convening the Ministerial Committee for Development of Work on the NQF, which presented its report to the Minister of Education in December 1995, and (4) being appointed in 1996 to serve as Chairperson of SAQA for three years. He relinquished this position when he accepted the appointment to become SAQA's first Chief Executive Officer – a position he held until his retirement.

Pundy Pillay

Pundy Pillay is Professor of Economics and Public Finance, and Research Director of the School of Governance at Wits University. He has also been Visiting Professor at the Berlin School of Economics and the Universities of Johannesburg, Oslo, and the Western Cape. His academic qualifications are: PhD (Economics, Cape Town); M.A. (Economics, Cape Town); B.A Hons (Wits); B.A. (South Africa); B.Sc (Durban-Westville). Previous positions include: Senior Economist, RTI International; Head of the Policy Unit, Office of the President, South Africa; Director, Financial and Fiscal Commission, South Africa, and Senior Lecturer, Economics, University of Cape Town.

Other than South Africa, he has worked in Bangladesh, Egypt, Kenya, Iran, Lesotho, Namibia, Nigeria, Pakistan, Rwanda, Uganda and Zambia, and other countries in the Southern Africa Development Community (SADC). His research interests are in Public Finance, the Economics of Education, Inequality and Poverty, and Economics and Public policy. He is currently Lead Researcher in the Work Stream on *Trade, Development and Social Justice* in the Horizon 2020 GLOBUS research project on *Reconsidering European Contributions to Global Justice*, the partners in which are the Universities of Oslo; Bologna; Dublin; Tubingen – Germany; State University of

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Joe Samuels

Joe Samuels has been the Chief Executive Officer of SAQA since 2012. He holds a B.Sc (Hons) and an M.Phil degree from the University of the Western Cape (UWC) in South Africa. He is a specialist in Educational Policy and Education Change, Qualifications Frameworks, Standards Setting, Quality Assurance and Adult and Community Education. He has worked in a medical laboratory, as a teacher, and Physiology lecturer at UWC, and for 10 years before joining SAQA, as the Coordinator of Continuing Education Programmes at the Centre for Adult and Continuing Education (CACE) at UWC. He was the Director for Standards Setting and Development at SAQA before being promoted to the position of Deputy Executive Officer, a position he held for seven years before being promoted to the CEO position. He has been working at SAQA for the past 21 years.

Mr Samuels has organised and participated in many national and international seminars and conferences where he has delivered various papers *inter alia* on National Qualifications Frameworks (NQF), the generation of qualifications and standards, quality assurance in education and training, the integration of education and training, human rights and the NQF, and NQFs in the Southern Africa Development Community (SADC) region, on the African continent, and globally. Recently he served as the chairperson of the United Nations Educational, Scientific, and Cultural Organisation (UNESCO) Drafting Team for the Addis Convention, a document on the recognition of foreign qualifications that allows for the movement of learners, academics and workers across borders, that was adopted by 54 African States in December 2014. He served as an Expert on the UNESCO Panel of Experts for development of the Global Convention for the Recognition of Qualifications in Higher Education and for Level Descriptors. He serves on the councils of the Council on Higher Education (CHE), the Quality Council for Trades and Occupations (QCTO), Umalusi: Council for Quality Assurance in General and Further Education and Training, the National Skills Authority (NSA), and the board of SAQA. He serves on various committees and task teams including those for the Recognition of Prior Learning (RPL), Worker Education, and others. He is the Deputy Chairperson of the UWC Alumni Association in the Gauteng province.



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