The structural barriers to well-being and social mobility

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'We will use competition policy,' remarked President Cyril Ramaphosa in his maiden State of the Nation Address on 16 February 2018, 'to open markets up to new black entrants, and invest in the development of businesses in the townships and rural areas.'[1] He was referring to businesses such as the one owned by Wandile Zondo and Galebowe Mahlatsi, who not only provided a source of employment for many local township residents but through local sourcing also created indirect employment.

The president made specific mention of the fact that, without regulatory support, voluntary market mechanisms would be insufficient in ensuring greater equality of business opportunities. It was a recognition that the structural features of South African life still make equality of opportunities elusive. Despite being a different country from what it was at the advent of democracy in 1994, South Africa still retains key features of its divisive past, and these continue to act as binding constraints to well-being and upward social mobility.

Why inequality persists

The idea of well-being is neither unique nor novel. Variously described in its different incarnations over the past few decades as 'happiness economics', 'wellness' and latterly 'well-being', the concept is a riposte against narrow characterisations by Western societies over the past half-century of economic growth as the route to development. As an end in itself, these conventional notions of growth have been contested as arbitrary and decentred from what should be the pursuit of development as a process towards an improved state of existence for humanity and the ecosystem.

The concept of well-being, with its multidimensional character, is far better suited to describe this improved state. Its resurgence in recent times as a priority is largely due to the limitations of a narrow focus on growth and its consequences – rising inequality and poverty.

This is no more apparent in South Africa than from a social and economic malaise of joblessness and deep and persistent divisions: of gated communities hidden behind heavily fortified walls and electric fences alongside informal settlements without running water or electricity. French economist Thomas Piketty, delivering the Thirteenth Nelson Mandela Annual Lecture, remarked that unemployment was a weak explanatory rationale for why inequality in South Africa was so stark:

Certainly, high unemployment is a big, big problem to solve and to address in South Africa, but I don't think this can explain this extremely and unusually high level of inequality. I think unemployment is more a symptom of inequality, unequal skills, unequal distribution across the territories, where people cannot move to where the jobs are and have no access to the right skills.[2]

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The factors Piketty highlights – unequal skills, unequal distribution across territories, labour mobility and lack of skills – are all well known. It is their interaction with global dynamics such as low commodity prices, decentralised global value chains and the disruptive influence of technology that is of interest. The result is a growing reliance on low-wage employment and welfare transfers (grants and other forms of social assistance), and life chances and choices increasingly conditioned by precarity, social exclusion and limited access to the labour market.

Jargon buster: *'Precarity' means having unpredictable employment or income.*

This discussion is primarily about the problems. In addition to those we've already mentioned, we take a look at the social structure that not only reproduces inequality but also circumscribes (by accident of birth, in many instances) the social capital and character of the ecosystem (and inherent stakeholder relationships) that frame well-being and opportunities for social mobility. We then look at the market structure which, we argue, influences how material well-being is understood and how it is achieved (or not achieved). Lastly, we consider the spatial structure, informed largely by past racial policies of colonialism and apartheid, that has contributed to fragmented connectivity (transport, information and communication technology) and uneven investment between rural and urban nodes.

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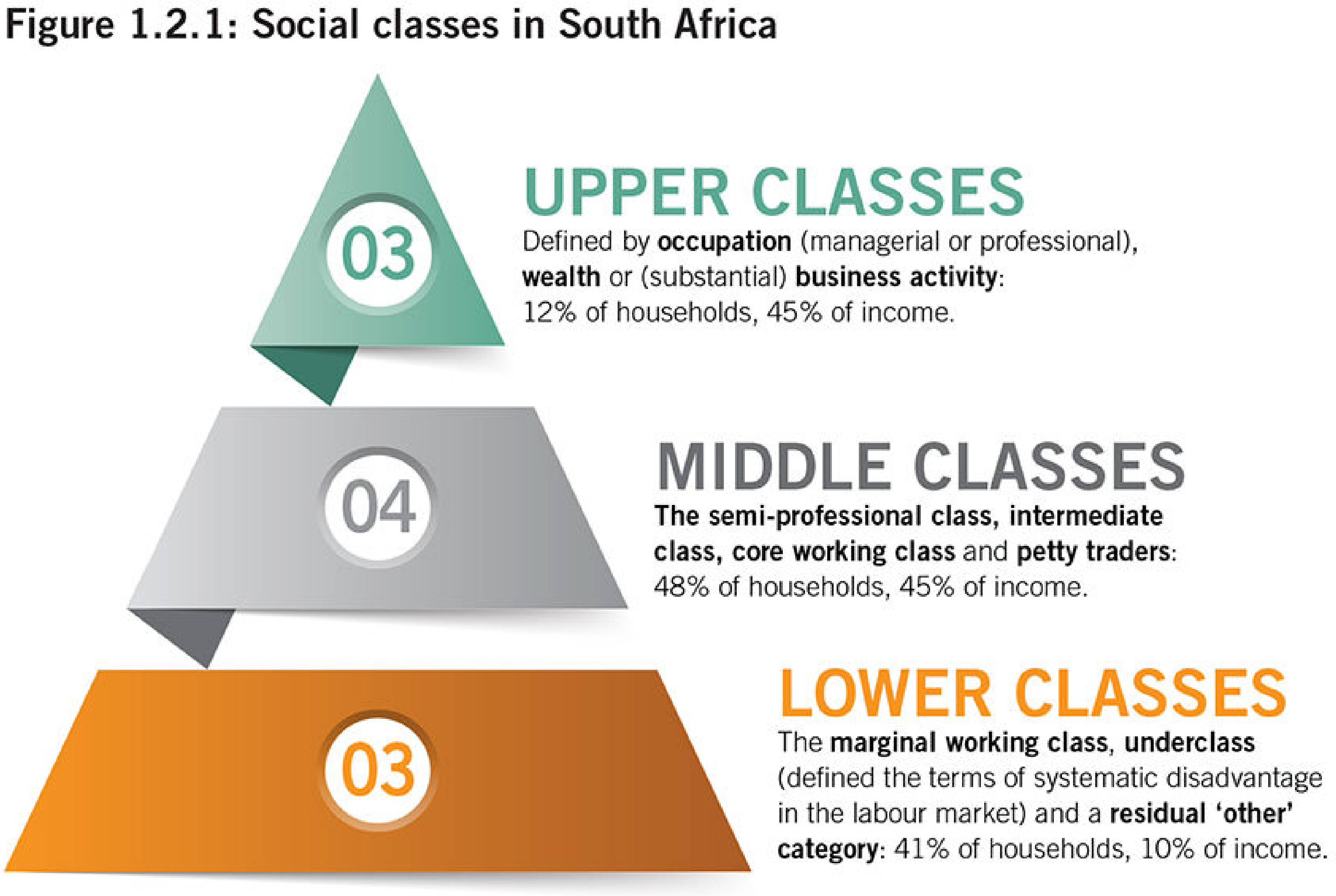
Well-being and upward social mobility



Source: Seekings (2015)^3

Much of what we discuss in this publication centres on what's needed to ensure not only financial and other forms of well-being but also well-being that enhances upward social mobility. What do we mean by that? Loosely defined, upward social mobility refers to the ability of individuals, households and the communities they find themselves in to move up from one level of society to another, whether that's defined by income, class or any other similar measure.[4] It's the movement of people from classifications such as 'low-income working class' and 'working poor', to 'middle class' or 'upper middle class'. In light of this definition, how do we ensure that the prospects of future generations are better off than ours?

This is a good starting point for our discussion on the South African social structure. There have been wide-ranging changes over the past two decades to the lives of people in each of the income and class categories used to classify different levels of South African society. Those at the lower end of the income and class structure have experienced changes in their lives brought about by changes in the South African labour market and the global economy. The decentralisation of key product value chains and the liberalisation of the South African economy in the 1990s have all but decimated the manufacturing sector and, alongside it, 'the old township working class'. As Leslie Bank observes, in the case of one of the oldest townships in the industrial node of East London, 'fewer and fewer people have stable formal sector jobs', and many of those who do are engaged in low-wage employment and live in households that rely on social and welfare transfers from the state.[5]

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Alongside the greater precarity that we have seen in the ‘working class’ has been the growth in the ‘middle class’. Robeyns defines a middle class using a theoretical list of capabilities that distinguish this class from others. These include: **freedom from concern about survival and meeting basic needs, financial discretion and buying power, labour market access and the ability to access information (and process that information)**.[6] The above measures, which include material measures (financial discretion and buying power) and social capital measures (educational attainment and its influence on processing information), complement other measures we discuss below.

These relate to the economic insecurity associated with this class that places structural limitations on upward social mobility and well-being. One of these measures, discussed by Zizzamia et al.,[7] focuses on an ‘empowered class’, where vulnerability to poverty is not a criterion used to define the middle class. This focus on the vulnerability of this class matters because 73% of the professional middle class in South Africa has experienced financial stress (defined as the emotions associated with being unable to meet one’s financial commitments due to a shortage or mismanagement of money).[8] The reasons for this stress include short-term debt, extended-family financial obligations, a lack of emergency savings and ad hoc requests for financial support. So, despite being a class often characterised by its ability to spend on consumer goods as well as investment, the social mobility of the middle class is also hobbled by structural features (influenced by the underlying structure of market, investment and production relations in South Africa) which present risks and vulnerability to poverty.

Market structure, investment and production relations

The market structure of South African society has, for the last century, been influenced by the discovery of gold on the Witwatersrand in the late nineteenth century. The discovery of gold, some have suggested, has influenced the growth trajectory of the South African economy to this day. According to Ben Fine and Zavareh Rustomjee, the South African form of industrialisation and the market structure are influenced by what they term the ‘**minerals–energy complex’.**[9] This complex refers to the influence of the mining and energy sectors, and a number of associated subsectors in manufacturing, that continue to make up the core sites of wealth accumulation in the South African economy. Despite a declining share of national output in contemporary South Africa, the mining sector continues to influence the direction of downstream manufacturing and other upstream sectors. The complex has changed over time, as evidenced by the contribution to gross domestic product of key sectors linked to the minerals–energy complex (shown in Figure 1.2.2.).

Despite a rise in services, discussed in the article called **'A unifying framework for incentivising inclusive development'**, mining continues to receive the most generous tax incentives of all the sectors considered for these incentives, yet accounted for just under 4% of total formal sector employment in 2016, compared to 11.91% in manufacturing and 24.81% in the services sector that year.[10]

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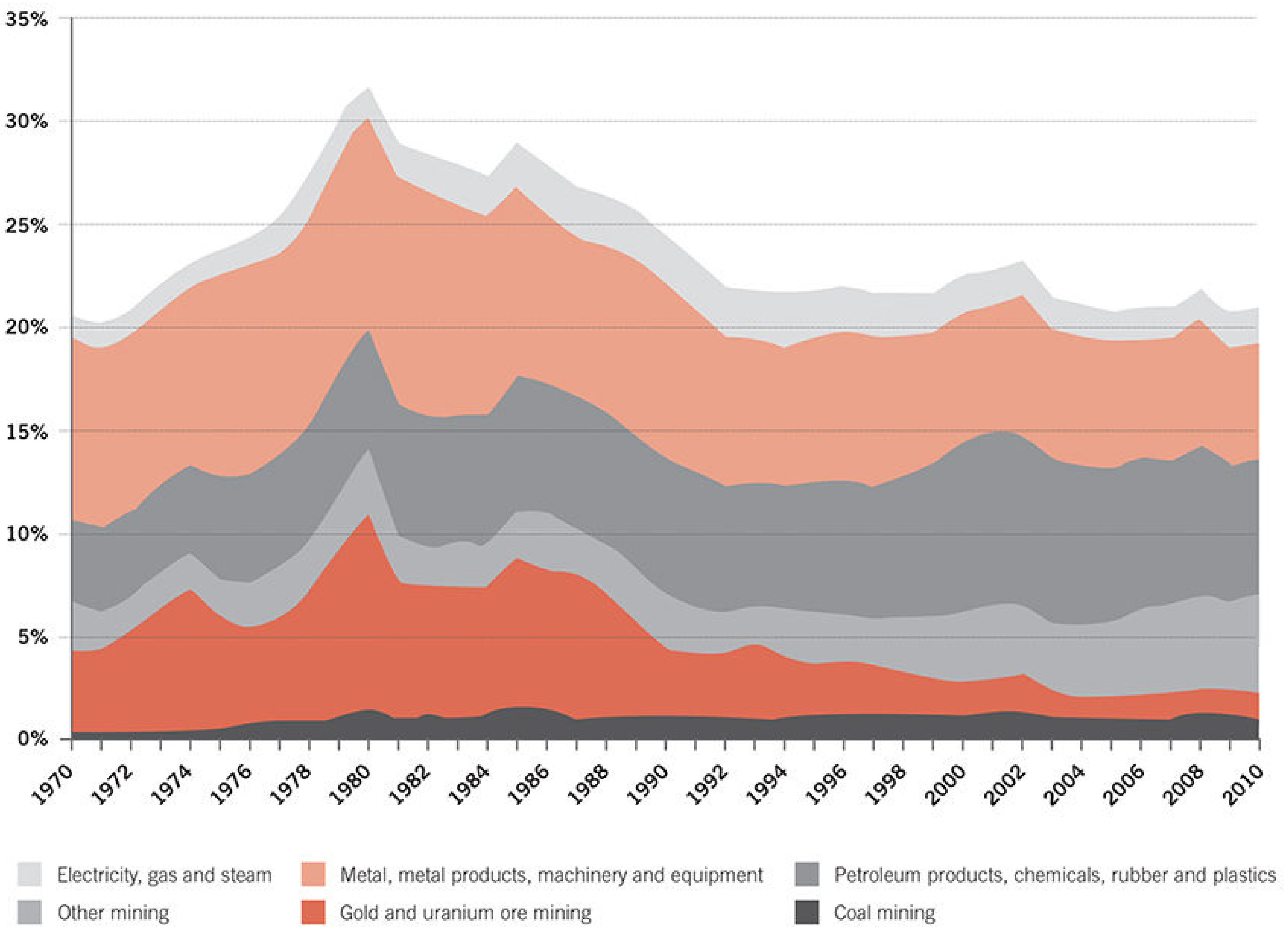
Figure 1.2.2: Share of minerals–energy complex sectors in national output from 1970 to 2010



Source: Ashman (2012)^11

Another important feature of the South African market is the concentration of income in the hands of a few, and the implications this has had on barriers to entry in key markets, products and service lines, as well as the development of small business. The South African economy is characterised by the dominance of a few organisations in key market and product value chains. In 2017 the Competition Commission found that even 'unilateral dominance' (where a single firm has market share in excess of 45%) existed in a large number of markets. There are other forms of dominance which are also harmful to the functioning of the South African economy.

In their review of merger reports between 2009 and 2016, Bosiu, Goga and Rogers found that dominant firms existed in 294 distinct product markets, including communication technologies, energy, financial services, food and agro-processing, infrastructure and construction, intermediate industrial products, mining, pharmaceuticals and transport.[12] Furthermore, if we look at the concentration of income in manufacturing, the subsectors in which five firms held 70% or more of market share had increased from 16 in 2008, to 22 in 2014, indicating that concentration is getting worse.[13] The influence of dominant firms on key markets serves to weaken the prospects of entry for newer and smaller (or even medium-sized) firms, which has macro-wide implications for investment, employment creation and the reduction of poverty (we discuss the challenges that small businesses face in a later chapter in this publication).

We now turn our attention to the spatial structure of South African society.

Spatial structure of South African society

If apartheid was a systematic attempt to prevent black encroachments on white privilege in South Africa's urban core, the spatial planning model had two important dimensions. Firstly, it consisted of a rural area and urban core. The urban core was serviced by labour from the rural areas, with apartheid labour-sending areas in the then homelands. Secondly, this model was reinforced by racial segregation and influx control, restricting the movement of black people in the urban nodes. Every major city or second-tier city that one visits in South Africa is characterised by this spatial design: townships serve low-income black households and in most cases are far away from the urban, more prosperous and well-serviced suburbs.

In the post-apartheid period, a redistributive social housing programme, the Reconstruction and Development Programme (RDP), has had unintended consequences on social mobility and the well-being of the poorest citizens. These have included entrenching urban sprawl and a rise in the 'daily reproductive costs of the poor, instead of providing them with an appreciating asset'.[14] This is because many of the newly built houses were located far from economic activity without public transport infrastructure connecting these areas to the urban core. Such a 'disconnect' presents a cruel irony: the poorest working people often face the longest and costliest commutes between their homes and places of work. In last year's Benefits Barometer we explored the challenge of transport costs and the role that employers can play in addressing these challenges. This year, we discuss in greater detail the role that transportation solutions can play in well-being.

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There have been major incentives to use street space, primarily for motorised forms of transport, at the expense of developing a fully functional and multinodal public transport system and encouraging climate-friendly forms of non-motorised transport. Large cities like Johannesburg have been defined by a growing 'one person, one car' culture.

These spatial challenges have also included uneven investment in rural and urban areas, and in the urban core and outlying township areas and informal settlements. Today, 65% of national output is generated in four cities across three provinces: Pretoria, Johannesburg, Cape Town and Durban.[15] This presents a severe challenge and exposes a vulnerability in our economy should internal or external shocks occur in these cities.

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Effects on social cohesion

Set against this uniquely South African background, the pursuit of individual well-being is not context neutral; it is mediated and influenced by a legacy of social, market and spatial dynamics that limit the possibilities and necessitate the creation of a well-being economy.

The constraints on social mobility and cohesion are embedded in these distinctions between rural and urban, and suburban and township economies. The Southern Africa Labour and Development Research Unit (SALDRU) at the University of Cape Town has tried to measure and quantify the barriers to social cohesion. A key finding of their work has been that higher levels of inequality reduce inclusiveness. Where there is inclusiveness, it is driven largely by voluntary interracial and inter-class socialisations. Despite improvements in these interactions, key structural features continue to disincentivise interracial interaction and socialisation. An important element of this remains the spatial divide. In addition, progress made in providing basic services and the ownership of household assets continue to influence how people perceive inequality and, by extension, their incentives to interact beyond racial and class distinctions.

The necessity of a well-being economy must respond to specific challenges to upward social mobility that require the equitable distribution of investment, educational, recreational and social capital opportunities. As discussed, the challenges are numerous and require multiple stakeholders to 'lend a hand', as the president has suggested. Perhaps, at an individual and community level, this includes small measures in communities, which incrementally overcome barriers to social mobility. For those whose suburban life has never required them to do so, crossing the railway tracks to Soweto is a small step towards a more inclusive society. To overcome the barriers and limitations to social mobility and well-being, we need many steps taken in the same direction by multiple stakeholders.

Having considered the multi-layered challenges faced by our economy and the constraints this presents to well-being, we now consider the approach required to respond to these barriers to well-being. We propose an approach that ropes in various stakeholders to emerge with a solution matrix able to resolve these challenges at scale. In so doing we present some emerging ideas in the arena of multistakeholder collaboration and how such collaboration can find expression within the workplace.

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SOCIAL MOBILITY PRECARITY INEQUALITY SOCIAL CLASSES MINERALS-ENERGY COMPLEX SPATIAL STRUCTURE MARKET STRUCTURE MULTISTAKEHOLDER COLLABORATION SDG 1 SDG 3 SDG 4 SDG 10 SDG 16 SDG 17