

BERGGRUEN GOVERNANCE INDEX



South Africa / SUPPLEMENTAL COUNTRY CASE STUDY 2019

BERGGRUEN INSTITUTE

Hertie School of Governance &
UCLA Luskin School of Public Affairs

2019 GOVERNANCE INDEX TEAM

Principal Investigator

Helmut K. Anheier

Project Supervisor, Berggruen Institute

Dawn Nakagawa

Research Scientist

Markus Lang, Heidelberg University

Data Updates

CJ Yetman, Hertie School of Governance

Editorial

Regina A. List, Hertie School of Governance

TEAM MEMBERS WHO CONTRIBUTED TO THE DEVELOPMENT OF THE INDEX

Project Founders and Creators

Nicolas Berggruen and Nathan Gardels

Research Scientists

Matthias Haber, Liam F. McGrath, and Piero Stanig

Research Associates

Edward L. Knudsen, Olga Kononykhina, and CJ Yetman

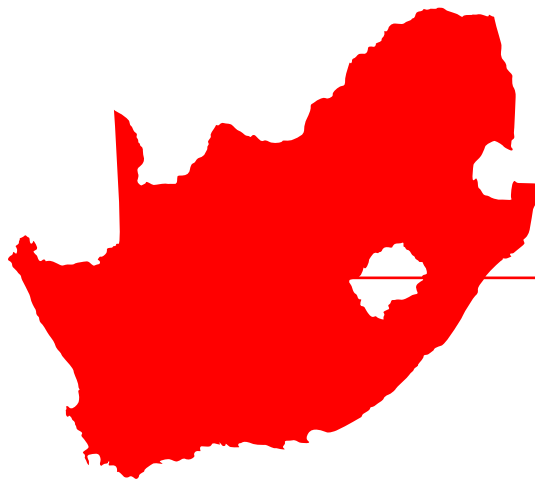
Manager

Regina A. List

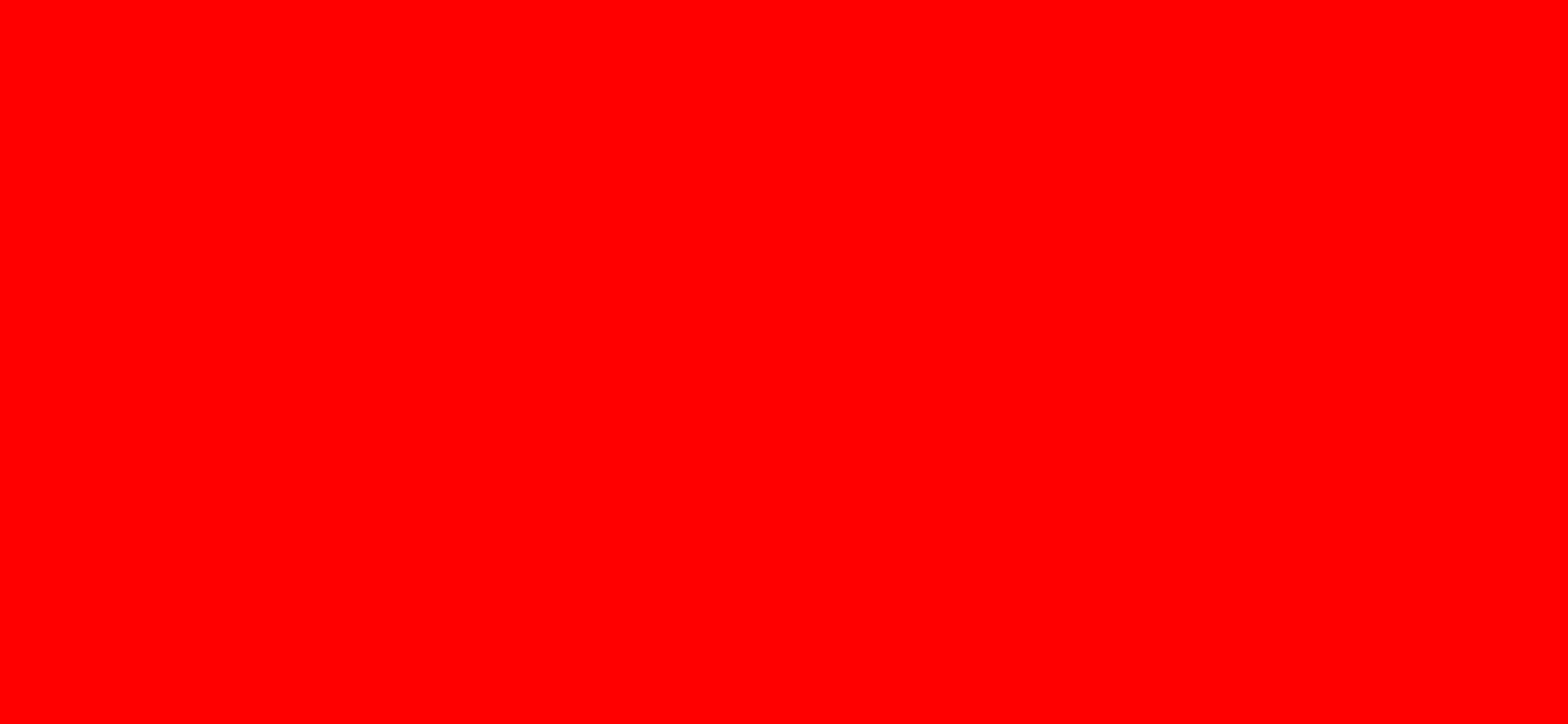
Additional Assistance

Sonja Kaufmann, Jessica Leong Cohen,
Diego Fernández, Christopher Ellis





This profile on South Africa is a supplement to the 2019 Berggruen Governance Index which analyzes the quality of Democracy, Government and Life for 38 countries. In 2019, five countries from the 38 were selected to have special profiles created about them to supplement and enhance the findings in the Index. These countries were selected because they performed better (Overachiever) or worse (Underachiever) than expected on the Quality of Life given their scores on one of the other indices (Quality of Democracy or Quality of Government). To create the supplement, new data was sourced from outside the Governance Index, to further explain these results. This profile is not intended as a stand alone document and is best understood after reviewing the full report which can be found at www.berggruen.org.



FINDINGS

IMPLICATIONS

Measures to reduce crime and inequality are needed. With a lack of access to economic hubs from underserved informal settlements, much of the inequality is spatial and related to citizen's ability to access higher jobs and education.

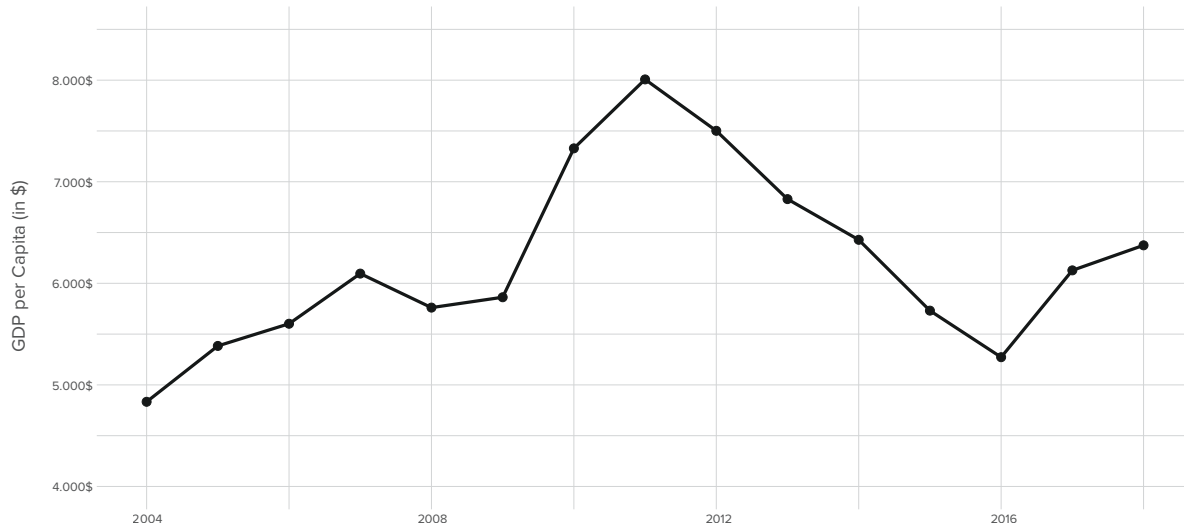
To improve global competitiveness, South Africa must improve its poor educational system (inequality is still pronounced between black and white schools) and reform its labor markets to make them more efficient.

Low measures for both democracy and government mean South Africa lacks both the will and the competence to address its racial gaps in education, crime, youth unemployment and inequality. Government programs alone will not overcome all of the deep cultural challenges the country faces, but investment in human capital for the development of black communities will improve life in South Africa and the country's global competitiveness.

BACKGROUND

GDP per capita (current US\$) 2004-2018

GDP per capita is gross domestic product divided by midyear population.

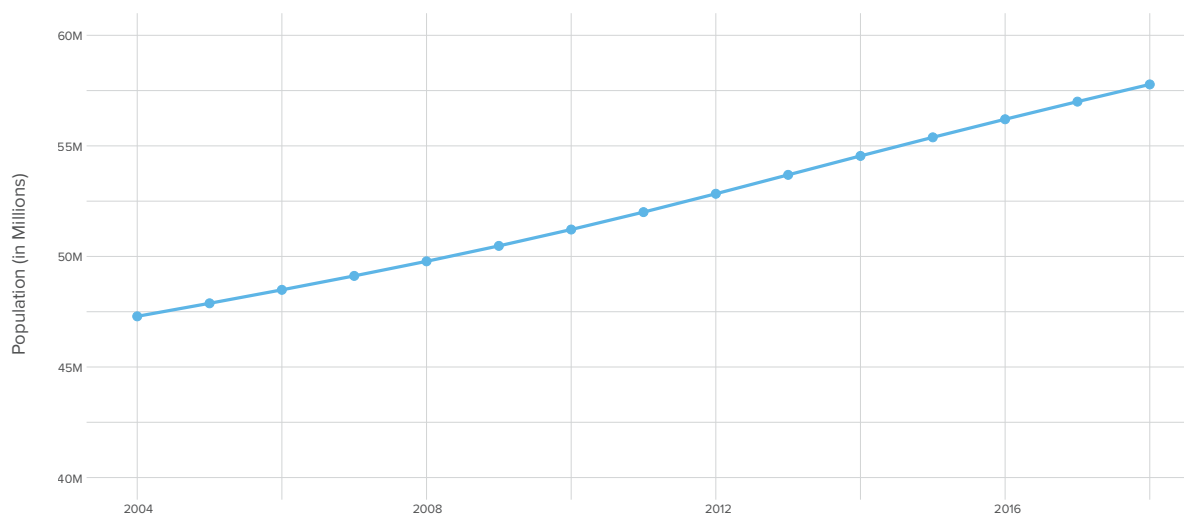


Source: World Bank 2019

- South Africa is a middle-income country. Its 58 million inhabitants had a GDP per capita of \$6,374 in 2018, placing it 90th worldwide and 25th of all countries in the Berggruen Index, according to the World Bank.
- GDP per capita growth has averaged .95% over the past 4 years (2015-2018), slightly below regional averages.

Total Population, 2004-2018

Total population is based on the de facto definition of population, which counts all residents regardless of legal status or citizenship.



Source: World Bank 2019

- South Africa had a population of 57,779,620 in 2018. This figure places it 29th worldwide, ahead of Tanzania and below Italy.
- Its population growth averaged 1.44% over the past 4 years (2015-2018), below regional averages, but above the world average of 1.15%.

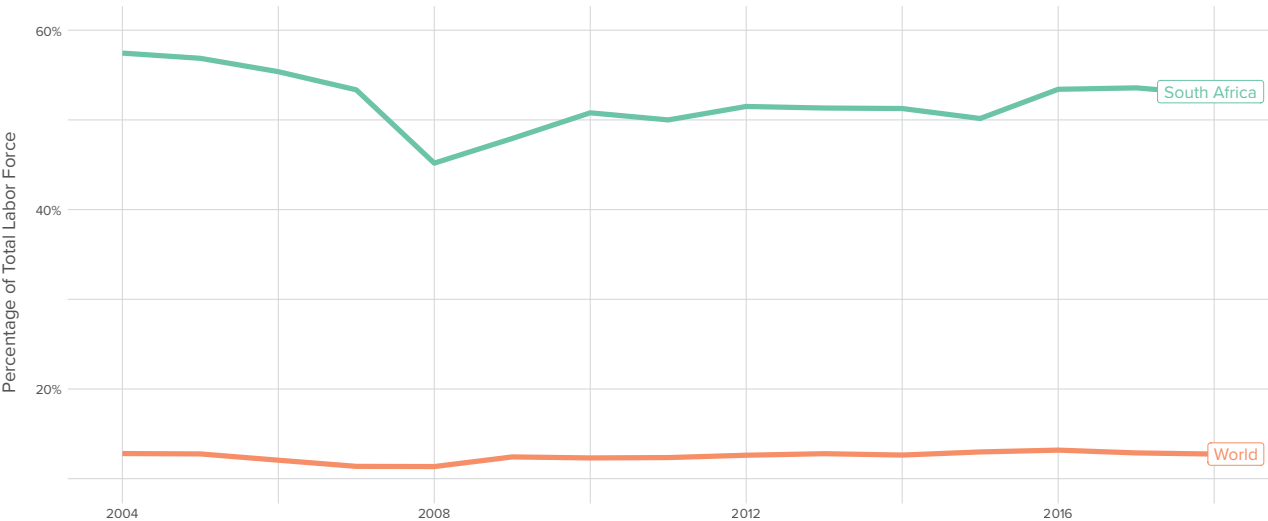
- **South Africa has the world's highest youth unemployment, at 53.4%.** The world average is 13.1% and in sub-Saharan Africa it is 11.2%.
- South Africa also has one of the world's most inefficient labor markets, according to the World Economic Forum. **The WEF ranks South Africa's labor market efficiency as 93rd worldwide**, with low points being cooperation in labour-employer relations (137th), flexibility of wage

determination (132nd), hiring and firing practices (125th), and pay and productivity (99th).

- Business confidence in South Africa is also low. For most of the past decade, business confidence has been below 100 in the SACCI Business Confidence Index, **indicating pessimism toward future performance**. It also ranks poorly in Harvard's Economic Complexity Index, hampering its ability to move up in global value chains.

Youth Unemployment, 2004-2018

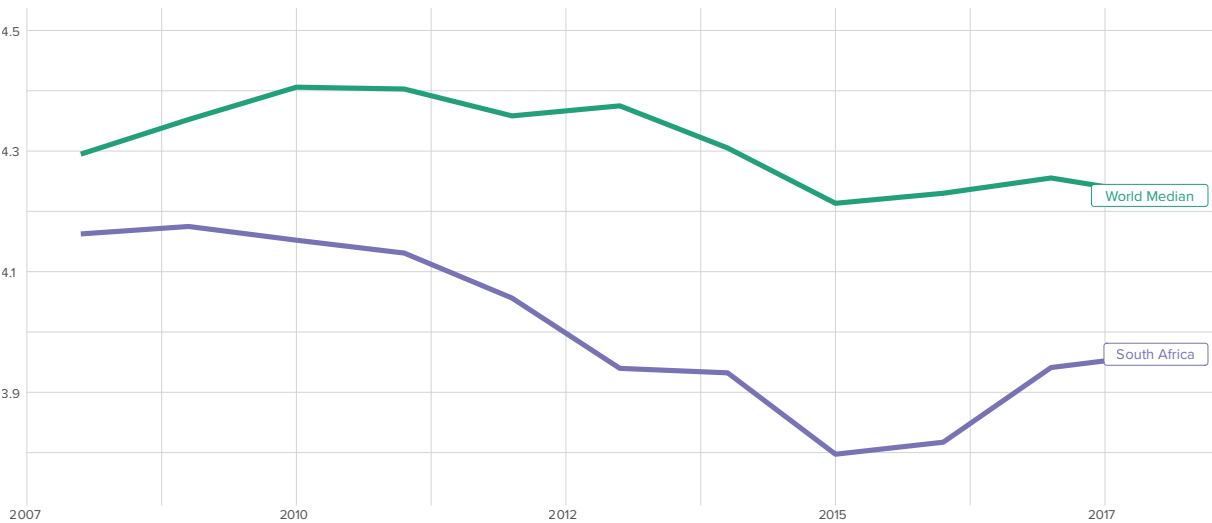
Youth unemployment refers to the share of the labor force ages 15-24 without work but available for and seeking employment.



Source: International Labour Organization, ILOSTAT database 2019

Labor Market Efficiency Index, 2007-2018

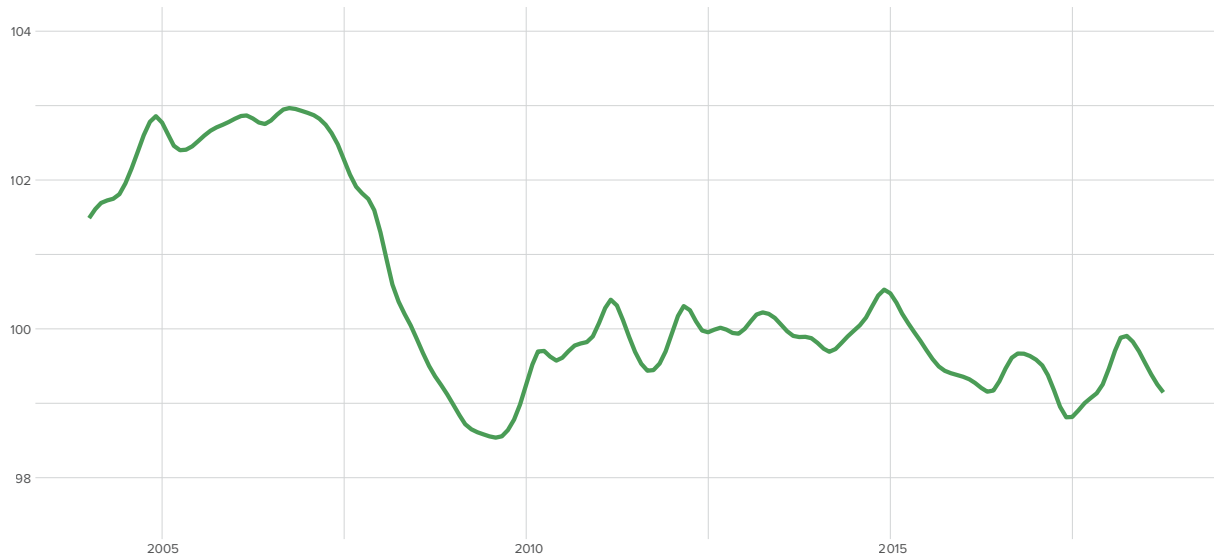
(1) Labor-employer relations; (2) Flexibility of wage determination; (3) Hiring and firing practices; (4) Redundancy costs; (5) Effect of taxation on incentives to work; (6) Pay and productivity; (7) Reliance on professional management; Country capacity to (8) retain/ (9) attract talent; (10) Female participation in the labor force.



Source: World Economic Forum 2018

Business Confidence Index (BCI), 2004-2018

Numbers above 100 suggest an increased confidence in near future business performance, and numbers below 100 indicate pessimism towards future performance.

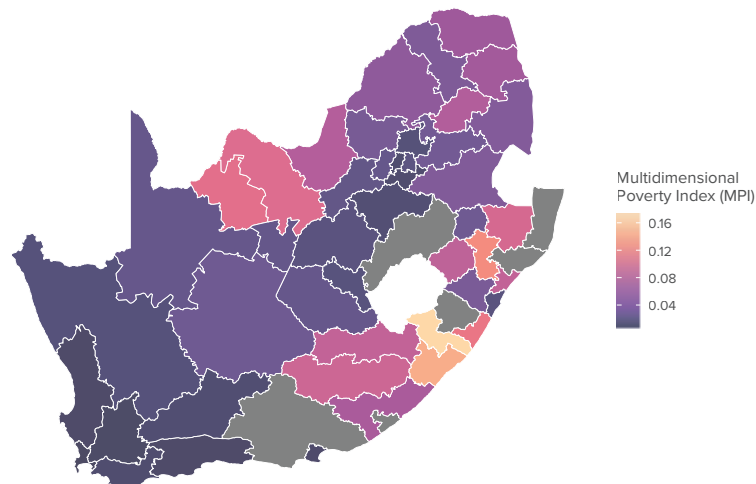


Source: South Africa SACCI Business Confidence Index 2019

- South Africa is also plagued by extreme inequality. **Its Gini coefficient of 63 is the highest in the world**, according to the World Bank.
- This inequality is pronounced along racial lines. In 2017, **black South Africans' unemployment rate was 31.4%, while among white South Africans the rate was only 6.6%**, according to the World Bank. Additionally, the average peak yearly earnings of blacks in South Africa is roughly \$4,800, whereas for whites it is \$20,500, according to researchers at the United Nations University World Institute for Development.
- This **racial inequality is very concentrated spatially**. The areas around Johannesburg/Pretoria, Durban, and Cape Town have lower poverty and unemployment rates, while most of the other regions have substantially higher inequality. A factor in this is likely the lack of mobility. **South Africa has some of the longest commuting times in the world**. At 84 minutes per day, it is the 5th highest of all countries in the Index, according to Dalia Research.

Multidimensional Poverty at the District Level, 2016

The Multidimensional Poverty Index (MPI) comprises two measures: poverty incidence (poverty headcount ratio) and poverty intensity (average deprivation experienced).

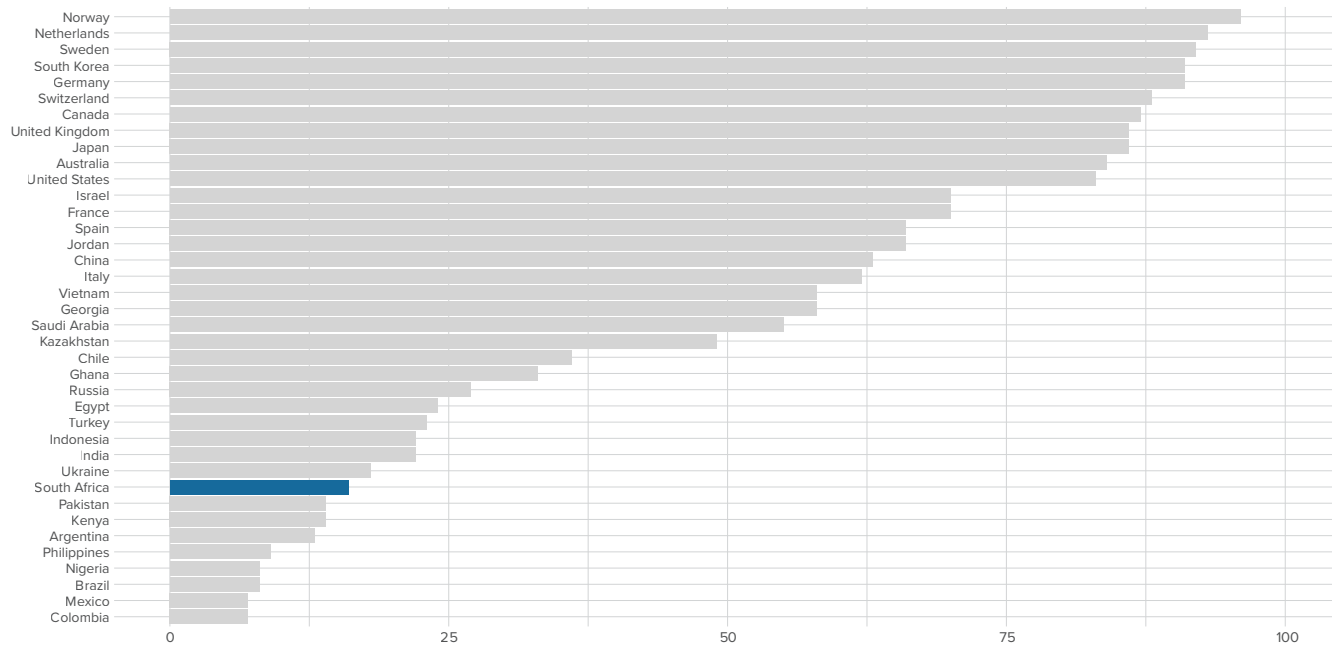


Source: Bureau for Economy Research at the University of Stellenbosch 2018

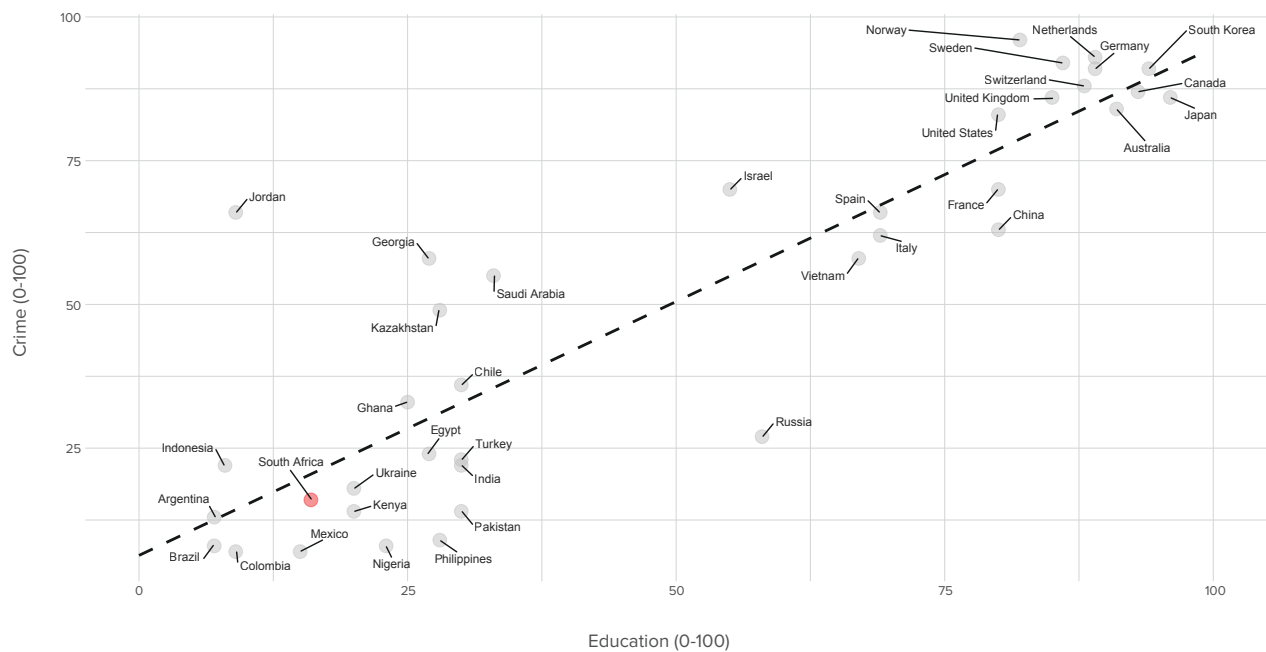
- Crime is a major issue in South Africa. It rates 30th of all countries in the Index, trailing Ukraine and placing just above Pakistan. Researchers at the World Bank have argued that **inequality is ‘highly correlated’ with crime in South Africa.**
- Across the Berggruen Index countries, there is a strong correlation between crime and education. The wealthy democracies form one cluster that has high education and low crime, while another group consists of countries that performs poorly in both measures. **South Africa is solidly in the second group of high-crime, low-education countries.**

Crime

Sub-Index of Quality of Life



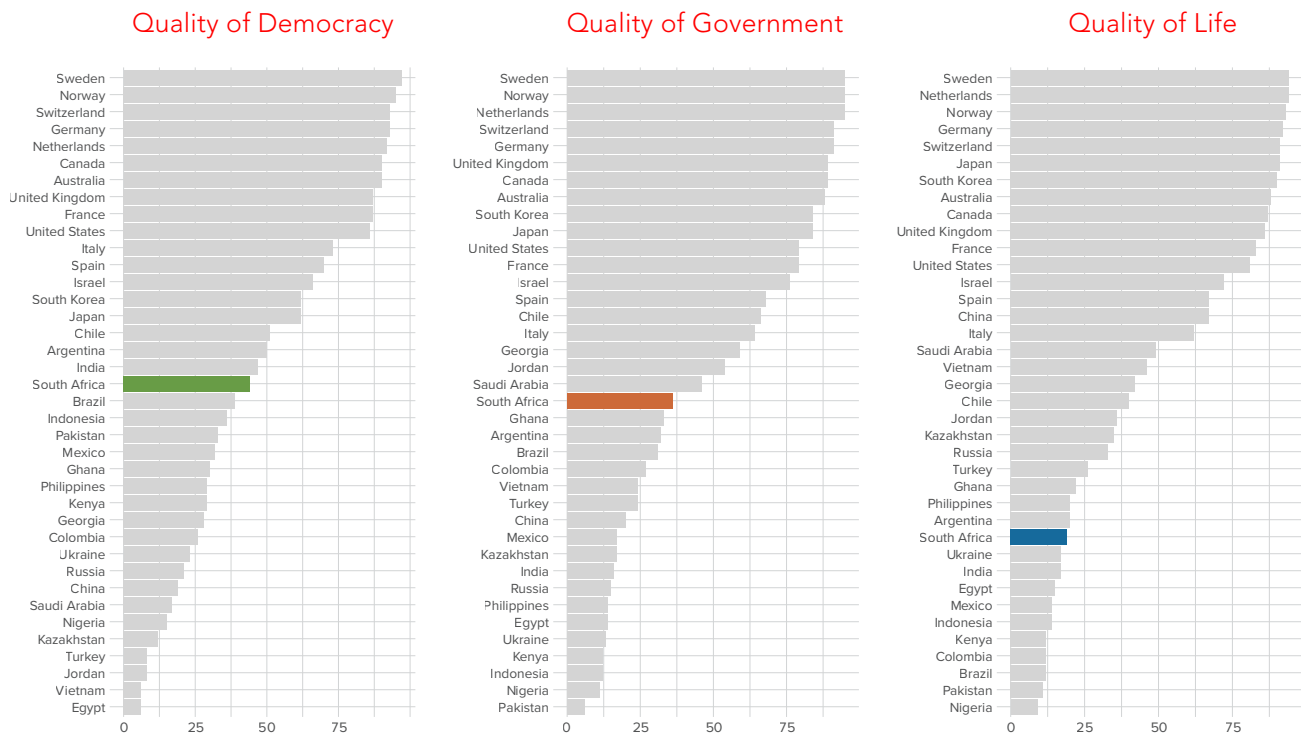
Crime and Education



Source: Berggruen Quality of Life Index

SOUTH AFRICA'S BERGGRUEN INDICATOR OF GOVERNANCE SCORES

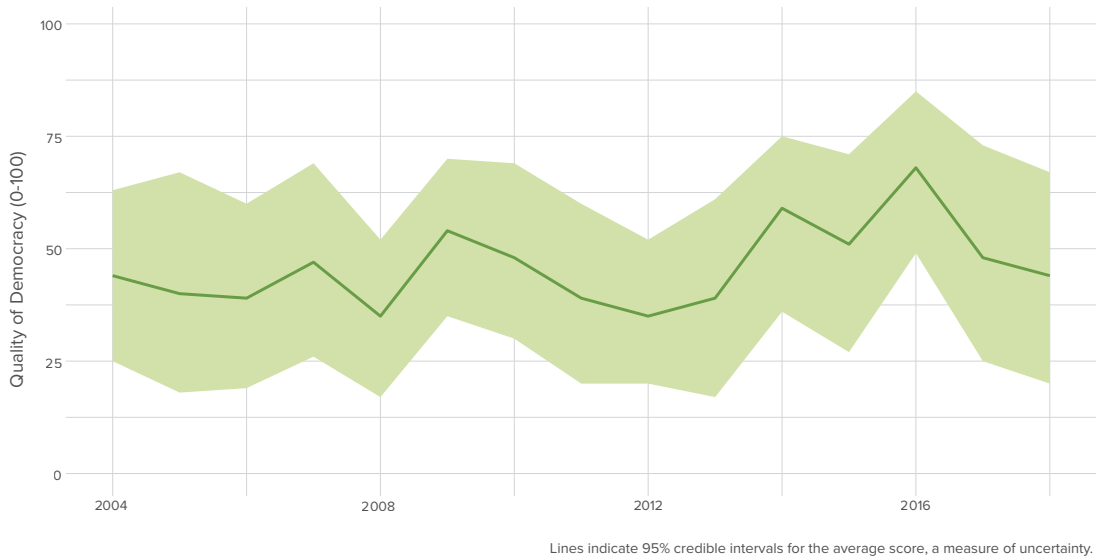
- South Africa's score in the **Berggruen Quality of Democracy Index (QoD)** is exactly in the middle of all countries in the Berggruen Index (data collected 2004-2018). It places 19th, in between fellows 'BRICS' countries India and Brazil.
- South Africa's score in the **Berggruen Quality of Government Index (QoG)** ranks one place lower, at 20th. It trails Saudi Arabia and is just ahead of Ghana.
- South Africa's ranking in the **Berggruen Quality of Life Index (QoL)** is well below either its QoD or QoG rankings, dropping to 28th.
- For both **quality of democracy and quality of governance, South Africa performs comparatively well**, given its GDP per capita ranking of 25th.
- Despite its relatively strong democracy and governance, South Africa is an **example of one indicator placing well below the other two**, as well as below its GDP/capita ranking. Another example is that of Brazil, which also has a much lower QoL than QoD or QoG. By contrast, China places disproportionately high in quality of life relative to governance and democracy.



- South Africa’s quality of democracy had fluctuated somewhat in the years between 2004 and 2018, **but its current level is similar to the 2004 figure.**
- Substantial year-on-year changes are unusual in the QoD Index, which is largely comprised of *de jure* indicators. The changes in South Africa’s score may be partially the result of a series of five constitutional amendments passed since 2004.

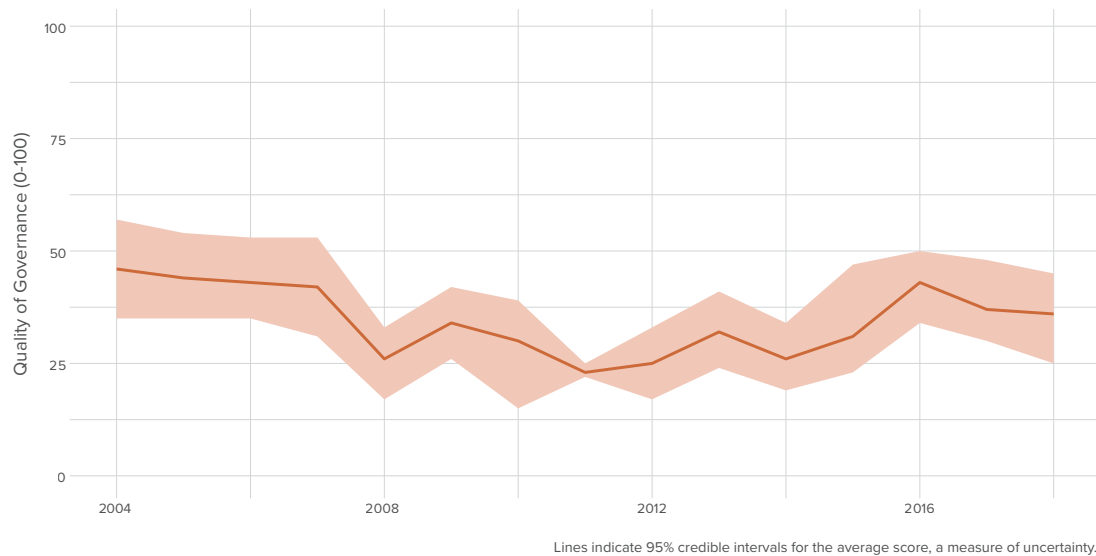
- Overall, however, the continuous solid score demonstrates that post-apartheid South Africa, with its widely-praised 1996 Constitution, **likely has the legal and institutional ‘raw materials’ to drive up the other Indices,** as well as other measures of well-being.

Berggruen Quality of Democracy Index, 2004-2018



- Quality of Government in South Africa has declined slightly since 2004.
- This can be divided into two general periods: a decline from 2004-2011, and then a slight gain from 2011 to 2018.
- The South African government has acknowledged some of the governance issues plaguing the country, pledging to improve public services and government efficiency as part of the National Development Plan 2030, which was implemented in 2013. However, **the meager results suggest more effective implementation is needed.**

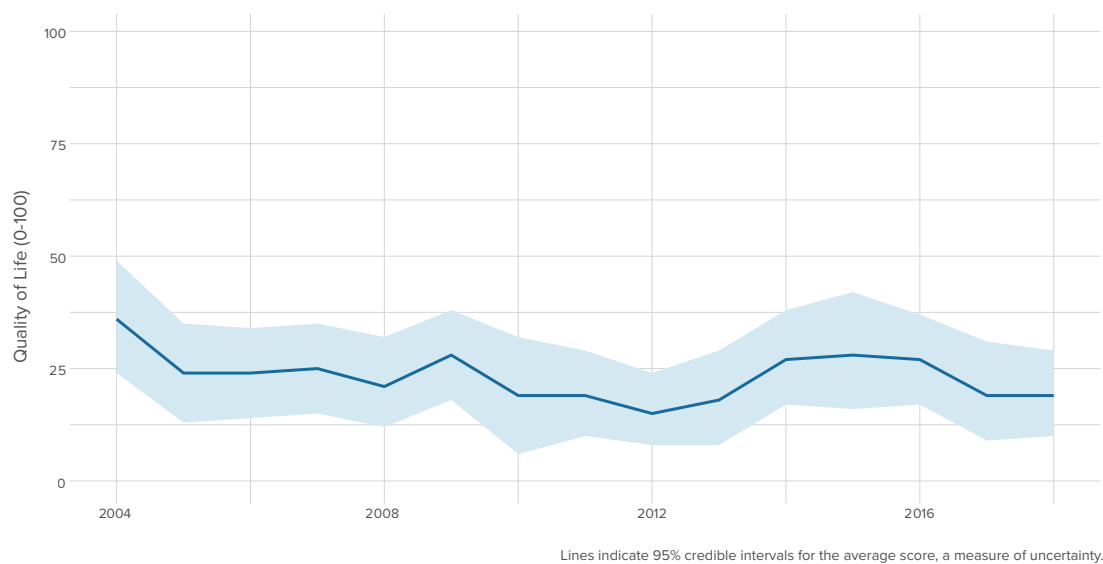
Berggruen Quality of Government Index, 2004-2018



- **Quality of life in South Africa has declined since 2004.** Although some gains were made between 2012 and 2015, for most of the past fifteen years QoL has been stagnant or declining.
- This finding is interesting given that GDP per capita

tended to increase between 2004 and 2011, but **average share of national income declined substantially from 2012 to 2015**. Across most of the data set, QoL and GDP/capita tend to be closely related, but South Africa provides an exception.

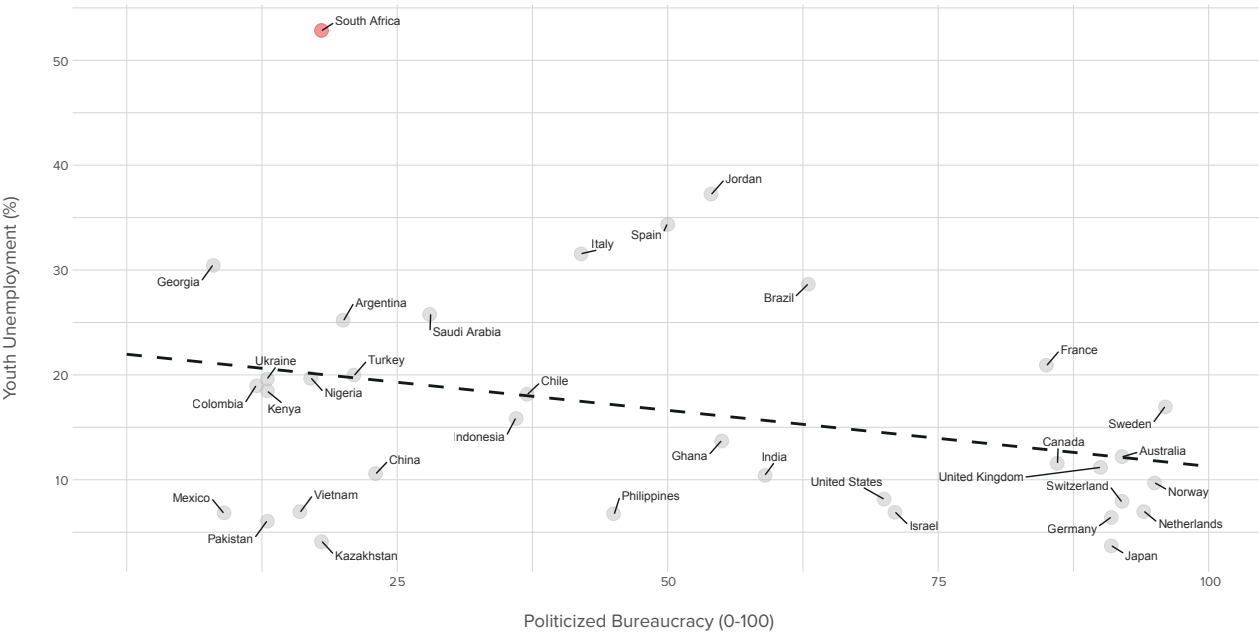
Berggruen Quality of Life Index, 2004-2018



WHAT RELATIONSHIPS BETWEEN QoD, QoG, AND QoL CAN BE OBSERVED?

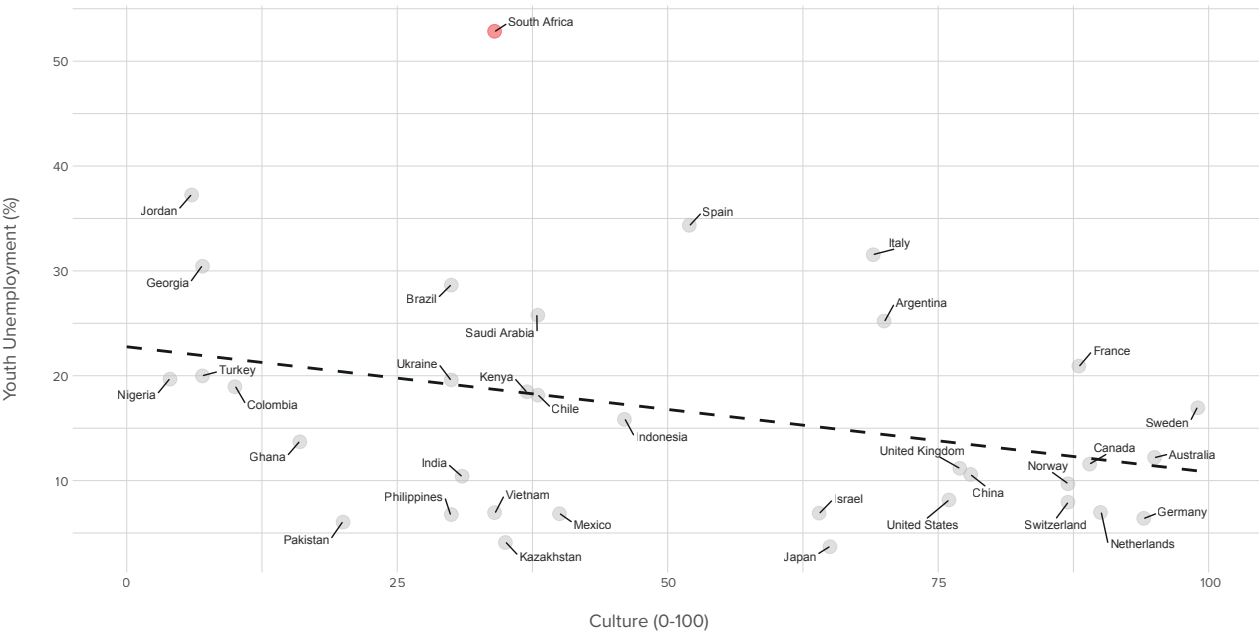


Youth Unemployment and Politicized Bureaucracy



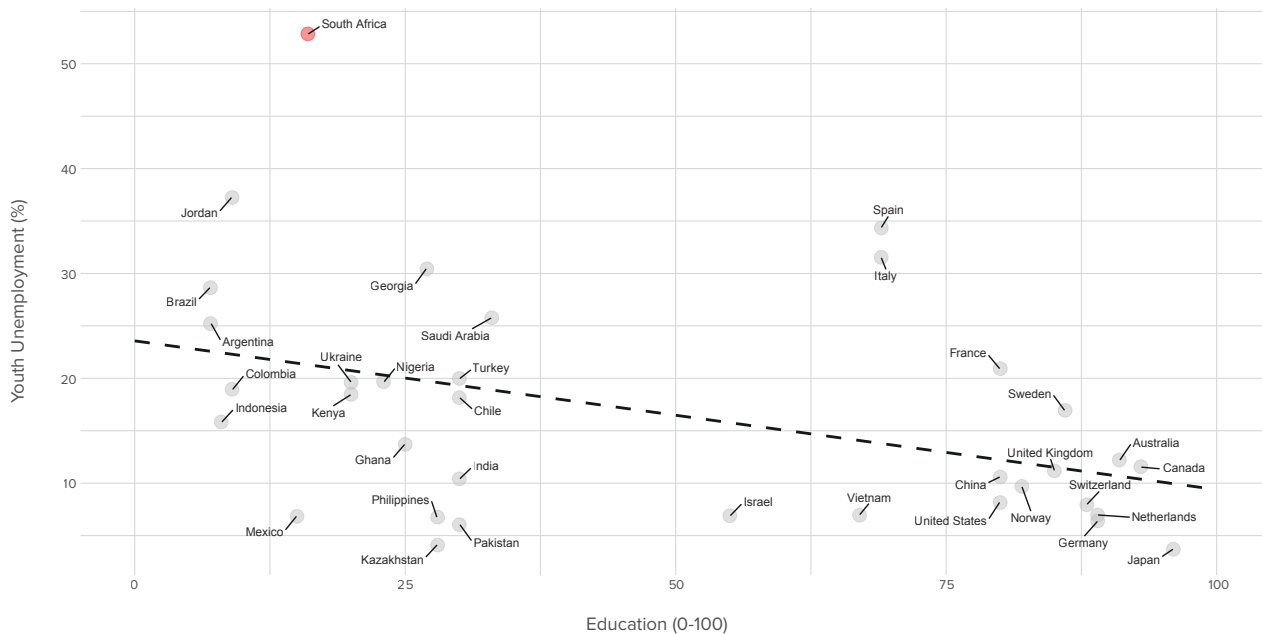
Source: Berggruen Quality of Governance Index; International Labour Organization, ILOSTAT database

Youth Unemployment and Culture



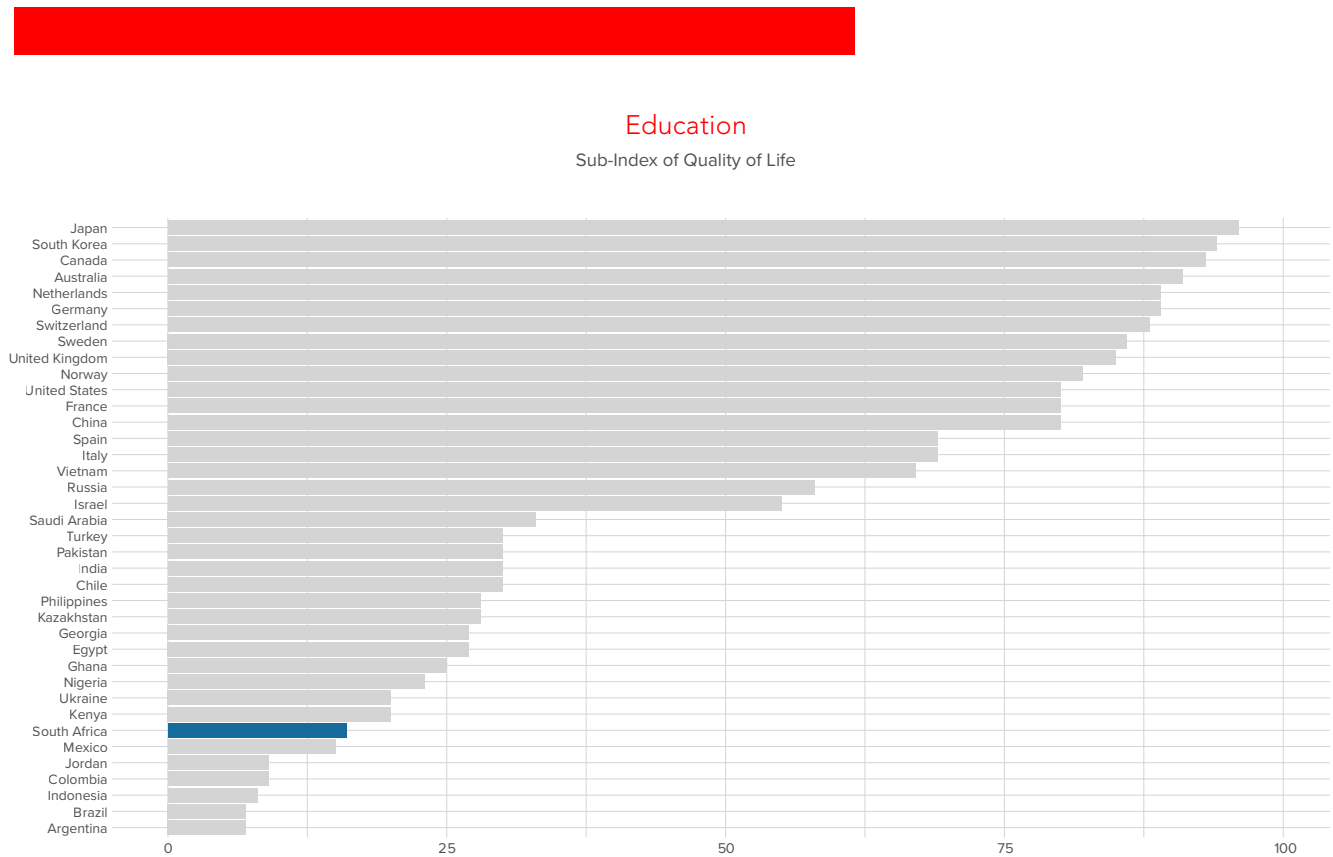
Source: Berggruen Quality of Democracy Index; International Labour Organization, ILOSTAT database

Youth Unemployment and Education



Source: Berggruen Quality of Life Index; International Labour Organization, ILOSTAT database

- **South Africa has the world's highest youth unemployment, at 53.4%.** The next closest countries in the Berggruen Index are Jordan, Spain, and Italy, trailing distantly with rates of 35.6%, 34.3%, and 32.2%, respectively. This sky-high rate defies any easy explanation, but several factors are worth investigating:
- *Politicization of bureaucracy (QoG)* in South Africa ranks 30th of all countries in the Berggruen Index. Across the data set, **there is an inverse correlation between politicized bureaucracy and youth unemployment.** This may be related with favoritism in government decisions, a measure for which South Africa ranks 127th, according to the WEF. While South Africa fares poorly in bureaucratic politicization, **its remarkably high youth unemployment still makes it an outlier.**
- *Cultural tolerance (QoD)*, is also negatively correlated with youth unemployment. The link here is that a lack of understanding of minority groups and heightened sense of individualism may detract from the desire for a policy response to combat youth unemployment. **At 27th in the Index, South Africa fares poorly on cultural tolerance, but it is again an outlier in the trend.**
- Across all countries surveyed, there is a **strong correlation between educational quality and youth unemployment.** Although South Africa has disproportionately high youth unemployment even given this trend, poor education is almost certainly a factor.

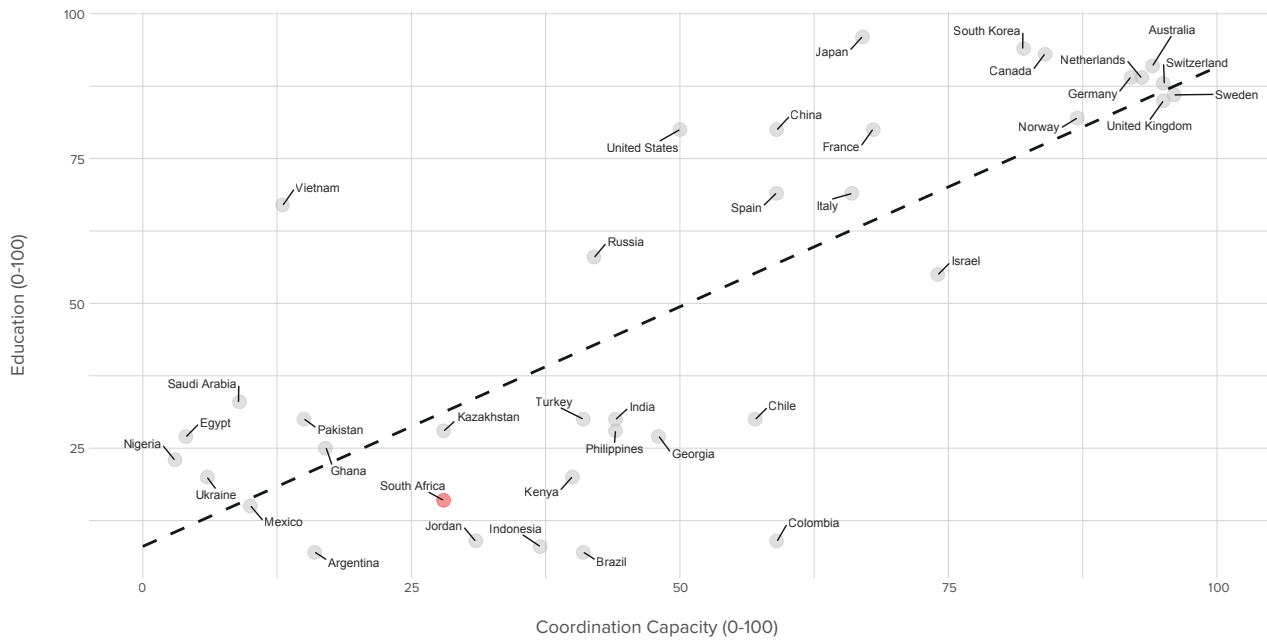


- **South Africa ranks poorly in *quality of education* (QoL), placing 32nd of the 38 countries in the Index.** It trails Kenya and barely surpasses Mexico.
- Across the data set, there is a positive correlation between *coordination capacity* (QoG) and educational quality. **South Africa fits this trend, faring poorly in both measures.**
- *Recruitment* (QoG) is also strongly correlated with educational quality among the countries in the Berggruen Index, indicating that a government's ability to attract talent may affect the quality of teaching as a whole. **South Africa corresponds closely to this trend**, with the International Monetary Fund pointing out that "insufficient subject knowledge of some teachers" is a major factor in poor education outcomes in South Africa.
- *Cultural tolerance* (QoD) and education quality also display a positive correlation with each other. The relationship here is similar to that with culture and youth

unemployment: that a more tolerant and communally-oriented society may tend to place higher value on educating its citizens. South Africa supports this, placing poorly on both measures.

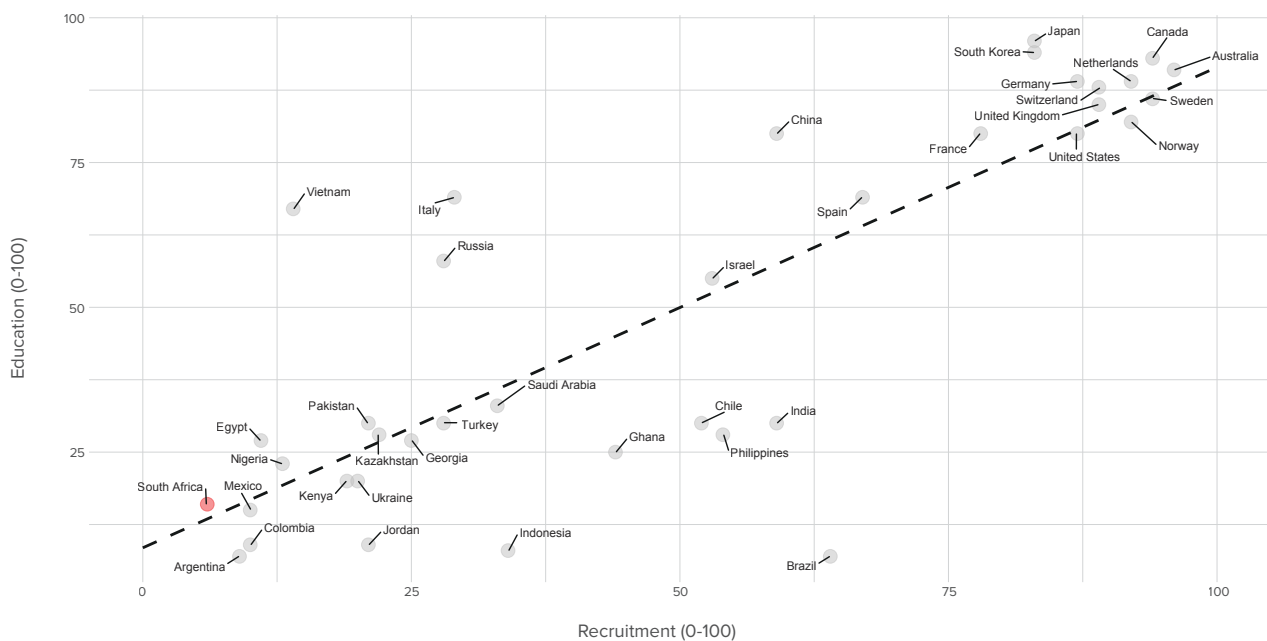
- Despite South Africa's low educational ranking, the available data likely do not properly account for the problems in the South African educational system, which **still has substantial dividing lines between what were formerly black and white schools in the apartheid era.**
- As economist Nicholas Spaul argues, "observing averages in South African education is uniquely misleading and overestimates the educational achievement of the majority of students", given the racial disparities between schools. This indicates that although the data in this report displays the inadequacy of South African education, **the reality for many students is far worse than even the poor aggregate numbers suggest.**

Education and Coordination



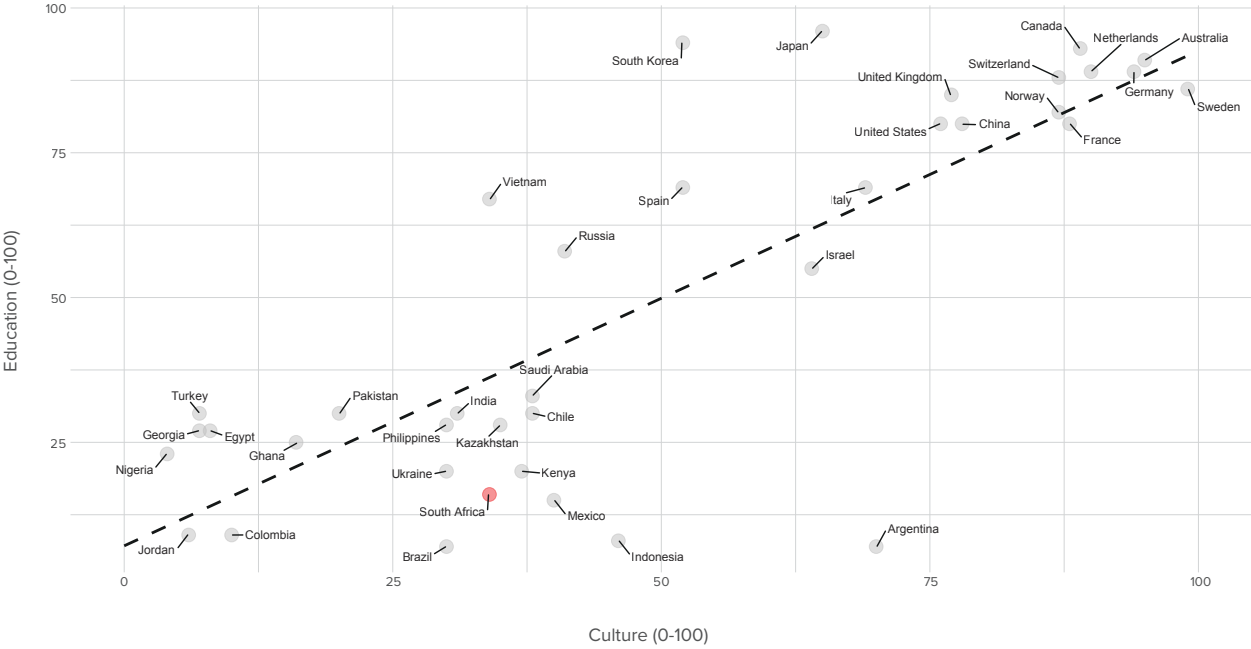
Source: Berggruen Quality of Governance Index; Berggruen Quality of Life Index

Education and Recruitment



Source: Berggruen Quality of Governance Index; Berggruen Quality of Life Index

Education and Culture



Source: Berggruen Quality of Governance Index; Berggruen Quality of Life Index

REFERENCES

- Luiz, J. M. (2015). The Political Economy of Middle-Income Traps: Is South Africa in a Long-Run Growth Trap? The Path to “Bounded Populism.” *South African Journal of Economics*, 84(1), 3–19. doi: 10.1111/saje.12117
- Mlachila, M., & Moeletsi, T. (2019). Struggling to Make the Grade: A Review of the Causes and Consequences of the Weak Outcomes of South Africa's Education System. *IMF Working Papers*, 19(47), 1. doi: 10.5089/9781498301374.001
- Spaull, N. (2013). Poverty & privilege: Primary school inequality in South Africa. *International Journal of Educational Development*, 33(5), 436–447. doi: 10.1016/j.ijedudev.2012.09.009
- The Atlas of Economic Complexity by @HarvardGrwthLab. (n.d.). Retrieved from <http://atlas.cid.harvard.edu/countries/246>.
- The Countries with the Longest and Shortest Commutes. (2019, October 2). Retrieved from <https://daliaresearch.com/the-countries-with-the-longest-and-shortest-commutes/>.
- Schwab, K., & Sala-i-Martin, X. (2017). *The Global Competitiveness Report 2017–2018*. Geneva: World Economic Forum. Retrieved from <https://www.weforum.org/reports/the-global-competitiveness-report-2017-2018>
- WIDER, U.N.U. & Oosthuizen, M. (2019) Racial inequality and demographic change in South Africa: Impacts on economic development. Research Brief 2019/5.
- The World Bank. (2018, April 10). South Africa: Better Education & Spatial Integration Crucial for Reduced Inequality, Job Creation. Retrieved from <https://www.worldbank.org/en/news/press-release/2018/04/10/south-africa-better-education-spatial-integration-crucial-for-reduced-inequality-job-creation>.

