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The South African Development State, Poverty and Post-Basic Education and Training

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INTRODUCTION

It has become axiomatic that there is a strong relationship between basic education and poverty reduction. This certainty has emerged through a conjunction between international policy trends and apparently compelling research evidence, for instance, from rate of return analysis. This conjunction has tended to overshadow the role of other components of education and training in efforts to reduce poverty. In this paper, we will seek to illustrate the importance of a holistic focus on the role of education and training in poverty strategies through an exploration of the case of South Africa. South Africa is crucial to the reduction of poverty in Sub-Saharan Africa, both as a country where approximately 20 million people are considered to be in poverty and as the most likely engine of pro-poor growth for the rest of the region.

After reviewing the nature of poverty (and the related phenomena of inequality and unemployment) in South Africa, we show how the broad consensus about this analysis has led the South African state down an increasingly activist path resulting in the emergence of a new national development strategy since the 2004 elections. We explore the key elements of that strategy, including a stress on the role of post-basic education and training (PBET). This will lead us to consider the likelihood of success for this policy approach and the challenges that lie ahead for delivery of the vision for post-basic education and training for poverty reduction and national development.

POVERTY, INEQUALITY AND UNEMPLOYMENT IN CONTEMPORARY SOUTH AFRICA

South Africa's major challenges of poverty, inequality and unemployment have been profoundly shaped by its history of colonialism and Apartheid. However, as these have been dealt with in great detail elsewhere (e.g., Terreblanche 2003), we will focus here only on the contemporary period.

Poverty

There is no accepted official definition of poverty in South Africa and a range of authors outline the complex interaction of methodological and ideological factors in the range of disagreements about the nature and scale of South African poverty (Everatt 2003; Gelb 2003; Borat, Poswell and Naidoo 2004; Roberts 2004). Some studies use the \$1 and \$2 a day conventions, whilst others look at the minimum income required by a household, and further still take more participatory and qualitative approaches.

¹ This paper draws on a longer study commissioned as part of a DFID-funded project on post-basic education and training and poverty reduction, directed by Professor Kenneth King, University of Edinburgh. Our thanks go to Kenneth and his team and to colleagues in South Africa (including in the Departments of Education and Labour) for their comments on earlier versions of this argument.

Across the quantitative definitions and methodologies, it is accepted that between 45 and 55% of the South African population are poor and between 20 and 25% are in extreme poverty (Seekings and Nattrass 2002; Everatt 2003; Gelb 2003; Landman 2003; van der Berg and Louw 2003; Borat, Poswell and Naidoo 2004; Meth and Dias 2004; UNDP 2004). The former amounts to between 18 and 24 million people; the latter to between 8 and 10 million. Unsurprisingly, this poverty has pronounced spatial, racial and gender dimensions (Woolard and Leibbrandt 2001; Everatt 2003; Gelb 2003).

The incidence of poverty also manifests itself at the nutritional level. One in ten Africans are malnourished; one in four African children are stunted (Woolard 2002; Everatt 2003: 77). Moreover, Roberts (2004) notes that hunger appears to be increasing across a range of measures. Equally, it is possible to think of poverty in terms of access to basic services. Whilst access is improving, a significant poverty gap still remains (Budlender 2003).

Inequality

Although South Africa has a serious poverty problem, it is not particularly remarkable in African terms. The country's level of inequality, however, is amongst the worst in the world. There are conflicting accounts as to whether South Africa's Gini coefficient² has declined in the last decade. However, this disagreement does not hide the general view that inequality is still unacceptably high, with the range for the Gini coefficient still lying between 0,58 and 0,68 (Gelb 2003; Landman 2003; Borat and Cassim 2004; Roberts 2004).

Unemployment

There is a strong relationship between poverty, inequality and unemployment in South Africa. Measured by household income, 83% of households in the bottom fifth have no people in employment. Looked at from another angle, 38% of African households in 1999 contained no employed people – up from 32% in 1996 (Everatt 2003: 78). As Roberts (2004: 488) notes, this means that 3,1 million households are workerless.

Unemployment is not a new problem in South Africa, although its incidence peaked early in the current decade. Unofficial estimates were 12% in 1970 and 21% in 1980. The current unemployment rate (March 2005) is 26,5% on the narrow definition, or about 10 points higher on the broad definition, which includes those who are "not actively seeking work" and are characterised as "discouraged" workers. There are strong grounds for seeing the broad definition as the more valid as many potential workers are likely to be "discouraged" in the context of mass unemployment, particularly where the costs of job searching are significant, as is the case for many rural unemployed. Whatever the definition chosen, the level of unemployment in South Africa is very serious.

The incidence of unemployment is uneven according to education, age and race. 58% of those formally employed have at least matriculation level education (12 years of schooling), as compared with only 38% in the total working-age population. 22% of the formally employed have post-matric education, whilst this is the case for only 8% of the total working-age population (Landman 2003: 8).

² The Gini coefficient is the standard measure of income inequality. Absolute equality of incomes would generate a coefficient of zero. Countries are currently ranged between 0,24 (Hungary) and 0,71 (Namibia) according to the UNDP (which uses the figure of 0,59 for South Africa).

It appears that even matric is no longer of much value in the labour market. McCord and Borat estimate that only 36% of matriculants can find employment; whilst another 19% go on to further or higher education (McCord and Borat 2003; Kraak 2003a). 56% of the unemployed are aged 30 years or younger; whilst 15-24 year olds comprise 30% of the total unemployed. Only 29% of new African labour market entrants between 1995 and 1999 were able to find work, compared to 50% of Indians, 70% of coloureds, and 75% of whites (McCord and Borat 2003).

Part of the explanation for high unemployment in South Africa is that economic growth has not been high enough over the last 30 years. Whereas growth had averaged more than 4,5% per annum between 1945 and the early 1970s; the period from the mid-seventies to the beginning of the nineties saw growth average only about 1,5% per annum. Since 1993, growth has slowly recovered to reach an average of 3% over the past few years (Landman 2003: 8). Many of the underlying problems fuelling the high unemployment level relate to the structural distortions of the economy under Apartheid, which cannot easily and quickly be overcome.

Between 1995 and 2002 about 1,6 million net new jobs were created in the South African labour market. That is an average growth rate of about 2,1% p.a. in the number of jobs. However, over the same period that 1,6 million jobs were created, more than 5 million people entered the labour market (Bhorat 2003; Landman 2003; Bhorat and Cassim 2004).³

SOUTH AFRICA'S NATIONAL DEVELOPMENT STRATEGY

South Africa: from GEAR to a developmental state in a globalised world

There has been routine criticism of the abandonment of the initial developmental state / grassroots development vision of the Reconstruction and Development Programme (RDP) in favour of the neoliberal Growth, Employment and Redistribution (GEAR) Programme (e.g., Marais 1998; Bond 2000). However, as some recent commentators have noted, neither was the RDP so unambiguously progressive nor GEAR so simplistically pernicious as these accounts suggest (e.g., Daniel, Southall and Lutchman 2004; Gelb 2004).

Nonetheless, the process of reviewing the first ten years of South African democracy does seem to have encouraged the state to take a more developmental stance, whilst acknowledging the globalised context in which this takes place (Daniel, Southall and Lutchman 2004; Gelb 2004).

South Africa has the possibility of generating its own national response to development that does not need to take many of the givens of the aid and development orthodoxy, as befits its history of aid independence and its middle income status. Thus, although poverty reduction is central to the national agenda, as in Poverty Reduction Strategy Papers elsewhere in Africa, the understandings of why poverty is occurring, how it can be addressed and the role therein of education and training are all understood in particular national ways.

³ These numbers for employment growth include both the formal and informal economy. After concerns that most of the growth of employment in the late 1990s was coming from informal sector growth (Devey, Skinner and Valodia 2003), it appears that more recent growth is from formal employment (Altman 2004b).

The national development agenda to 2014: the centrality of poverty reduction

The restatement of the "People's Contract" in the ANC Manifesto for the 2004 elections (ANC 2004) highlighted four pledges for the next decade:

- halving unemployment;
- halving poverty;
- accelerating employment equity; and
- improving broad-based black economic empowerment.

The May 2004 State of the Nation Address (Mbeki 2004) outlined a three-pronged approach to addressing these challenges:

- encouraging the growth and development of the First Economy, increasing its possibility to create jobs;
- implementing a programme to address the challenges of the Second Economy; and
- building a social security net to meet the objective of poverty alleviation.

The notion of the two economies is not intended to be a rigorous economic description of South African reality, nor is it supposed to over-emphasise economic dualism and the unconnected nature of the two "economies". Rather, the notion serves to help organise policy thinking about two sets of policy challenges and about how to build coherence between these.

Growing the first economy

The government's vision makes it clear that growth in the formal economy is vital to meeting these development goals. In order to enhance growth, the government has recommitted itself to fiscal prudence whilst expanding its strategy of providing incentives for foreign direct investment and reaffirming its commitment to reduce the cost of doing business in South Africa.

The strategy for the job creation in the "first economy" also stresses a renewed focus on formal small and medium enterprises. This included a comprehensive review of the regulatory framework and the merger of two small enterprise support agencies, Ntsika and the National Manufacturing Advisory Centres into a new Small Enterprise Development Agency that seeks to provide non-financial support to small and medium enterprises.

The state is continuing to encourage a sectoral charter process that focuses not simply on high-level black ownership but also acts as a catalyst for growth of black-owned small and medium enterprises as sub-contractors and service providers. In addition, a commitment has been given to re-establishing the Agricultural Credit Scheme (ACS) in the Department of Agriculture to provide capital for small modern agricultural enterprises. R1 billion was immediately made available to start the ACS.

The state also committed itself to doing more to improve export performance, focusing on services and manufactured goods. Particular attention is being paid to taking the best advantage from existing trade agreements and to concluding other agreements. There is also a strong focus on further interactions with the African continent, especially within the

context of SADC and NEPAD. The new vision continues to stress the importance of the national science system and greater funding of the science councils and improved commercial application of scientific innovations are promised.

Addressing the challenges of the second economy

The May 2004 State of the Nation address reiterated the commitment a new Expanded Public Works Programme (EPWP). The EPWP seeks to integrate the objectives of the development of the social and economic infrastructure, human resource development, enterprise development, and poverty alleviation. It is seen as an important mechanism for meeting the target of halving unemployment by 2014, although its Chief Operations Officer has urged caution in regard to such expectations (Phillips 2004).

The EPWP is intended to work with provincial and national departments and within existing budgets to enable job creation through a focus on more labour-intensive infrastructural development. The Department of Education is charged with expanding the reach of the Adult Basic Education and Training (ABET) programme, aligning it with the training objectives of the EPWP, whilst the Department of Labour is a key partner in the EPWP vision. Indeed, Phillips makes clear the role for skills development within the broader Programme:

The objective of the EPWP is to utilise public sector budgets to alleviate unemployment by creating temporary productive employment opportunities coupled with training. (Phillips 2004: 6)

The Address also recommitted the state to its existing Urban Renewal and Rural Development Programmes. In particular, it sought to improve the effective and coordinated financing of these Programmes by the three levels of government and different departments. Further deployment of Community Development Workers and the extensive use of information and communication technologies (ICT) in the development nodes were also stressed as urgent priorities.

The Address promised the implementation of a new micro-credit fund. The Department of Agriculture was required to increase its support to agricultural activities in the communal land areas, drawing on resources within the Agriculture Credit Scheme, and to develop new communal land rights legislation.

The Address reiterated that broad based black economic empowerment remains a pivotal element of government policy. The establishment of a Black Economic Advisory Council was promised. As with all other development programmes, the Black Economic Empowerment process was acknowledged as needing to focus on the particular needs of women, people with disabilities, and the youth.

Building a social security net

The Address signalled that work would continue to ensure that social grants reach all the 7,7 million beneficiaries. The new social security agency will become operational in 2005, improving the integrity and efficiency of the system. By 2006 about 3,2 million children extra children will be eligible for child support grants as the upper age-limit is raised to children turning 14. R166 billion was allocated over three years for social security. The Government also promised to continue the implementation of other social security initiatives such as the school nutrition programme and the provision of free basic services.

South Africa also needs to achieve further and visible advances with regard to the improvement of the quality of life of all of its people. To achieve this, the following priorities were highlighted:

- universal household access to clean running water by 2009;
- increasing household access to basic sanitation;
- universal household access to electricity by 2012;
- an annual 10% reduction in malaria cases;
- speedy implementation of the Comprehensive Plan on HIV and AIDS and the Khomanani social mobilisation campaign for home-based care;
- development of a comprehensive programme dealing with human settlement and social infrastructure, including rental-housing stock for the poor; and
- expenditure of R14,2 billion to promote access to basic shelter over three years.

However, the President's speech made it clear that a society in which large sections depend on social welfare cannot sustain its development. Thus, the Address pictures a comprehensive programme to grow the economy, including the interventions in both the First and Second Economies, improving sustainable livelihoods and create work in order to ensure that, over time, a smaller proportion of society, in particular the most vulnerable, subsists solely on social grants.

The importance of state capacity

Underpinning these three strands of the national development strategy is a fourth element: a commitment to building the state's capacity to support development. This has seen a concentration on how to improve formal training for the public service, including attempts to reform the public sector-related Sector Education and Training Authorities (SETAs) and the state's principal training institution. There has also been a growing focus on how the whole culture of the public sector can become more oriented towards public service. Transparency and the spread of e-government are also emphasised (Paterson 2004).

The Programme of Action

In pursuit of these objectives, the Government has published a Programme of Action (Republic of South Africa 2004). Progress against the Programme is being posted onto the Government website every two months as a sign of the President's own personal commitment that the Government should be held publicly accountable for its performance against the national development vision.

The Programme is organised in line with the five clusters that have been identified for intra-governmental collaboration:

- Economic, investment and employment;
- Governance and administration;

- International relations, peace and security;
- Justice, crime prevention and security; and
- Social.

The Programme comprises of 36 themes and over 100 sub-themes with designated lead and partner departments and agencies.

THE VISION FOR PBET'S ROLE IN THE NDS

Two of the 36 themes of the *Programme of Action* speak primarily about education and training challenges, whilst several other themes contain elements where education and training are identified as having an important role to play.

“A labour force with the skills needed by the economy”

Theme Six of the Economic, Investment and Employment Cluster stressed the importance of skills development for overall economic strategy. This in turn had five commitments:

1. Establishment of a system of Employment and Skills Development Agencies. In an approach that builds on Australian, British and New Zealand experience, the Department of Labour has embarked on the development of a national network of such agencies. They are designed to act as the coordinating agencies and legal employers for those involved in learnerships in small and micro enterprises, thus taking the burden of managing relationships with training providers and SETAs from such enterprises. This is expected to increase the take up of learnerships in smaller enterprises, thus contributing to the productivity and growth of such enterprises and to the skills of individual young labour market entrants.
2. Growth of learnership enrolments. This commitment tied the Departments of Education and Labour to collaborate more actively in expanding learnership enrolments. It also committed them to a marketing campaign for learnerships, which began in August 2004.
3. Finalisation of immigration regulations regarding scarce skills. The state remains concerned that there are key scarce skills shortages that are affecting growth and development in South Africa. The new regulations allow for faster and lighter regulations where a scarce skill need can be shown. This is intended to be a short- to medium-term measure whilst South Africa builds its own skills in these areas.
4. Identification and removal of barriers to employment of additional learners. This charges the Department of Labour with the task of better understanding the reasons that learnership numbers remain low and how they can make such programmes more attractive and/or easier to access for employers. This will include a focus on the performance of the SETAs and the processes of curriculum development and quality assurance.
5. Recapitalisation and re-curricularisation of the further education and training college sector. Here, cooperation between the Departments of Education and Labour is again mandated so that public FET providers deliver curricula relevant to

national economic needs and are resourced in such a way as to facilitate this. This was responded to in the Department of Labour's second National Skills Development Strategy whilst the Department of Education is in the process of developing a detailed plan for each public FET institution.

"Education- broadening access and improving quality"

Theme Seven of the Social Cluster was the primary responsibility of the Department of Education. It contained four elements:

1. Recapitalisation and re-curricularisation of the further education and training college sector. This is a restatement of the same commitment under the Economic Cluster, reflecting that this issue cuts across these two clusters, being the prime responsibility of DoE as a social cluster member but focused on an economic cluster outcome.
2. Consolidation of the merger process in higher education. The *National Plan for Higher Education* (DoE 2002) had outlined a plan for institutional mergers in the higher education sector, which were largely implemented in early 2004. This commitment reaffirms the need to consolidate and deepen the merger process and to review its progress to date.
3. Eradication of schooling in the open air or exposed to the elements. This commits the DoE to ensure that no learners will have to be schooled in the open air or in highly inadequate facilities by the end of the 2004-5 financial year. By August 2004, an audit had been done and an implementation plan was in development.
4. Guaranteeing of clean water and sanitation in all schools. Again, the DoE was committed to achieving this goal during the 2004-5 financial year. By August 2004, an audit had been done and an implementation plan was in development. These latter two commitments highlight the continuing concern with learning in the basic education system but place the emphasis squarely on facilities.

Other education and training related elements of the Social Cluster themes

The Social Cluster themes also speak to other elements of an education and training role in meeting the national development goals. Under the Food Security and Nutrition theme, there is mention of the National School Nutrition Programme, including a plan for social mobilisation for food gardens. By August 2004, 85% of 15 000 planned participating schools were actively involved in the Programme. Linked to the Expanded Public Works Programme, the Department of Education was mandated to develop an integrated plan for the delivery of early childhood development. The Department of Health was mandated to develop a community health worker programme linked to the EPWP.

Human resources development (for the public sector)

The second theme of the Governance and Administration Cluster relates to concerns that service delivery is being compromised by weaknesses in staff development. Here the stress is mainly on better human resources practices within the public service. However, a related theme: "administrative practices for the developmental state" highlights the

needs for specific skills (e.g., for community development workers) as well as highlighting the urgent need to address the weaknesses of the public sector SETAs.⁴ The concern with better skills in the public service also appears as an element of commitments in the International Relations, Peace and Security and Justice, Crime Prevention and Security Clusters.

An overview of government thinking about education, training and poverty reduction

It is clear that the main education and training focus of the Programme of Action is at the post-basic level. In Millennium Development Goal (MDG) terms, it is more concerned with the overall goal of the reduction of poverty than on the narrower challenge of the achievement of basic education. It is primarily oriented at developing skills and knowledge amongst the majority of young South Africans who will leave school with at least a complete basic education. The orientation of the Programme of Action in this sphere is towards greater market relevance of education and training and institutional development (of further education and training colleges, higher education institutions and SETAs), geared towards building participation in the formal economy as a means of reducing unemployment.

The Programme of Action also suggests two other roles for education and training in supporting service delivery both through quality improvements in the public service as a whole and through programmes for training of various types of community development workers. Thus, it sees a further role for education in reducing poverty through better delivery of social programmes. Again, the focus here is on further and higher education and training interventions.

These commitments are augmented by statements that are more explicit in the State of the Nation Address than in the Programme of Action. First, the Address refers to the challenge of equity and redress through the expansion of Adult Basic Education and Training and is linked explicitly to upliftment in the informal economy. Second, it provides a reaffirmation of the importance of the national science system, thus reconfirming the state's commitment to the improvement of both quality and quantity of provision of higher education and to funding of research.

However, these priorities need to be contextualised by the existing policy directions of the Department of Education, which do make clear four issues of priority regarding basic education and, hence, the educational MDGs. First, there is a strong commitment to early childhood development, which has seen DoE strengthen its partnerships with the Departments of Health and Social Development. Second, there is a restatement of the importance of adult basic education and training (also a priority of Department of Labour policy and present in the State of the Nation Address). Third, there is a commitment to improving access, most notably through a plan to ensure that education is genuinely free for the poorest through the development of a Basic Minimum Package. Fourth, there is also a continuing focus on improving the quality of teaching and learning. Thus, plans are already in place to ensure that further progress towards the educational MDGs is made. These then allow the greater current focus on post-basic education and training as a route to poverty reduction.

The Department's policies also address the politically sensitive issue of replacing the existing matriculation qualification for school leaving with a new Further Education and

⁴ Three of the 25 SETAs are strongly public sector dominated in terms of the employers they cover: Diplomacy, Intelligence, Defense and Trade and Industry (DIDTETA); Local Government, Water and Related Services SETA (LGWSETA) and Public Services SETA (PSETA). 2005 has seen an unfinished attempt to reorganise the SETAs and all three of these SETAs have been identified as problematic.

Training (FET) Certificate. In the plans for the new awards there is a clear drive to reshape the balance between preparation for higher education and for entry into the world of work. This is seen in both the content of the subject curricula and in terms of subject choice. Inevitably, the new FET Certificate also requires a major programme of refocusing of initial teacher training as well as a large investment in in-service training.

CAN SOUTH AFRICA'S POVERTY REDUCTION STRATEGY WORK AND HOW MUCH CAN EDUCATION AND TRAINING DO?

There is relatively little real disagreement amongst South African analysts about much of the state's developmental vision, either in terms of its overall targets or its strategies for their achievement. Nonetheless, there is a widespread concern, including within government, regarding the very real challenges that lie in the way of the realisation of the vision.

The overall strategy

The first strand of the approach is to reduce unemployment through growing the formal economy. In order to meet its target of halving unemployment by 2014, South Africa will not only have to improve its growth rate significantly but will also have to make its growth more labour absorbing (Altman 2004a and b; Hirsch 2004). This will not be easy. Already the country has had a strong focus on macroeconomic stability through the GEAR programme. This policy has largely been implemented as intended, and has led to impressive indicators of macroeconomic performance such as the lowest interest rate for 23 years and the lowest inflation rate for 45 years (Hirsch 2004). However, it has not resulted in the expected levels of growth or foreign direct investment. Future growth is also constrained by the low levels of savings and gross domestic capital formation.

It is apparent that there remain a number of barriers to adequate levels of investment in the economy by both domestic and international actors and that many of these are primarily perceptual (Hirsch 2004). In spite of falls in levels of reported crime; low levels of industrial action; and a strong commitment to good governance, there remains a high level of investor reluctance to invest in South Africa, notwithstanding the example of important transnationals such as Toyota, Tata, Ford, BMW and Mercedes in the auto industry (McGrath 2005), and similar examples in other industries. Investment and employment have also been constrained by the rand's volatility and recent appreciation against major currencies.

The Government's *Programme of Action* is underpinned by a relative shift in emphasis from macroeconomic to microeconomic policy. In particular, there is a focus on developing infrastructure that can promote investment and on targeted industrial policy for priority growth and labour absorbing sectors (Hirsch 2004). In effect, it appears that the Government is increasingly prepared to expand its own expenditure (including that of the parastatals) in an effort to encourage other domestic and international actors to follow suit.

However, it is far from clear that elements of this strategy will have the intended success. The Expanded Public Works Programme, in particular, appears likely to make a valuable contribution but not the massive one that some of the initial rhetoric surrounding it would suggest. It cannot plausibly be a major tool for halving unemployment. As McCord (2004) argues, it is a short-term supply-side response to a problem that is primarily long-term and chronic on the demand-side.

There is widespread agreement in South Africa that skills development is crucial to the success of the development strategy. Whilst it appears that there is not a widespread skills crisis in the country at present in terms of current levels of demand (Kraak 2003b; McGrath 2003), there do appear to be particular areas where skills shortages are a constraint to investment, growth and employment creation and, thus, fuel poverty and inequality. Moreover, it is evident that the growth path being aspired to will require a development of skills at basic, intermediate and high levels, as the second *National Skills Development Strategy* (DoL 2005) makes clear. If this is not done, then fears that inequality will increase are likely to be realised.

The role of education and training

Although there is a clear commitment across government to developing the skills that are required for faster employment growth, it is apparent that South Africa faces very serious challenges in achieving its goals here. There are six main areas of weakness in this regard.

First, beneath the high level agreement about better integration of education and training policies, and the clear Presidential commitment to policy coherence, lurk continued tensions about the details of this integration in practice. This continues to be manifest in areas such as curriculum and the future of the South African Qualifications Authority and the related architecture of the National Qualifications Framework. Although senior officials from both DoE and DoL speak consistently of improved collegiality between the two departments, this has not yet resulted in a real breakthrough in policies or programmes. The prospects for education and training making the necessary impact on poverty reduction through employment growth are reduced when key systemic issues remain uncertain.

Second, there remain serious weaknesses in the capacity of both departments to implement their policy visions. Both remain critically understaffed (both numerically and in terms of the skills and experience of those in post) in key areas and this continues to have an adverse impact on system development. Thus, in King, Palmer and Hayman's (2004) terms, there is a need for post-basic education and training to enhance the enabling environment for service delivery and poverty reduction.

Third, many of the institutions charged with delivery of education and training are young and remain fragile. Almost all public further and higher education and training institutions have been going through a merger process for the past three to four years. The SETAs and the National Skills Authority are both less than five years old and still struggling to build expertise. Many of the educational institutions and their staff come from a background where issues of unemployment and poverty were not of any relevance to their work and most are still struggling to incorporate these concerns into their strategies and practices.

Fourth, there is the challenge of making funds available for the necessary interventions. Although there is currently a large surplus of funds in the SETA system, the Department of Labour is still struggling to use these moneys more strategically to target unemployment and poverty. At the same time, there has been a considerable delay in the planned FET college recapitalisation, although this appears to be likely to take place in 2006. Moreover, the success of the state in using transfer payments to reduce poverty is clearly putting serious pressure on educational expenditure in many provinces. Indeed, education's share of provincial budgets has fallen in recent years. This poses particular threats to those elements of expenditure that are not related to the formal school system, e.g., ABET, ECD and FET colleges.

Fifth, this relates to a broader challenge arising out of the current constitutional arrangement within South Africa, which gives the nine provinces the ability to decide on their own expenditures on general and further education and training. Although national government can seek to shape such expenditures through a range of mechanisms, there are current concerns about the willingness of provinces to take their cue in terms of expenditure from the national *Programme of Action*.

Sixth, although there are sound reasons for arguing for a policy emphasis on further and higher education and training, there remain serious challenges regarding quality, throughput and equity in the general education sub-system. Inevitably, continued weaknesses in general education will have negative impacts upon the quality, quantity and effectiveness of subsequent levels. How resources can best be marshalled to simultaneously improve all levels of education remains a major challenge for government.

Thus, although both DoE and DoL show clear commitment to the national development vision and are seeking to address it, there are a series of grounds for caution. Crucially, it is imperative that successes on the investment and education and training fronts go forward in tandem. Moreover, in all these areas, education and training are not magical solutions but elements of a broader approach that is needed to reduce poverty and increase employment. Many of the interventions in education and training for the first economy can only make sense in the context of a virtuous cycle of educational and economic development progressing together.

Poverty reduction in the second economy is already being addressed through an expansion of transfer payments and through an extension of services by the state, often in partnership with NGOs and others. Education and training can clearly play an important part in the lives of those within the second economy. Literacy and numeracy can contribute to a better quality of life, to support to children's learning and to enhanced income generation. Here, the commitments of both departments to ABET will be crucial. Such commitments will need to address the relatively failure of ABET initiatives to date. A more nuanced understanding of ABET's multiple motivations is beginning to develop within government and this will hopefully assist in making programmes more effective. However, it must be remembered that many adults are likely not to see personal benefits in ABET.

The Department of Labour is also seeking to expand and increase the effectiveness of the skills development for community development and small enterprise development foci of the National Skills Fund. At the same time, some FET colleges, for instance in KwaZulu-Natal and the Western Cape, are expanding their involvement in lower level, less formal skills development programmes aimed at poorer communities.

Although 42% of the population lived in rural areas in 2001 (Machethe 2004), the relationship between education and training and small-scale agriculture remains largely unexplored and is an absence in the government's overall vision. The same is true for skills related to rural non-farm activities. There are real opportunities for new alliances between education, training, agriculture and small enterprise development in this regard.

Whether in delivering transfer payments, broader services or skills interventions, the state and other actors such as NGOs are in urgent need of skills development themselves in order to improve the efficiency and effectiveness of their work. This is clearly accepted by the state and is reflected in the *Programme of Action*, the *Batho Pele* initiative for public service transformation and in the second *National Skills Development Strategy*. Nonetheless, it is vital that these commitments are realised. However, it must also be remembered that the issue of non-delivery goes far beyond a lack of skills (Naidoo 2004).

CONCLUSION

South Africa has seen the emergence of a development strategy that sees a central role for the state in driving both growth and redress. Moreover, this strategy contains a realistic assessment of the limitations of state capacity and commits the government to addressing this. Inevitably, education and training is given considerable prominence in the overall strategy and in capacity building for a more developmental state. Crucially, given the official reading of the socio-economic challenges faced, the focus is mainly on further and higher education and training as South Africa seeks to build the intermediate and advanced skills that it judges vital to better incomes in the informal economy, a growth in wage employment and greater success in the upper reaches of the global economy.

Achievement of the development vision will not be easy, in spite of real and widespread commitment to delivery. Equally, the central role ascribed to education and training will be difficult to realise. There are good policies, maturing institutions and capable individuals in place but there are weaknesses too in each of these areas and in their interfaces. Whilst strengthening post-basic education and training cannot solve poverty on its own, it is evident that its continued improved performance can play an important role in South Africa's progress towards halving unemployment and poverty by 2014.

We do not wish to suggest that the South African approach should be more widely copied across Africa. However, what we do see in South Africa is a nationally-driven approach to development that does not simply take as given some of the conventional wisdoms about policy prioritisation. We suggest that national governments, and development cooperation agencies, might do well to better ground policies for education and training in a more realistic and complex reading of possibilities and challenges at the national level and avoid the crude convergence of policies that has emerged in the MDG era.

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