

THE THREE 'P'S OF INCLUSIVE GROWTH: PARTICIPATION, PLACE-BASED AND PARTNERSHIP

In a recent study that the HSRC undertook of socio-economic conditions in different parts of South Africa, one of the most striking findings was the persistence of local and regional disparities. Therefore, the inclusive growth agenda has to take citizen participation, place-based policies and public-private partnerships much more seriously, write *Prof. Ivan Turok* and *Dr Justin Visagie*.

Despite appearing to be polar opposites, orthodoxy and populism share an assumption that it is possible to engineer a flourishing society from above by the simple mechanism of transferring resources from one group to another. They focus on the distribution of income and assets, but leave intact the very economic and social structures that generate inequality and restrain prosperity.

Their centralised stance deflects attention from the need to build a more productive and integrated society from below. They overlook the many possibilities to mobilise the goodwill and energy of local citizens in the towns and cities where they live, work and invest.

Debates about national development often neglect the opportunities to establish a stronger society by building local institutions and bringing diverse groups of residents and firms together to combine their insights and experience.

Inclusive growth

The idea of inclusive growth implies developing an economy that

works for all by pursuing growth and redistribution simultaneously. Combining prosperity and fairness requires crafting together different values and realities that underpin efficiency and social justice. It can be summed up under the three 'P's of economic development, namely participation, place-based and partnership.

The principle of participation (or active citizenship) is at the heart of inclusive development. It gives people agency, dignity and a stake in society. It means enhancing their skills and capabilities to generate an income through employment or by running their own enterprises. Participation in decision-making is also vital to hold government to account and to press for higher standards of public services, schools and healthcare.

Place-based policies reflect the need for government strategies to be tailored to diverse local circumstances and grounded in local realities and opportunities. This facilitates more responsive public services and positive reinforcement between different economic and social interventions, leading to better results all round.

Places that function well attract investment, retain talent, empower communities and facilitate upward mobility over time.

Inclusive growth is also a collective endeavour involving government, business, labour and civil society recognising their shared destiny and engaging in practical problem solving. Cooperation is essential to overcome fear and anxiety in a fractured society, to build trust and understanding, and to discourage people who can afford to do so from opting out.

Recent developments

In a recent study that we undertook of socio-economic conditions in different places, one of the most striking findings was the relative progress made in the major cities compared with other localities.

Despite large-scale in-migration of poor and marginalised groups from rural areas and foreign countries, economic and social circumstances in the metros have improved to a greater extent than in the rest of South Africa. Unemployment is generally lower and average incomes are higher, so households

tend to be better off than elsewhere. Access to basic services is also superior and educational attainment is higher.

There are stronger signs of a virtuous circle of development emerging in the cities, whereby public and private investment in people and places is translated into a lower incidence of poverty and fewer problems of hunger and misery. Better infrastructure, more capable institutions and more resilient firms are reflected in superior job prospects, which provide sustainable routes out of poverty and exclusion. There is a (relatively) good story to tell.

Upward mobility

Redistributive programmes in the form of social grants and basic services have been skewed towards rural areas over the last decade. However, this support has not yielded the same cumulative impact as in the cities. Levels of destitution and unemployment in many rural areas remain very high. Social welfare appears to compensate rural communities for the lack of economic opportunities, rather

than to offer real mechanisms of upliftment.

One of the most striking findings is the progress experienced by households moving from the countryside to the big cities. People who remain in rural areas are far more likely to stay trapped in poverty than urban migrants. Therefore, the decision to migrate seems rational and pays off for many movers. This appears to be the first time that such clear evidence of upward mobility has come to light.

Policy lessons

Urbanisation should be acknowledged and endorsed as a means of fostering human development by bringing people closer to economic opportunities. Cities are the best places to integrate economic and social objectives and lift people out of poverty in sustainable ways. Creating jobs and viable enterprises is more cost-effective than elsewhere because of the substantial productivity advantages of agglomeration. It is no accident that 80% of the world's gross domestic

product is produced in cities. The United Nation's New Urban Agenda is all about harnessing this transformative power for the good of humanity.

Government policy should do more to support integrated urban development by providing serviced land, improved infrastructure and other public facilities to accommodate expanding populations and growing economies with less congestion, fewer bottlenecks and less sprawl. Investment in upgrading informal settlements and backyard shacks would reduce the intolerable overcrowding and vulnerability to fires, flooding and disease.

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