The benefits and challenges of inter-temporal and international indices

Prof Alex van den Heever
Chair in the Field of Social Security

Alex.vandenheever@wits.ac.za
INDICES ARE METRICS – WHY DO WE NEED METRICS?
• How can value achievement be claimed when it can’t be demonstrated?
• What conditions create the need for metrics of value?
  – Complexity?
  – Goods and services that generate significant externalities?
    • Eg. Public administrations and services
    • Eg. Central administrations of large organisations
• Which metrics demonstrate value?
Problem with metrics

• What is *measureable* may not reflect value
• What is *measured* may not reflect value
• If behaviour responds to what is measured, and what is measured *does not reflect value*, then the achievement of value will probably be undermined
• For metrics to drive value, they must therefore make explicit sufficient information to drive behaviour continuously toward the creation of value

---

• But what’s the relationship between *information* and *behaviour*?
Producing value

Information → Decisions → Behaviour → Outcomes → Value → Incentives

Value
Who makes decisions?

- **General public/consumers**
- **Governments**
  - Political structures
  - Officials
- **Boards/oversight structures**
- **Managers of**
  - Social security agencies
  - Government departments
  - Service providers
  - Etc

If consumers don’t make informed decisions, the rest of the decision-makers will make decisions on their behalf based on their own incentives.

But if they are able to make informed decisions, **everyone else will be affected by their choices**.
Accountability framework – driver of incentives

- Performance benchmarks
- Public reporting
- Transparency/information
- Reporting to supervisory structures
- Media
- Decision-makers
- Penalties/rewards
- Consumers/voters
- Supervisory structures (un-conflicted agents)
A DATA STORY ABOUT SOUTH AFRICA – A CASE STUDY
South Africa comparison: percentage of total income earned by the top 10% of income earners

Source: World top incomes database: http://topincomes.g-mond.parisschoolofeconomics.eu/ (adjusted)
South Africa comparison: percentage of total income earned by the top 5% of income earners

Source: World top incomes database: [http://topincomes.g-mond.parisschoolofeconomics.eu/ (adjusted)](http://topincomes.g-mond.parisschoolofeconomics.eu/)
South Africa comparison: percentage of total income earned by the top 1% of income earners

Top incomes in South Africa

Source: World top incomes database: http://topincomes.g-mond.parisschoolofeconomics.eu/(adjusted)
Protection of permanent workers against individual and collective dismissals, 2013

Protection of temporary workers against individual and collective dismissals, 2013

Changes in remuneration by sector

Index 1993 = 100

- Construction
- Finance, real estate and business services
- General government services
- Personal services
- Total compensation of employees
- Manufacturing
- Mining and quarrying
Employment changes by economic sector from 2001 to 2014

Employment and compensation of employees, changes from 2001 to 2013 (percentage)

Institutional maternal mortality ratios per 100,000 live births by province from 2000 to 2012

Source: National Committee for Confidential Enquiries into Maternal Deaths. Saving Mothers
[http://www.hst.org.za/content/health-indicators]
### Poverty headcounts in 2006, 2009 and 2011

<table>
<thead>
<tr>
<th>Poverty headcounts</th>
<th>2006</th>
<th>2009</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of the population that is poor</td>
<td>57.2%</td>
<td>56.8%</td>
<td>45.5%</td>
</tr>
<tr>
<td>Number of poor persons (millions)</td>
<td>27.1</td>
<td>27.8</td>
<td>23.0</td>
</tr>
<tr>
<td>Percentage of the population living in extreme poverty</td>
<td>26.6%</td>
<td>32.4%</td>
<td>20.2%</td>
</tr>
<tr>
<td>Number of extremely poor persons (millions)</td>
<td>12.6</td>
<td>15.8</td>
<td>10.2</td>
</tr>
</tbody>
</table>

Is there sufficient data to validate one or other theory?

**DIAGNOSTIC THEORIES**
Two basic stories

• Story 1:
  – Unemployment and inequality is a function of the distribution of capabilities
    • The inadequate distribution of capabilities results in structural unemployment
    • High levels of structural unemployment result in the detected levels of poverty and inequality through its impact on the primary distribution of income
  – Low levels of growth, resulting from inadequate savings levels (due to high general propensity to favour consumption over savings), restrict society’s ability to rapidly expand capabilities and to achieve a better secondary distribution of income
– Structural unemployment is also driven by labour market inflexibility and structurally high wage settlements, resulting in
  • Employer incentives to favour capital over labour – lowering the job security of unskilled workers
  • Increasing the cost of low-productivity service sectors and their ability to absorb surplus low-skilled workers
• Story 2:
  – Structural unemployment and low economic growth is strongly influenced by the *structurally skewed distribution of income*, which distorts
    • The *distribution of socially important risks*
    • *Industrial development* (through an extreme segmentation of markets into those serving the top income earners)
    • The *accumulation of social capital*
    • The *accumulation of household capital*
  – The *distribution of capabilities* explains aspects of the distribution of income – *structurally influences who has power over the distribution of income*
– Structural unemployment is also strongly influenced by South Africa’s developmental path, through commercial agriculture and mining, which has destroyed the social capital of rural communities, impacting on their ability to organically integrate into the modern urban-based economy
  • (noting that: social capital is not adequately mitigated by education)
Institutional Architecture

Policy development → Integrated policy delivery

Continuous social engagement

Participative consultative structure for integrated and coordinated policies

Active governance

Integrating strategic social security institutions

Social security → Labour activation
Metrics should...

• Be able to measure alternative theories of societal development
  – Distribution of social risks
  – Labour market
  – Capability development
  – Economic growth and development

• Encompass
  – Diagnostic measures
  – Policy intervention measures
END