Towards inclusive growth in Africa

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Abstract:

Inclusive growth is a much talked about concept, raising many arguments in favour but also questions. There remains a concerning amount of ambiguity regarding its definition, measurement and policy application. Hence, the research question considered is: What adjustments to the growth process is necessary to ensure inclusive development? The paper aims to bring clarity to the concept of inclusive growth and examines the challenges and policy priorities for inclusive growth in the African context. By means of a literature review and theoretical analysis the essential components of inclusive growth is identified. Given the promise it holds to help overcome the pressing obstacles of poverty, unemployment and inequality in a broad-based manner, it is seen as a way to start disentangling the economic distribution constipation experienced by especially developing economies. The question of how inclusive the growth of African economies are, is becoming critical for ensuring sustainable development, given rising population growth rates. The paper makes a contribution to mapping the way forward towards reaching this goal. Key findings are a reconceptualisation of genuine growth and how inclusivity criteria can be used to achieve it.

JEL classification: F02, F6, F43, F63

1. Introduction

As the world entered the 21st century there has been a growing demand for economic inclusiveness, especially with regards to growth. A focus on inclusive growth (IG) has become fairly widespread among analysts and policy-makers. Yet much research still needs to be done to gain clarity on the meaning and measuring of IG, and the implementation of IG-strategies and adjustments in economies. African countries are concerned about the lack of inclusiveness, especially given high growth rates during the past two decades. Creation of job opportunities and the reduction of poverty and inequality have not ensued fast enough. According to Ncube (2015:172), African economic growth has not been inclusive, thus threatening its sustainability, especially because its growth can largely be explained by a strong commodity price trend.

The growing concern is that economic growth in and of itself is not sufficient to bring about a wider and more equal spread of benefits to all sectors and social groups. Growth can easily bypass the poor, low-skilled and other marginalised groups. Ali and Son (2007:1) stress that

high and increasing levels of income inequality can lower growth's impact on poverty reduction, resulting in negative implications for political stability and social cohesion, which is needed for sustainable growth. Even in advanced economies, growth accompanied rising income inequality over the last 30 years, spurring the debates on development, poverty and the inclusiveness of growth (OECD, 2014:7). Rising unemployment has further underlined the need for an improved understanding of the policy-frameworks needed to enhance labour market outcomes across various social groups. Woman and the youth are particularly vulnerable due to their weak attachment to the labour force. Additionally, demand for access to services are pressuring national budgets. All this ask for more inclusive models of growth.

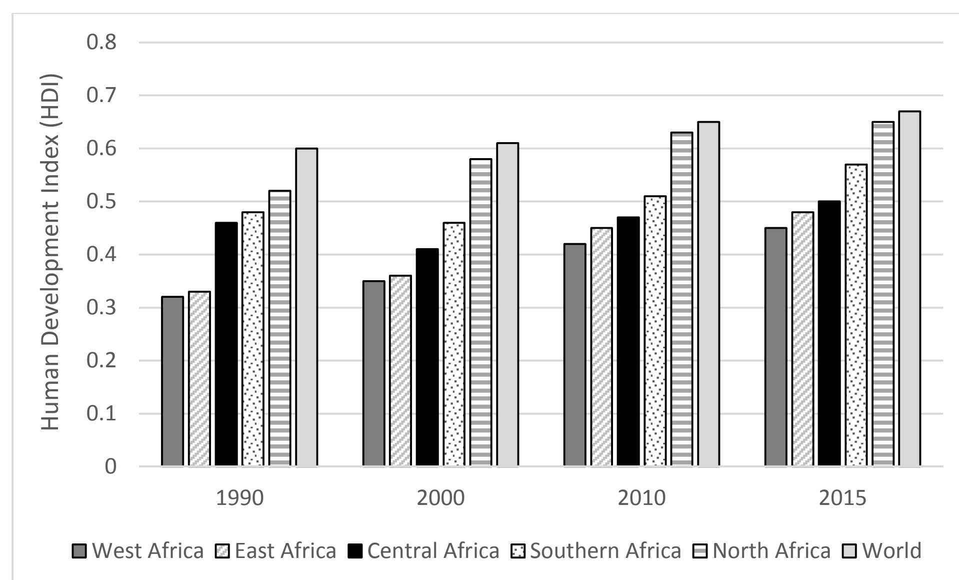
Africa's accelerated growth is laudable (on average, over 5% since 2000), but its limits are quite varied. Africa's high population growth rate restricts growth's ability to generate rapid development. The unequal distribution of the benefits of growth has limited its impact on poverty reduction and job creation (Ncube, 2015:154). Jobless growth, for instance, is a stark reality that Africa urgently needs to address. Almost 40 million Africans are unemployed while the poverty rate remains above 40% (AEO, 2016:365). Growth has to become more inclusive to bring about the needed structural transformations in African economies and improve the well-being of even the non-income components of society such as health and education. Growth cannot continue to exclude disadvantaged groups in society, stressing that the nature of growth needs to adjust. Africa faces a future riddled with uncertainty as its youth (those below 19 years of age), which is over 50% of the population, have very limited choices and capabilities. Three out of four Africans live in poor conditions compared to one in five globally (ILO, 2012). Both the short and long term implications of this necessitates a radically inclusive approach to stimulating growth. The question is what does that mean? The paper investigates this question and attempt to bring clarity to the components and policy applications of inclusive growth in the African context.

2. African context and the growth debate

African economic growth has slowed down significantly to 2.2% in 2016, compared to 3.4% in 2015. The main reason for that was the poor performance of Africa's leading economies, Nigeria and South Africa, which account for 29.3% and 19.1% of the share, respectively, in Africa's gross domestic product (GDP) (AfDB, 2017:32). Nigeria (GDP of -1.5% in 2016) experienced a recession, worsened by the fall in oil prices and policy uncertainties. South

Africa (GDP of 0.3% in 2016) still recovered slowly from an electricity deficit and persistent droughts, while the 2017 economic downgrade to sub-investment status were looming in 2016. Other factors for Africa's low growth include: a slowdown in commodity export earnings due to falling prices; simmering effects from the Arab Spring; slowing growth in emerging economies, especially China, which is Africa's largest trading partner; a dampening of the global economic recovery; and pockets of bad weather and droughts in numerous African countries. While Africa's economic diversification improved, its resilience against external shocks remain porous and domestic demand, a main driver of growth, lacks sustainability, given the struggling improvement in human development (AfDB, 2017:54). As Figure 1 indicates, Africa's human development remains below the world average. Foreign direct investment (FDI) also remain volatile due to African domestic risks and global uncertainties.

Figure 1: African regions: Human development levels (1990-2015)

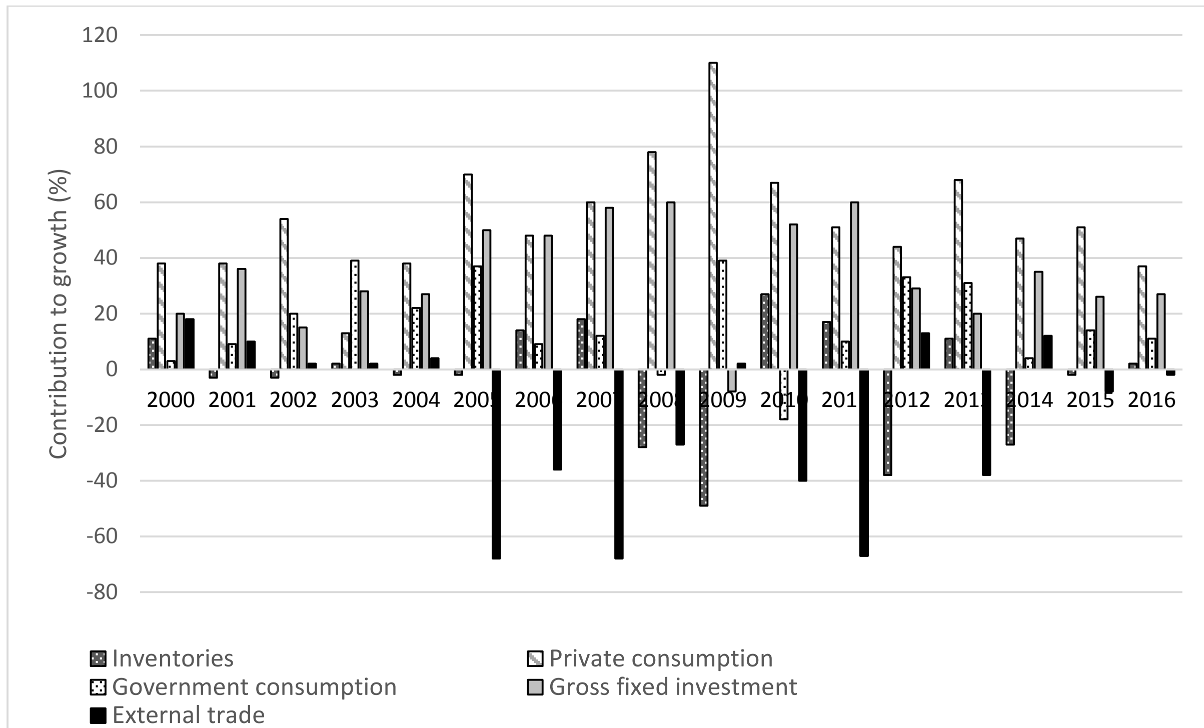


Source: United Nations Development Programme (UNDP), 2016:26

As far as the main drivers of Africa's economic growth is concerned (see Figure 2), private consumption has on average (from 2000-2016) been the best performer, followed by gross fixed investment and government consumption. The worst performers are external trade and inventories. Population growth contributed to increased domestic demand, outperforming natural resources and primary commodities as a major growth driver. It also contributes to a rise in entrepreneurship, which is expected to lead to more investment in industrialisation (AfDB, 2017:29). Progress in institutional and regulatory reforms supports growth in this area, thus improving the governance and business environment. Public infrastructure investment

complements this in stimulating government consumption's contribution to growth. A concern is the below-average levels (over the 17 period) of almost all the growth drivers since 2010.

Figure 2: Drivers of growth in Africa (2000-2016)



Source: AfDB, 2017:29; World Bank, 2016

Another concern is the question of how inclusive these growth drivers are in terms of building a more inclusive economy in Africa. This will become clearer when we consider the meaning and components of inclusive growth and whether these drivers contribute significantly to reducing economic inequality. Africa's inequality ratio, as indicated by the Gini coefficient, is 0.43 (compared to 0.39 for other developing countries) (Bhorat *et al.*, 2016). By global comparison, Africa has the largest differences in distribution of benefits of human progress. The overall loss in human development from inequality in Africa is 32%, which is much higher than the global average of 22% (AfDB, 2017:111).

Stiglitz (2013:86) underlines the threat of inequality and the lack of economic inclusivity to a society by stating that, "of all the costs imposed on our society by the top 1 percent, perhaps the greatest is this: the erosion of our sense of identity in which fair play, equality of opportunity, and a sense of community are so important." Especially in the African context, the counter-productiveness of increasing inequality within and between economies does not only have a negative economic impact but is also degrading the moral fiber of society.

As far as the debate about economic growth is concerned, one perhaps need to clarify first what is meant by the term 'growth'. Daly (1987:323) defines it as "a quantitative increase in the scale of the physical dimensions of the economy; i.e., the rate of flow of matter and energy through the economy (from the environment as raw material and back to the environment as waste), and the stock of human bodies and artifacts." This can be differentiated from 'development' in that the latter refers to the qualitative improvement in the structure, design and composition of physical stocks and flows, resulting from an increase in knowledge, both of technique and of purpose. In sum, growth is quantitative increase in physical dimensions, while development is qualitative improvement in non-physical characteristics. This makes it possible for an economy to grow without developing, and vice versa.

One debate centres on the limits of growth and the fact that growth does not guarantee development in the economy. Growth is limited in both its biophysical capacity and its ethicosocial capacity. The former comprise of three interrelated conditions – finitude, entropy, and complex ecological interdependence (Daly, 1987). It underlines that the economy is dependent on a finite ecosystem, which is both the supplier of raw materials and the absorber of its entropy wastes. Interference in the ecosystem through disorder (depletion and pollution) directly affects the capacity of the economy, especially its growth capacity (products, services, sustained consumption). The latter, ethicosocial limits, refers to (1) the financing of growth being limited by the cost it imposes on future generations; (2) the degree to which the self-cancelling effects on welfare can limit growth (e.g. higher dependency on grants); (3) the social impact of growth, such as rising inequality (e.g. supercapitalism benefiting the rich and the poor being ever more excluded from mainstream economic activity), could limit growth.

Notably, neoclassical economics do not fully assume these limits. As Abramowitz (1979:18) pointed out, "Economists have relied, however, on a practical judgment, namely, that a change in economic welfare implies a change in total welfare in the same direction, if not in the same degree." This practical judgment ceases to be true as the economy approaches either or both limits. The gain in (and sustainability of) economic welfare could easily be more than offset by a loss of natural ecosystem services provoked by excessive production, or by a deterioration/ insufficiency of the redistribution channels of the economy, resulting in the escalation of economic inequality. Given current realities, economic growth means that close-to-the limits cases become increasingly the norm. The nearer we are to limits the less we can assume that economic welfare and total welfare move in the same direction (i.e. development). Rather we

must learn to define and explicitly account for other sources of welfare that growth inhibits and erodes when pressing against limits. “The economics of an empty world with hungry people is different from the economics of a full world, even when many do not yet have the full stomachs, full houses, and full garages of the ‘advanced’ minority,” argues Daly (1987:324).

Lastly, another growth debate, which is especially applicable to the African context, involves the issue of financial inclusion in the growth process. The poor performance in many African countries on access to finance is a serious concern. The question is: To what extent would greater financial inclusion – which is on balance (in the short term) a cost to banks – lead to increased economic growth in Africa? According to the endogenous growth theory, there are mainly two channels through which finance affects the real economy: the efficiency with which savings are allocated to investment; and an increase in financial intermediation can affect growth if it improves the allocation of capital (Ikhide, 2015). An improvement in the allocation of capital should thus lead to higher growth, since it raises the total productivity of capital. Levine (2005) identified six channels through which finance is expected to influence growth: allocating capital to productive uses; facilitating trading, diversification, and the management of risk; producing information; monitoring investments and exerting corporate control; easing the exchange of goods and services; and mobilising and pooling savings. In the interdependency between growth and finance, the direction of causality can run both from the financial sector to the real sector (supply-leading hypothesis), or that economic growth leads to financial development (demand-following hypothesis) (Demetriades & Hussein, 1996).

However, in studies conducted in Sub-Saharan Africa (SSA), the former have mostly been found to be the case (Agbetsiafa, 2003; Adjasi & Biekpe, 2006; Enisan & Akinlo, 2007). It could partly be explained by Africa’s underdeveloped financial systems, but overall results in support of finance-led growth have mostly been tepid. The debate on the direction of causation remains a controversial issue, especially in Africa, because of examples being so few where financial development has led to economic growth. However, this does not diminish the fact that, in principle, a strong correlation exist between the exogenous components of financial development and long-run economic growth. And in both contexts, intrinsic to inclusive growth is increased financial inclusion (i.e. banking the unbanked).

3. What is inclusive growth?

Economic growth in the context of it being inclusive, implies that the emphasis is on utilising every productive component optimally in the production process by way of inclusion, not exclusion/filtering. Hence, also referred to as organic growth, all participants' unique and significant function in the production process are valued and equitably rewarded. A blossoming tree is an accurate analogy of this because it does not use exclusion to grow, but rather expansion. Organic growth is multi-directional to which all cells contribute, and not just one-directional profit-seeking. Growth and replenishing therefore goes together in this broader concept of growth, thus ensuring sustainability and exponential growth potential.

As Vasudev (2013:1) underlines: "big business is not about profit but expansion; expansion is inclusion. Inclusive economics is a way of empowerment of the whole of humanity to participate in a robust and all-inclusive economic process (including quality education and health care)." This opens the way for a faster rise in poor people's well-being than non-poor people. It also minimises the possibility of immiserising growth (negative growth) where growth occurs while a country's terms of trade weaken (Bhagwati, 1958:202). Expansion-growth increases the probability that export earnings will increase faster than import costs due to the diversification of the economy. While with immisering growth, economic growth does not always lead to increased welfare, in this case the risk is reduced.

Notably, one component of inclusive growth (IG) is *pro-poor growth* in that the latter exclusively focus on the outcomes of growth in terms of its effect on poor people's incomes. This can either be in the context of relative poverty (i.e. when the poor's income improve relative to the non-poor) and in terms of absolute poverty (i.e. when less people end up below the poverty line). Employment is thus not the main factor. This is, though, the case with *broad-based growth*, which another component of IG. Broad-based growth aims to involve more of the poor and disadvantaged people in the growth process through employment (producing goods and services). How it will change people's well-being is not a central focus (Fourie, 2014:3). The third component of *shared growth* emphasises that the fruits of growth be shared in a way that it eliminates poverty and thoroughly reduce income inequality (AsgiSA, 2006:6). Shared growth is not so focussed on the growth process, but rather on people's quality of life as they participate in production. As Fourie (2014:2) highlights, the concept of inclusive growth – while being without a definitive description – "attempts to define a broader concept of economic growth that incorporate equity and the well-being of all sections of the population –

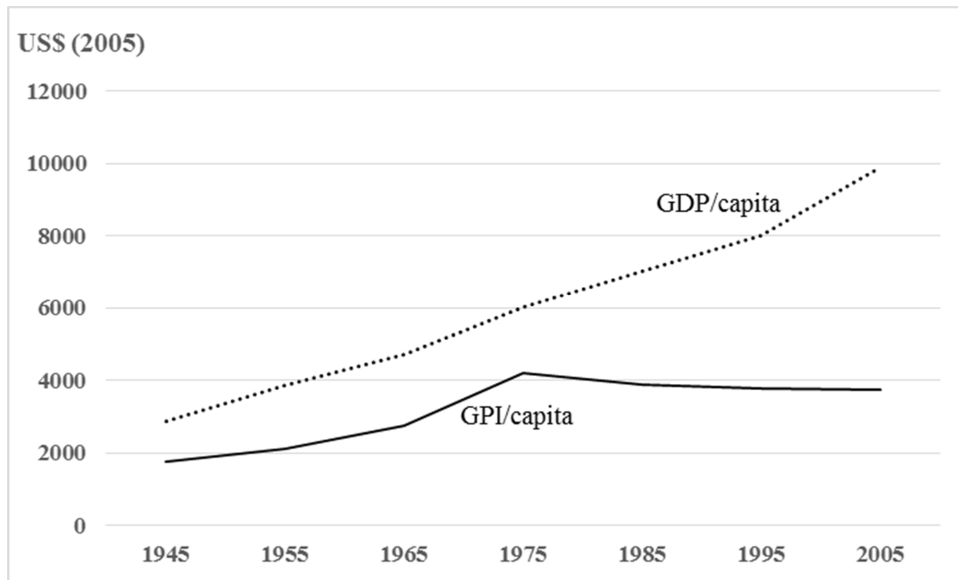
notably the poor, with poverty being considered either in absolute terms (poverty reduction) or relative terms (the reduction of inequality).” In this regard, Klasen (2010:15) identified two distinctive features for the inclusive growth process: it must be expressly non-discriminatory; and be expressly disadvantage-reducing.

Significantly for IG, growth must lead to genuine economic progress in a society. If GDP per capita increases but inequality increases markedly, it is counter-productive to any community, and unsustainable. Apart from the economic factors, genuine economic progress also includes social and environmental factors in considering humans in a truly holistic way. This necessitates that growth be inclusive, both in terms of the process and the product.

Since the Rio Summit in 1992 there has been significant advancement in terms of re-evaluating what ‘economic progress’ means. Economic growth is increasingly seen as only *part* of progress and not the main determinant. Inclusive growth is becoming more the focus. Quite a number of new indicators have been put forward by advocates of sustainable development, which is argued to be more appropriate (than simply gross domestic product (GDP)) for evaluating the performance of economies, the global economy, businesses, institutions and communities (Pouw & McGregor, 2014).

Central to what has been proposed is the Genuine Progress Indicator (GPI), which we will consider here for conceptual purposes (gaining clarity in understanding genuine progress). The GPI is viewed by its supporters as a more holistic and inclusive measurement by incorporating environmental and social factors, which is not measured by GDP. When poverty, for instance, increase, GPI would decrease. It factors in environmental footprints and social costs resulting from business activity. A range of indicators are combined (as plusses and minuses) in accounting for genuine economic progress. Whereas GDP might be seen as the ‘gross profit’, GPI is seen as the ‘net profit’ (or GPI balances GDP spending against external costs). Figure 3 below illustrates this by showing that although global GDP per capita has increased, genuine progress and well-being has not, since global GPI per capita is on a decreasing trajectory (from 1975 to 2005). While GDP is a measure of current income, GPI measure the sustainability of that income – which, as is clear from Figure 3, is of major concern as the divide increases.

Figure 3: Global GDP per capita vs. global GPI per capita



Source: Kubiszewski et al., 2013:63

Closely related to genuine progress and a more inclusive ideal for progress is the concept of sustainable development. The World Commission on Environment and Development defined it as meeting "the needs of the present without compromising the ability of future generations to meet their own needs" (1987:8). Genuine economic progress means improvement in all forms of human well-being, resulting in truly inclusive, sustainable development. Costanza *et al.* (2009:12) defines this as "development that improves the quality of human life while living within the carrying capacity of supporting ecosystems."

Given the *twin crises* converging in the 21st century of collapsing ecosystems and community-structures, Talberth (2008:22) points out that a consensus is emerging between scientists, government and civil society about: "the need for a rapid but manageable transition to an economic system where progress is measured by improvements in well-being rather than by (only the) expansion of the scale and scope of market economic activity." The inclusion of ethical values together with more cooperative frameworks for solving humanity's most pressing problems in our understanding of sustainable development, are becoming the "new bottom line for progress in the 21st century," he argues. This relates to the Hicksian notion of sustainable income that, "we ought to define a man's income as the maximum value which he can consume during a week, and still expect to be as well off at the end of the week as he was at the beginning" (Hicks, 1948: 17).

Genuine progress occurs when future consumption capacity increase without an increase in long term costs (environmental and social). Sustainable development requires a non-declining level of well-being for future generations. A guiding principle is thus: "that social, environmental and economic needs be met in balance with each other for sustainable outcomes in the long term" (UNCED, 1992:41). In this regard, Edwards (2005) identified seven key objectives to be shared: stewardship; respect for limits; interdependence; economic restructuring; fair distribution; intergenerational perspective; and nature as model and teacher.

These are a core part of the 'house rules' for a genuinely progressing global economy – i.e. a global village in the 21st century. On balance, higher levels of consumption may or may not have any relation to a higher quality of life if it is detrimental to personal health, to others, or to the environment. Talberth (2008) thus highlights the concern that there is a growing disparity between current economic globalisation (driven by GDP-growth) and genuine progress. While contemporary globalisation has accompanied progress in life expectancy, the proliferation of technology, etc, this is to a large extent negated by its inability to address: environmental and humanitarian disasters threatening life on the planet; gross resource-distribution inequities (that it masks); and failing to take account of declines in well-being due to loss in community, culture, and environment. Only genuine economic progress, driven by inclusive growth, can circumvent this.

In discussing the environment, the concept of 'green growth' inevitably surfaces. Essentially, green growth refers to a circular model to the economy, instead of the current linear model. This means that rather than continuing to 'make, use and dispose' unwanted side effects in the economy (as in the case of at least one third of the world's plastic waste being neither collected nor managed, and most of it ending up in the seas), waste becomes a thing of the past (Lorek & Spangenberg, 2013). In a circular economy a given resource is kept circulating for as long as possible, thus benefitting the environment. That means designing products, processes and services to optimise the use of resources. And when they reach the end of their lifespan, they are either re-used, repaired or re-manufactured for another use. One should also be able to re-inject their composite materials elsewhere into the economy. This 'circularity' principle of green growth should especially be built into energy, transport and construction. This would imply greener agriculture, preserving biodiversity and ecosystem services as different business models are being applied.

Inclusive growth is thus a comprehensive concept and can be viewed in a multidimensional context. From all the above, the following criteria for inclusive growth can be summarised:

- Optimal productivity (real and organic)
- Pro-poor growth
- Broad-based growth
- Shared growth
- Genuine economic progress (GPI)
- Green growth (towards a circular economy)

4. Measuring inclusive growth: The case of South Africa

A key question is how to measure inclusive growth? For African purposes, South Africa can be taken as an example. An Inclusiveness Index has been developed at the International Policy Centre for Inclusive Growth (Fourie, 2014). It contains three equally-weighted components: two outcomes-based, or benefit-sharing measures, i.e. a measure of poverty and a measure of income inequality; and one process-based measure, i.e. a measure of employment participation. The indicators are:

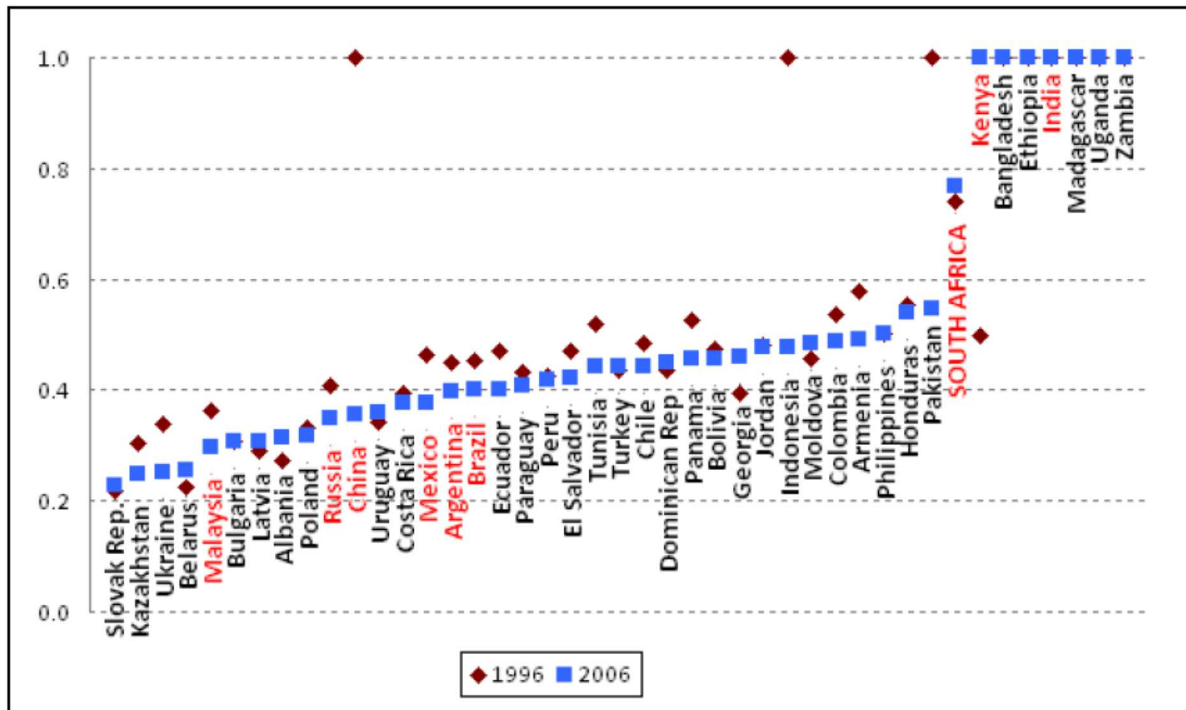
- for participation: the employment-to-population ratio (EPR), i.e. the absorption rate;
- for benefit sharing: the poverty headcount ratio (H) and the Gini coefficient (G).

Ramos *et al.* (2013) use poverty headcount ratios from the World Bank's Development Research Group's global update (with a poverty line of US$2/day purchasing power parity), Gini coefficients from the Standardised World Income Database (SWIID) and employment-to-population ratios (EPR) provided by the International Labour Organisation (ILO). A country's index is calculated relative to the data of the other developing countries that are analysed. Intuitively, it represents a country's position regarding poverty, inequality and employment relative to the best situations within the group of countries.[1] The Index is constructed on a scale ranging from 0 to 1 (Fourie, 2014). A higher index value implies a worse performance in terms of inclusiveness. Figure 4 shows the index values for a number of developing countries for 1996 and 2006. Countries with a poverty rate of more than 65% are summarily classified as non-inclusive and given the highest index value possible, i.e. 1. These six countries, which

[1] The Inclusiveness Index is built through a min–max normalisation of data on poverty, inequality and the inverse of the EPR. The index is the simple average of the three min–max normalisations. See Ramos *et al.* (2013).

include Kenya and India, can be seen in the upper-right side of the diagram. Their calculated index values are between 0.4 and 0.65 – below that of South Africa.

Figure 4: Inclusiveness Index for 1996 and 2006



Source: Ramos et al., 2013

South Africa has an Inclusiveness Index value of around 0.75, which is very high in a comparative context. This signifies that South Africa has a very low degree of inclusiveness compared to other developing countries. This is mostly due to a low labour absorption rate and very high income inequality. In terms of this measure, South Africa's inclusivity has declined since 1996: amidst high GDP growth rates, the index has climbed from 0.74 in 1996 to 0.77 in 2006. In this period the only positive element in the SA index was the declining poverty ratio – but it was overshadowed by growing inequality and a declining employment-to-population ratio. For economic growth as such to be considered inclusive, it must either lead to an improvement in all three indicators of inclusivity, or at least an improvement in one or two indicators but with the other indicator(s) stable/non-deteriorating (Ramos *et al.* 2013: 35). Thus, South African growth has not been inclusive in this period. Looking beyond 2006, one may note that the increase in the Gini coefficient may have been halted (2011 *StatsSA* and other data) and that the poverty headcount ratio has continued to decline – but that the employment-to-population ratio has declined since 2006 (Fourie, 2014). Thus South African growth still has

not become inclusive. (The SA index value might have stabilised, or even declined slightly, since 2006, but it probably is still at a very high level around 0.75).

South Africa's low rank in terms of the Inclusiveness Index is in line with another assessment of inclusive growth from the early 1990s to approximately 2010 by Anand *et al.* (2013). This study places South Africa fifth from the bottom in a ranking of 27 selected emerging-market countries and 16th from the bottom among 100 emerging markets. (They use a definition that is based on changes in only two elements: per capita GDP and income inequality.[2])

4. Broader inclusive growth priorities and policy recommendations

Central to inclusive growth is stamping out inequality and constructing a responsible economy where care is taken of each person, and where an improvement in the collective quality of life is the main aim of development. It is markedly different than a market- and growth-centered economy where growth and production are basically the only providers of progress in welfare. Income might increase, but quality of life often suffers because of serious flaws to the market and growth (e.g. maldistribution, pollution, worker exploitation, societal degradation/ disconnection, excessive competition, etc). Inversely, in an inclusive development framework, the three dimensions/types of individual and collective well-being – material, cognitive/ subjective and relational – are holistically taken into consideration in a value-driven economy, geared towards reducing the trade-offs between the different types of well-being in people's economic decision-making. Synergies (between collective and individual well-being) and empowerment (better decisions and for better quality of life) are rather the goals.

Then, collectively in society, as Ray and Liew (2003:386) point out, empowerment occurs as "social interactions enable individuals to adapt and improve faster than biological evolution based on genetic inheritance alone." This emphasise a heuristic understanding of economic decision-making that are guided by multiple (codified) rules, laws and values simultaneously, which distinguish itself from the simplistic utility function in welfare economics where only one rule applies: efficiency. Inclusive development takes better cognizance of complex human well-being decisions to see the tangible improvement of well-being. With well-being the primary objective of economic policy (and growth being inclusive), it moves the economy in

[2] Anand *et al.* (2013) propose a measure that combines only outcome indicators, i.e. the growth in per capita GDP and the change in income inequality. It is narrower than the proposal by Ramos *et al.* (2013). Moreover, it is in line with the weaker, absolute definition of pro-poor growth rather than the relative definition.

the direction of genuine progress. Emphasising human well-being is therefore integral to the transformation towards a sustainable, equitable and inclusive African economy. Even in terms of measurement, GDP per capita is not seen as a good indicator of well-being, particularly in unequal societies (Verstappen, 2011:7). Stiglitz et al. (2009:16) has major concerns about relying on it as a guide to global development decisions. It is too narrow for assessing quality of life given the wide spectrum of factors contributing to well-being.

In this regard, Verstappen (2011:6) also identifies family relationships, work, friends, health, personal freedom, and spiritual expression as all essential ingredients of well-being. Stiglitz et al. (2009:14) underscores this multi-dimensional understanding of well-being, and adds to this list: education; political voice and governance; reducing survival-insecurity. For collective well-being, economic growth alone is insufficient because unless distribution and sustainability are at least equally efficient, growth is not viable to sustainably improve well-being. It is particularly the social conception of well-being that inclusive development factors in – whether in the market or/and policy objectives. It coincides with a rise in what is called as 'ethonomics'.

This is an economics of sharing, connecting, collaborating, openness and ethics that also value non-market goods, normally devalued by an increasingly market-dependent global citizenry (Verstappen, 2011:7). Ethonomics proposes a re-evaluation of what assets we exchange, why and how we do so, and how to properly value them. It draws attention to elements of society that are not ruled by the market-mechanism, that do not follow the logic of accumulation and competition, which are not based on the pursuit of self-interest. It attempts to identify that which is rendered invisible by market ideology, but which is also part of the common good. This, as part of well-being, requires an enhanced understanding of development as it lies in the interplay of individuality and sociality, of individual initiative and social integration, of individual autonomy and social cohesion. If the common good is to be identified in economics then a new appreciation of human relationships – even power relationships (e.g. employer-employee, levels of governance, etc.) – is essential to inclusive development, together with the moral dimensions of decision-making to ensure the needs of well-being are holistically met. In this way, human well-being becomes a unifying and central goal of economic performance and social progress, which is different than (selective/unequal) material welfare only. Inclusive development thus comprise of both: more inclusivity, but also of greater differentiation as it values a broader spectrum of diversity related to humans as economic role players.

Growth will not be inclusive unless we make it inclusive. While there appears to be broad agreement on the policies that are important for growth and reducing poverty, less is known about what may foster inclusive growth (Anand *et al.* 2013:13). Ramos *et al.* (2013: 36-7) show that in most cases countries' Inclusiveness Index performances cannot be explained by their GDP growth. The absence of a link between economic growth and inclusiveness is evidence that normal growth alone cannot reduce poverty and inequality and increase employment. In addition to the absence of trickle-down effects to reduce poverty, it probably means that current economic growth is not accompanied by the generation of adequate employment.

Here one encounters the problem that current growth patterns typically are not employment intensive (Fourie, 2014). The employment coefficient in South Africa is approximately 0.5. This means that employment expands at only half the rate of GDP growth. As a consequence, the absorption of labour will continually decrease relative to output, implying that overall employment intensity keeps declining. This makes it very difficult to increase employment significantly on the basis of growth in the core, formal economy.

Part of the answer must lie in finding ways to enable those that are excluded from formal sector employment to find (or remain in) sustainable, paid employment or self-employment in the informal sector and grow their income from such work. If by definition inclusive growth means and requires, that poor and marginalised people participate in the growing economic activity and simultaneously benefit from it, inclusivity as a concept and as an economic policy strategy will have to include and integrate the informal and survivalist segments of the economy.

If economic policy could develop untapped economic and employment potential in the informal sector, together with efforts to stimulate the demand for unskilled and semi-skilled labour in the formal sector, such inclusivity could produce an economic growth trajectory that would increase the scope and value of economic activity and incomes also in the informal economy (and the survivalist segment) (Fourie, 2014). Income-generating activities in the informal sector would become an integral part of growing economic activity. Poor and marginalised people would contribute to growth – rather than just receiving benefits from formal sector growth in the form of social spending or grants.

Pursuing and attaining such inclusive growth would clearly require much more than 'priming the pump' and/or increasing social spending. It would require an explicit inclusive policy strategy to increase productive activity, employment, self-employment and earnings in both informal and formal segments of the economy, to develop durable backward and forward

linkages between these segments and facilitate sustainable transitions into employment (Fourie, 2014). It requires a deep look, by private and public sectors alike, at the nature of production and employment processes – notably structural and policy-induced factors that marginalise and exclude disadvantaged people from participating in employment and work – as well as the earnings of workers, the inequality of income, the effectiveness of social benefits received and so forth. Appropriate legal and regulatory frameworks to support these changes, which could include elements of formalisation that are carefully selected to be enabling, would also be necessary – at all levels of government.

Lastly, in moving to greener and more inclusive growth, taxation should also be re-thought by governments in that it should be moved from labour to pollution and resources. This would help stop subsidisation of activities that are detrimental to the environment, and encourage industry to follow a longer-term view and invest in less resource-intensive technologies. With resources becoming finite as consumption increase and resource replacement is slow, Africa's economies will have to adopt the circular economy concept to reach full potential. It needs to become a natural way of thinking to policy-makers, the private sector, investors and consumers. This is the way forward for sustainable growth and development, which is inclusive by nature.

5. Conclusion

Economic growth, both in terms of its conceptual understanding and its output, involves significant debate. Economic development has become a necessary requirement for growth to be sustainable, especially given increasing global inequality (between and within countries). While the importance of growth and productivity is not questioned, the process, output and economic impact of growth is under the microscope when focussing on inclusive growth (IG). Also, although there might seem to be some overlapping, IG is not another form of economic development, since it specifically attempts to address these three components of growth. The paper considered various dimensions of inclusive growth, which is still an evolving concept. Adjustments to the growth process, and seeking to follow a more inclusive approach to stimulating growth, has been highlighted. In terms of the nature of IG, six criteria have been identified, which include: optimal productivity (involving organic output); pro-poor growth; broad-based growth; shared growth; genuine economic progress; and green growth (moving towards a circular economy and slowly replacing the current linear economy with its high wastage level). Two distinctive features for the inclusive growth process have also been pointed

out: it must be expressly non-discriminatory; and be expressly disadvantage-reducing. While measuring IG remains a subject for still much research, the Genuine Progress Indicator (GPI) and the Inclusiveness Index appears to be promising starting points going forward. Objective measuring IG is of course critically important in order to determine progression/regression, which will then inform policy on what changes to growth processes, outputs and economic impacts are necessary. As much as the private sector should explore adjustments in the production process towards creating a more inclusive, circular economy, government regulation and policy needs to have the will-power to steer much-needed changes. In Africa, especially, this is critical, since greater emphasis on inclusive growth presents a promising opportunity to address economic exclusion through unemployment, poverty and lack of market access. The newly introduced Sustainable Development Goals (SDGs) provide good initiative in this direction, but a broader approach at policy and production levels are critical in the public and private sectors. Even consumption patterns should adjust to inclusive growth requirements. All this necessitates strategic governance at private, national, regional and global levels. Inclusive growth and inclusive development, in tandem, should form the backbone of such relational governance. Without the human element of trust among different stakeholders, this would not become a reality and we would stare a grave future in the face. But for Africa to move towards inclusive growth, this is a hugely advantageous opportunity.

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