

The NDP and inequality

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# Background

The National Planning Commission has commissioned discussion documents on key elements of the National Development Plan that relate to economic issues. This paper reviews issues around inequality, with particular reference to asset ownership.

In line with the terms of reference for the paper, the following section provides an overview, based on existing research and data analysis, of the extent and nature of inequality and progress toward the NDP's goals in the past five years. It then assesses the key factors behind the reproduction of inequality. That is, it seeks to answer the question of why, more than two decades after the transition to democracy, South Africa remains amongst the most unequal countries in the world. On that basis, it provides a high-level evaluation of existing government programmes to address inequality, with a focus on programmes that centre on investments in household assets and human capital – that is, support for small business and land reform; housing and infrastructure; and education and training. The final section of the paper identifies some of the main proposals in the current discourse for addressing inequality and poverty in the short and long run.

# Progress toward NDP goals

Economic inequality is understood here primarily as differences in incomes and wealth between groups that cannot be justified in terms of economic factors. In particular, the differences do not arise as a result of some divergence in education or skills. Economic inequality can be understood in terms of society as a whole, looking at the distribution of economic benefits across the population, or in terms of differences that align with social markers such as gender, ethnicity or religion.

The economic, social and political effects of economic inequality differ qualitatively from those of poverty alone, and especially from poverty in relatively equitable countries. These impacts arise primarily because inequality leads to social conflict, so they are generally most marked where the advantaged group is disproportionately from an ethnic or religious minority. The political and social effects of profound economic inequality take the following forms. (See Berg and Ostry 2011; Erhart 2009)

* In deeply unequal societies, governments find it difficult to develop strong coalitions to support development strategies. Moreover, populist proposals that promise easy but unrealistic solutions for the majority often find fertile ground. This is particularly true in democracies like South Africa, where the marginalised have political strength but the rich control key economic decisions, setting up a continually contested balance of power.
* A central area of contestation in unequal societies emerges property rights, which can in turn make investors uncertain. The result is that deeply unequal societies like South Africa typically experience slower growth. In contrast, for the normal range of inequality the Gini coefficient and growth are not strongly correlated.
* There is evidence that poor people in unequal societies face much greater stress than in more equal societies, even if they are well off by the standards of less developed economies.
* Unequal societies suffer from higher levels of individual crime and violence. That is often accompanied by state violence against poor and marginalised communities in order to suppress both crime and collective protests.

Section 2.1 assesses the latest available data on inequality in terms of incomes, assets, education and infrastructure. Section 2.2 then reviews progress on NDP targets that aim at reducing inequality.

## Dimensions of inequality

South Africa has long ranked amongst the most unequal countries in the world. This section assesses five dimensions: the distribution of income between households; corporate and household assets; education; household infrastructure; and the position of the historic labour-sending regions (that is, the former “homelands” or “Bantustans”). In each case, it focuses on overall economic inequality, while providing some information on inequality by race and gender.

### Income distribution

The standard measure of inequality is the Gini coefficient, which reflects the relative share of rich and poor households in total household income. A higher Gini indicates greater inequality. In the mid-2010s, South Africa was amongst three countries that reported Gini coefficients over .60; the majority were between .30 and .49, as Graph 1 shows. Only around 130 countries reported a Gini at all between 2006 and 2015, however, with many petrostates amongst those left out. Moreover, some countries significantly understated the extent of inequality.[[1]](#footnote-1)

Graph 1. Distribution of countries by Gini coefficient ranges (a)



*Notes:* (a) Based on latest World Bank estimate of Gini coefficients for individual countries from 2006 to 2015. Estimates are provided for 131 countries out of 217 total. Countries that do not report a Gini include Saudi Arabia, Qatar, Iraq, both Koreas, Myanmar, Algeria, Kenya, Ghana and Egypt as well as most very small economies and island states such as Palau and the Virgin Islands. *Source:* Calculated from World Bank. World Development Indicators. Electronic database. Series on Gini coefficient. Downloaded in March 2018.

The following graph shows the median income per household[[2]](#footnote-2) in 2015, updated to 2017 rand. The richest decile, with incomes of over R26 000 a month in 2017 terms, controlled around half of total household income, over three times the share of the poorest 60%.[[3]](#footnote-3)

Graph 2. Median monthly household income in 2015, reflated to 2017 rand (a)



*Note:* (a) Reflated using average annual inflation rate for 2015 and 2017. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Series on household income and household income deciles. Electronic database. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The distribution of income was associated with broad economic roles. As the following figure shows in schematic terms,

* The poorest 30% of households, with incomes under R2500 or so a month, was largely excluded from the formal sector. In this group, three out of five households reported no employed or self-employed people at all. Almost half of adults in these households survived principally from social grants. For another tenth, remittances from people living outside of the household formed the main source of income.
* The next 30% of households had incomes ranging from R2500 to R6000. They were largely supported by informal work and low-level formal employment – mostly as farm and domestic workers, as well as in other low-paid services, light industry and retail. Still, a fifth of households in this group contained no employed people, and social grants constituted the main source of income for 45% of adults.
* The sixth through ninth deciles comprised the core formal working class, with incomes ranging from R6000 to R26 000 a month and an average of almost 1,5 employed people in each household. This group consisted largely of employees in heavy industry and mining; health, education and other skill-intensive services; and formal small and medium business owners.
* Finally, in the top decile of households, with earnings above R26 000 a month, most families had at least two income earners, with the majority employed as managers and high-level professionals. A quarter of adults got the bulk of their income from capital, mostly from business ownership. In the poorest 60% of households, in contrast, only 10% of adults got the bulk of their income from capital; for the fourth to seventh decile, the figure was 16%.

Figure 1. The distribution of income and economic roles



The distribution of household income largely reflected

* Employment rates, as lower-income households typically have few or even no employed people;
* Differences in income from work, whether wages or business income; and
* Unequal ownership and control of assets, including businesses, financial investments and housing.

As Graph 3 below shows, both the average number of people employed and earnings per employed person were higher in better-off households. In addition, the richest decile got a comparatively large share of its income from business ownership.

Graph 3. Average income per earner from wages and business (in 2017 rand) (a) and average number of people employed as employees or business owners, by decile, 2015



*Note:* (a) Reflated using average annual inflation rate for 2015 and 2017. *Source:* Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income by COICOP code and household income decile. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In a static sense, the difference in incomes from work across deciles was more important for income inequality than employment levels. If levels of employment were equalised across deciles without changing differentials in average earnings, the overall income distribution would be more unequal than if earnings differentials were eliminated without changing employment levels. This is a purely illustrative theoretical exercise, since in practice higher employment levels in themselves would bid up wages for lower level workers. Still, the finding indicates that addressing income inequality requires both job creation and measures to address South Africa’s unusually large wage gap amongst the employed.

In 2017, the median household income still varied sharply with race. For Africans it was R3050 month, compared to almost R6000 for Coloureds and Asians and R25 000 for whites. Three out of ten Coloureds and Asians and around one in eight white households lived on less than R3000 a month, compared to half of Africans.[[4]](#footnote-4)

While economic inequality continued largely to track race, the richest group became somewhat more representative, although black people were still under-represented. In 2017, 42% of the richest 5% of households were African, 13% were Coloured or Asian, and 45% were white. In contrast, in the other 95% of households, 86% were African, 9% Coloured or Asian, and 5% white. In the poorest 60%, 91% of households were African and 2% white. [[5]](#footnote-5)

Graph 4. Number of households in each income decile by race (thousands of households), 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2015. Electronic database. Series on household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in November 2016.

The available information suggests a significant improvement in representivity amongst rich households, without a reduction in overall income inequality. The earliest reliable data on household income by race come from the 2001 Census. It found that in the top 6% of households, 26% were African and 17% were Coloured or Asian, while 57% were white. These findings pointed to a significant improvement in representivity, although they were not fully comparable with the 2017 figures.[[6]](#footnote-6)

Gender inequality was also significant, but harder to measure on a household level. Most households had both adult women and men members, and the data do not indicate how resources were allocated between them. At an individual level, women generally were more likely to be jobless and generally earned less than man. But the difference in income and unemployment between men and women of the same race was substantially less than the difference between people of the same gender by race, as Graph 5 shows.

Graph 5. Median earnings and employment ratio by gender and race, 2016



*Source:* Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on main work, earnings of employers and employees, and occupation. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

We can also understand gender inequalities through the (contested) concept of the gender of the “household head”. The household head is defined in surveys by earned income, ownership of the dwelling, and family perceptions of the “main decision maker”. That said, the actual questionnaire appears to rely principally on perceptions of interviewed family members. As a result, if there is an adult man in the household, it seems he is usually considered the “head” irrespective of income, property rights or actual decision-making processes within a family.

Moreover, the definition does not provide for more equitable or less structured partnerships. There is no statistical category for families where both partners in a relationship own the dwelling and they consider neither to be the main decision maker.

These shortcomings mean that, while there is substantial inequality between “man-headed” and “woman-headed” households, the concept is a poor proxy for understanding gender inequality overall. Above all, it counts the majority of heterosexual partnerships as “man-headed.” In effect, “woman-headed” households are defined as having fewer working-aged adults. As noted above, however, a central characteristic of high-income households is that they have more than one employed person, so this effective definition means “man-headed” families will tend to be better off.

In practice, in the 2017 General Household Survey 16% of households with two partners were considered “woman-headed”, compared to 61% of households headed by a single person. “Man-headed” households included an adult partner in two thirds of all cases, compared to just a fifth of “woman-headed” households.

In addition, “woman-headed” households were more likely to be headed by pensioners, because women often outlive their partners. In 17% of “woman-headed” households the head was past retirement age, compared to 10% of “man-headed” households. People whose partners had died headed some 29% of “woman-headed households”, compared to a mere 4% of “man-headed” ones.

That said, South Africa had an unusually high number of “woman-headed” households by international standards. In South Africa, 43% of households counted as “woman-headed” in 2017. Only a relatively small share of countries reported on the share of “woman-headed” households in World Bank data. Of the 32 for which data were provided after 2008, all except Namibia reported a substantially smaller share, ranging from 10% in Pakistan to 40% in the Dominican Republic. Namibia came in at 44%.

As the following graph shows, except for the richest 10%, “women-headed” households in urban areas accounted for around 30% of the total. In the poorest 40%, however, “women-headed” households in the historic labour-reserves made up a further 26% of the total, although they constituted just 15% of households across all income groups. This situation meant that in the poorest 40% of households, well over half of all families said they were headed by women.

Graph 6. “Women headed” households as share of household income deciles, by type of area, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on sex of household head, geography and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

In part, the disproportionate share of “woman-headed” households in the poorest deciles reflected the relatively high share of pensioners, particularly women, in these families. Around one in ten of the poorest 60% of households was headed by a woman aged over 64, compared to around one in 20 headed by a man over retirement age.

“Woman-headed” households were less likely to have any earnings from employment, whether wages or business earnings, as Graph 7 shows. This was particularly true in the poorest three deciles, where well under half of “woman-headed” households reported any earnings from either work or a business.

Graph 7. Share of “woman-headed” and “man-headed” households with any earnings from wages or business, by income group and area (a), 2017



*Note:* (a) Excludes commercial farming areas because the sample is very small. *Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on sex of household head, geography and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Overall, the unusually deep income inequalities in South Africa were driven by a combination of high joblessness and deep differentials in earnings from wages and business ownership. In the democratic era, representivity in terms of race and gender improved without reducing the deep gap between rich and poor.

### Ownership and control of assets

Unequal ownership and control of assets contributes to inequalities in both household incomes and economic power. At the household level, ownership of assets cushions families against crises and enables them to take advantage of new opportunities. The large-scale control exercised by major corporations affects inequality even more. On the one hand, it lays the basis for differentials in earnings from both work and financial assets. On the other, it empowers managers and shareholders to make crucial decisions around investment, employment and procurement that in turn affect inequality in the workplace, regionally and across households.

Figure 2 illustrates how dominant businesses impact on economic inequality through both household earnings and economic decisions.

Figure 2. The impact of corporate ownership and control on economic inequality



Three main kinds of ownership and control over economic assets emerge.

* Direct owners of businesses both control key decisions and benefit directly from any profits.
* Through financial holdings, households and companies get a share in profits in return for investing or lending funds, but exercise only limited and usually indirect control over management decisions.
* In large companies, high-level executives and managers have power without direct ownership, largely determining the use of economic resources that they do not themselves legally own.

As large institutions, big business has complex systems of ownership, control, and access to resources. Legally, listed companies are owned by shareholders, and therefore ultimately by households. The vast majority of shareholders, however, exercise no direct control, although they enjoy a share in profits. In most large companies, in practice managers make most decisions; the extent of influence exercised by shareholders and their representatives on the board of directors varies by company.

Economic power and ownership is further complicated by the role of the financial sector, which in South Africa is unusually large. Financial companies’ loans and investments to households and business count as their assets, and far exceed their own capital. In practice, however, they provide these assets as investments and loans to other companies and to households, which in turn effectively decide how to use them on a day-to-day basis. Decisions by lenders and investors constrain but in most cases do not fully determine choices by producers. In these circumstances, the direction of investment, job creation and growth results from an opaque system of engagements between financial and other companies in the context of regulations and contracts that shape ownership and control.

The system of national and company accounts shows bank assets without that nuance, which means they loom disproportionately large. Without detracting from the broad and strategic role that financial institutions play in shaping the direction of investment, this practice means that figures on asset ownership do not fully indicate actual control of economic resources.

Figure 3 provides a schematic illustration of the complex structure of ownership and control over assets. For each kind of assets, the type of control varies, as noted above. For instance, households typically get only returns on their financial investments, without gaining control. In contrast, the value of assets that financial institutions manage on behalf of households and businesses far exceeds their own equity and reserves.

Figure 3. The structure of ownership and control of major assets (a)



*Note:* (a) Figures on assets for 2017; figures on employment for 2016. *Source:* Figures on assets from Reserve Bank. Interactive data set. Series on fixed capital stock, assets and liabilities of bank and non-bank financial institutions, secondary market capitalisation of the Johannesburg Stock Exchange, and household balance sheet. Downloaded from [www.resbank.co.za](http://www.resbank.co.za) in August 2018. Figures on business owners and private-sector managers calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on main work, earnings of employers and employees, and occupation. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018; assets of listed companies with primary listing in South Africa from Who Owns Whom. Report Generator. Interactive database. Series on assets of listed companies with primary listing in South Africa. Downloaded from [www.woweb.co.za](http://www.woweb.co.za) in August 2018.

As Figure 3 indicates, the different forms of ownership and control had the following magnitudes in in 2017.

* There are no figures on the total value of private businesses, including unlisted enterprises. As a group, private business had total capital stock worth around R6,5 trillion, comprised principally of machinery and equipment plus buildings. But they also owned substantial intangible assets, essentially various forms of knowledge and branding, as well as financial holdings that did not show up as capital stock. For instance, businesses’ bank deposits totalled R1,8 trillion. Companies with their main listing on the Johannesburg Stock Exchange had a total of R14 trillion in reported assets in 2017. That figure excludes non-listed businesses as well as the companies listed in Johannesburg but domiciled abroad, including for instance South African Breweries and some top mining firms.
* Banks and other financial institutions managed assets worth R14,5 trillion. Bank assets alone equalled R5,1 trillion. They were financed by deposits of R1,8 trillion from business and R1,1 trillion from households, as well as R0,5 trillion in the banks’ own capital and various other forms of managed funds. Non-bank financial institutions, including pensions, managed assets equal to R9,4 billion, with 57% in shares and 29% in bonds. These holdings were managed by a variety of companies but funded principally by reserves for retirement and insurance funds. Retirement savings contributed around 40% of the holdings of non-bank financial institutions.
* The richest 10% of households owned well over half of household assets of all kinds. As a group, households held R8,5 trillion in financial assets, of which R4,5 trillion was in retirement funds plus long-term insurance, and R4,0 trillion in other investments (including R1,1 trillion in bank deposits). These holdings entitled some households, almost exclusively in the richest 20%, to a share in profits from companies, as well as reaping capital gains when asset prices rose. Still, most households had no control over decisions by businesses in which they owned shares, except very broadly through investment policies adopted by fund managers and, for retirement funds, by trustees. In addition to financial investments, households held R4,3 trillion in non-financial assets (excluding consumer durable such as cars). Of that total, R2,7 billion or almost two thirds took the form of housing. Households however owed almost R1 trillion in mortgage bonds on housing.
* The richest households also gained a degree of economic power as well as disproportionately high remuneration from positions as executives and managers in the formal sector. In most cases the individuals concerned did not legally own companies, but they often exercised effective control as managers and executives. In the largest companies, pay for executives competed with multinationals in Europe and the U.S., and often included vested shares in addition. These pay inequalities formed a central factor behind wage inequalities in South Africa, as discussed below.
* Finally, public enterprises owned fixed capital stock worth R2,2 trillion in 2017 (in constant 2017 rand)[[7]](#footnote-7), mostly in Transnet, Eskom and Sanral. That was almost a fifth of total fixed capital stock, up from a seventh a decade earlier. Government departments and municipalities had assets worth another R2,1 trillion in economic and social infrastructure. Their share in total capital stock had remained stable at around a fifth since 1994. In theory, in a democracy, the state owns its assets on behalf of the public. In practice, day-to-day control reflected engagements between managers and the government executive, who in turn were constrained by economic realities; the (often conflicting) demands of creditors and political constituencies; and roleplayers’ personal interests in keeping their jobs and the associated remuneration (which was typically competitive with the largest private companies).

The following subsection analyses the direct and indirect impact of concentration in corporate ownership on household incomes. It is followed by a review of the distribution of household assets.

#### Business ownership and household inequality

Ownership in South Africa was concentrated by international standards. On the one hand, a relatively small number of large companies dominated the economy. On the other, self-employment contributed less to employment than the norm for upper-middle-income economies, with a particularly large backlog in agriculture.

A tiny fraction of companies accounted for the bulk of profits and income. In 2015, over 700 000 companies registered for personal income tax; just 630 of them, with taxable income of over R100 million apiece, accounted for two thirds of total company tax paid. (Calculated from SARS 2018, Worksheet 3.6) Twenty companies listed on the Johannesburg Stock Exchange had four fifths of the assets and profits of all listed companies, as the following table shows, with a significant share of their assets listed outside of South Africa. If only companies with a primary listing in South Africa are included, the top 20 companies accounted for three quarters of assets. With four exceptions – Anheuser Busch, British American Tobacco, MTN and Naspers – the largest companies were all in the mining value chain or finance.

| **Company** | **Global assets** | **Cumulative % of assets**  |  **Global employees**  | **Operating Countries** |
| --- | --- | --- | --- | --- |
| Anheuser-Busch InBev SA/NV |  3,3  | 12% |  200 000  | Belgium; SA |
| British American Tobacco Plc |  2,4  | 21% |  49 817  | SA; UK |
| Old Mutual Plc |  3,1  | 32% |  68 527  | SA; UK |
| Standard Bank Group Ltd |  2,0  | 39% |  35 148  | SA |
| Glencore Plc |  1,8  | 46% |  154 832  | Burkina Faso; DRC; Jersey; Mauritania; SA; Tanzania; Zambia |
| FirstRand Ltd |  1,2  | 50% |  44 916  | SA |
| Absa Group Ltd |  1,2  | 54% |  41 241  | SA |
| Investec Ltd |  1,0  | 58% |  9 029  | SA |
| Investec Plc |  1,0  | 61% |  9 029  | SA; UK |
| Nedbank Group Ltd |  1,0  | 65% |  31 887  | SA |
| Sanlam Ltd |  0,7  | 68% |  15 856  | SA |
| Anglo American Plc |  0,7  | 70% |  80 000  | SA; UK |
| Naspers Ltd |  0,5  | 72% |  25 000  | SA |
| MMI Holdings Ltd |  0,5  | 74% |  17 230  | SA |
| Liberty Holdings Ltd |  0,4  | 75% |  9 792  | SA |
| Sasol Ltd |  0,4  | 77% |  30 900  | Mozambique; SA |
| Richemont |  0,4  | 78% |  28 580  | SA; Switzerland |
| Alexander Forbes Group  |  0,3  | 79% |  3 554  | SA |
| MTN Group Ltd |  0,2  | 80% |  15 901  | SA |

*Source:* Who Owns Whom. Report Generator. Series on listed companies, assets and employment. Downloaded from [www.woweb.co.za](http://www.woweb.co.za) in August 2018.

At the other end of the scale, as Graph 8 shows, in 2017 only 6% of employed South Africans were employers, self-employed people and workers in family enterprise. That was 15% lower than the norm for upper-middle-income economies. Meanwhile, 60% of all South African adults were unemployed, or about 20% more than in peer economies.

Graph 8. Employment and self-employment in South Africa compared to international averages by country income level, 2017



*Source:* ILO. Key Indicators of the Labour Market. Interactive database. Standardised ILO estimates of status in employment and employment-to-population ratio, 15+. Downloaded from ILOSTAT at [www.ilo.org](http://www.ilo.org) in August 2018.

South Africa’s backlog in self-employment was particularly stark for agriculture. In other upper-middle-income economies, in 2017 agriculture contributed 16% of total employment, largely through smallholder production; in South Africa, its share was just 6%, using figures standardised by the ILO to facilitate comparison. (ILOStat 2018, page on Employment by sector) The nature of ownership and control in agriculture is analysed in more detail section 2.1.2 below.

Concentrated ownership laid the basis for substantial inequalities in pay. At the top of the pay scale, listed companies typically benchmarked remuneration against Europe and the U.S. In contrast, pay for unskilled and semi-skilled workers in major firms fell into the middle of South Africa’s wage distribution. In 2017, the median pay for chief executives on the Johannesburg Stock Exchange came to R5,2 million a year (PWC 2018, p. 62). For comparison, the median pay for a formal employee in 2016 came to R4000 a year, and for a formal employer, R11 000 a year.[[8]](#footnote-8)

In the mid-2010s, the International Labour Organisation (ILO) found that South Africa had amongst the most unequal system of wages in the world. In 2016, it analysed a sample of large upper-middle-income economies that included South Africa. (ILO 2016, p. 42) In the other economies, the lowest-paid 50% of workers earned around a quarter of all wage and salaries. In South Africa, they got half that. Outside of South Africa, the best-paid 1% received less than 10% of all wage income; in South Africa, their share was close to 20%.

Graph 9. Share of wage earnings and ratio of 10th to 90th decile of wage earners, selected countries



*Source:* Makgetla, N. 2018. “Inequality in South Africa,” in, Gilbert Khadiagala *et al.*, *New South African Review 6: The Crisis of Inequality.* Wits University Press. Johannesburg. Calculated from, ILO. 2016. *Global Wage Report 2016/7*. Geneva. P 42

In the richest households, members often held positions as managers and professionals in large companies. The data do not show employment by occupation in households, but information is available for occupation by earnings decile for employed people. Of the best-paid 10% of employed people, almost 40% were managers or professionals in formal private business. In the worst-paid 50%, virtually none were in these occupations.

Graph 10. Occupation by earnings decile, 2016



*Source:* Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on main occupation, sector, earnings and type of work. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

In the richest decile of households, managers and professionals in large companies generally earned more than small and medium business owners. Across household income levels, the average income was higher for employees than the average income from direct business ownership. Since most higher-income households had more than one employed person, whether on a salary or as a business owner, their earned incomes were substantially higher than the average shown for individuals.

Graph 11. Average wage or salary in 2017 rand (a) compared to average income from business per employed person by household income decile, 2015



*Note:* (a) Reflated using average annual inflation rate for 2015 and 2017. *Source:* Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income by COICOP code and household income decile. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Ownership and control of large-scale business remained disproportionately white, although representivity improved after 1994. In 2017, a sample of 306 listed companies domiciled in South Africa (out of a total of 375 listed on the JSE) had almost 4000 directors. Of that total, 56% were white men and just 15% black women. Almost four out of five listed chief executives were white men, compared to half of non-executive directors. Just 2% of chief executives of the listed companies were black women.

Graph 12. Boards of director of 306 listed companies by race and gender, 2017



*Source:* Calculated from Who Owns Whom. Report generator. Electronic database. Series on listed companies domiciled in South Africa, board members by race and gender. Downloaded from [www.woweb.co.za](http://www.woweb.co.za) in September 2018.

Small business was somewhat more representative. In mid-2018, 46% of formal employers and self-employed people were white men, down from 62% in 2002. The number of white-owned firms fell from 420 000 in 2008 to 335 000 in mid-2018. In the informal sector, there were around 1,5 million businesses, which were 95% black owned. Four out of five informal businesses had no employees. (Ndlovu and Makgetla 2017, p 14; Statistics South Africa 2018)

Graph 13. Ownership of business by race, gender and formal or informal sector, second quarter 2018



*Source:* Calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on population group, gender and main work. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In short, concentrated ownership and control of businesses was central to income inequality in South Africa. It shaped both economic power and earnings. On the one hand, it meant that a relatively small number of managers and owners had a disproportionate impact on decisions around investment, employment and growth. On the other, it contributed to both depressed levels of employment and to unusually unequal payscales and overall wage distribution.

#### Agricultural businesses

The limited extent of small business in South Africa arose largely from the suppression of African agriculture before 1994. Farm incomes flowed to a comparatively small number of producers, of whom around a third were black. The industry accounted for only 3% of the GDP, however, although it was a substantial employer, mostly at comparatively low wages. In the historic labour-sending regions, most households could not survive from farming due to lack of land, irrigation, infrastructure and supportive market and training institutions.

Over 90% of agricultural products sold in South Africa’s formal retail outlets came from around 50 000 commercial farms, which had around 800 000 employees in 2017. In the mid-2010s, ten agri-businesses with turnover in excess of R100 million a year accounted for between 70% and 80% of company income tax paid in agriculture, forestry and fishing. (SARS 2018. “2017 tax statistics - Company income tax - 10 year”) A third of formal employers in agriculture fell into the highest-earning decile of employed people and half into the highest-earning 30%. Of all formal farm employers, a quarter were black, but the figure dropped to a fifth for those in the best-off 30%.[[9]](#footnote-9)

The destruction of African farms in most of the country meant that the bulk of smallholder production took place in the historic labour-sending areas. Most families that undertook any farming had less than half a hectare, and viewed it as a supplementary activity rather than a central source of income or food. Around a third held their land through traditional authorities, rather than owning it outright. The 50 000 commercial farms, in contrast, mostly owned far more land; the median appeared to be around 1000 hectares.

As Graph 14 shows, in 2016 around 20% of the poorest 60% of households undertook some farming, with the vast majority living in historic labour-sending areas. But less than a tenth of low-income farming households saw it as their main source of income or food. In the richest decile, in contrast, just 10% of households undertook any farming, but one in five saw it as their main economic activity.

Graph 14. Percentage of all households that undertake farming and that see farming as their main source of food or income, by region and income group, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on agricultural activities and main reason for pursuing them by geographic region and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in July 2018.

The vast majority of farming households had very small plots, at less than half a hectare. The exception, again, was in the richest decile: it contained relatively few farmers, but around a third of them had larger plots. Poor households were also far more likely to use backyard plots, rather than separate farms, and to lack irrigation.

Graph 15. Farm size, type of plot and access to irrigation by income group, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on household income, type of land, size of land and irrigation. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Households that farmed small plots in urban and labour-sending regions generally had an income comparable to or lower than households without land. In contrast, where households held over ten hectares, the median income came to over R40 000 a month, placing them in the richest decile of households.

Two thirds of households with access to agricultural land said they owned it. Most of the remaining third was in the historic labour-sending regions, where virtually all land use was determined by “traditional” authorities. As a result, farmers in these areas could not sell their land, and often they found it harder to obtain loans against their property. Arguably they were less likely to invest in improvements, since they could not be sure they would retain control of the land over the long term.

Many more people earned a living as farmworkers rather than as farmers, but their wages were low compared to the rest of the economy. In 2016, the median pay for formal farmworkers came to R2500 a month, compared to R4300 for other formal workers. Formal farmworker constituted 6% of total employment, but 15% of formal employees earning under R3000 a month.[[10]](#footnote-10) Remuneration accounted for just a quarter of sectoral value added in agriculture, compared to half in the rest of the economy. (Calculated from Statistics South Africa 2018d, Tables 5 and 6)

While farmworkers had lower education levels than other workers, that does not fully explain their lower pay. In 2016, a fifth of formal farmworkers had matric or further education, compared to two thirds of other formal workers. But median pay for farmworkers with matric or more was under R3000 a month, compared to over R6000 for workers with similar education levels in the rest of the formal economy.[[11]](#footnote-11)

Overall, ownership and control of agriculture in South Africa remained deeply unequal. A small number of agri-businesses accounted for a disproportionate share of profits. Still, many of the 50 000 independent commercial farmers, around a third of them black, ranked amongst the richest households. In contrast, most rural families did not have access to farm land or depend on farming to survive, although many gardened on backyard plots. Farmworkers on commercial farms remained amongst the worst-paid group in the country.

#### Household assets

Unequal household wealth bolsters income inequality in two ways.

* Returns from wealth contribute to household incomes in the form of incomes from business ownership, returns on assets and savings on rent from home ownership.
* Household assets underpin families’ economic stability over generations, making it possible to take advantage of economic and educational opportunities as well as weathering crises such as illness or job loss. Inequalities in household wealth are therefore central to the inheritance of privilege and disadvantage by families over time.

As a rule, the distribution of wealth amongst households is more unequal than the distribution of income. It is however harder to analyse. In part, the difficulty arises because household assets are diverse, ranging from financial investments to houses to businesses. In addition, the statistical system does not generate comprehensive, consistent and reliable information on asset ownership by income level.

The distribution of returns from assets, including business ownership, financial investments and housing, reflected the inequalities in the distribution of wealth. As the following graph shows, the bulk of household income from capital and assets accrued to the richest decile. Assuming that income from assets reflected the distribution of underlying property, in 2015 the top decile of households, with earnings of over R26 000 a month in 2017 rand, owned 61% of the assets of businesses owned by households; 50% of the value of housing; and 58% of other assets, mostly financial investments including pensions. In contrast, the poorest 60% held just 7% of business assets and 5% of financial assets. In contrast, they received 14% of income from social grants and wages.[[12]](#footnote-12)

Graph 16. Share of different types of income by income group, 2015



*Note:* (a) That is, the value of rent that household would have had to pay if it had not owned its dwelling, calculated at 7,3% of the value of the house. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

As noted above, wealth had a crucial indirect impact on income inequality by enabling richer families to sustain adversity and take advantage of new economic opportunities. As Graph 17 shows, the unequal distribution of returns from wealth also contributed directly to household income inequality. The richest 10% of households earned 19% of their income from the ownership of business and other assets, excluding homeownership. For the poorest 60%, the figure was 7,5%. In 2017 rand, the average household in the top decile earned R145 000 a year from assets and business ownership; in the poorest 30%, the average annual return on wealth came to R1320.

Graph 17. Income from business and assets other than imputed rent (a) as percentage of average income and in 2017 rand (b) for household income groups, 2015



*Note:* (a) Imputed rent is the rent saved due to homeownership; it is included under income in the statistics. (b) Reflated using CPI. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In the worst-off 30% of households, business income – that is, profits and remuneration accruing to the business owner – averaged R800 a month, compared to over R25 000 in the richest decile. The gap reflected the difference between formal enterprises, which had modern technologies, access to advanced markets and services, and often highly skilled workers even if they were small, and the precarious informal enterprises owned by low-income households.

Graph 18. Average monthly household income from business (in 2017 rand)(a) and percentage of households with a business by income decile, 2015



*Note:* (a) Reflated with average annual CPI rebased to 2017. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Outside of retirement funds, financial assets were almost as unequally distributed as business ownership. The richest decile of households got over two thirds of all household income from these investments. In contrast, households in the sixth to ninth decile accounted for just over half of pension savings, while the richest decile held over a third. In effect, the pension and provident system reached most households with formally employed people. Still, higher income households benefited disproportionately because retirement savings schemes and payments are linked to earned income. For all forms of household financial holdings, the poorest 30% of households received under 2,5% of the returns.

Graph 19. Distribution of financial assets and pensions by household income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Homeownership in South Africa was high across all income levels, ranging from just over half for the poorest decile to over 80% in the richest. The value of housing was highly unequal, however, and in many townships, informal settlements and rural areas there was effectively no housing market. As a result, the putative economic benefits of homes as an asset – mostly that people could borrow against them or sell them for a significant amount – were largely illusory for most families.

As Graph 20 below shows, the estimated average value of homes owned ranged from R30 000 for the poorest 30% to R2 million for the richest 10%. The figures are derived from the imputed rent in the Living Conditions Survey, which captures the benefits of homeownership by including 7,3% of the value of a home owned by a household as income.

Graph 20. Homeownership and average value of homes in 2017 rand by household income decile, 2015 (a)



*Note:* (a) Average values of homes owned by households in the decile. This is not the average value of homes spread across all households in the decile. Reflated with average annual CPI for 2017 and 2015. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Inequalities in asset ownership by race and gender were more pronounced than for earned income alone. Because black households were unable to accumulate assets under apartheid, at every income level they averaged less assets than white households. Comparatively limited inherited wealth made even relatively well-off African households more vulnerable to economic shocks than their white counterparts, and less able to start a business or pay for quality education.

As the following graph shows, even in the richest decile, earnings from assets outside of business income contributed just 17% of income for African households, compared to 30% for white households. Africans constituted 40% of the highest-income decile in 2015. But for African households in this group, incomes were 11% lower than white incomes overall. Some 80% of that income differential resulted from lower income from property and assets other than business – that is, from less accumulated, and largely initially inherited, wealth.

Graph 21. Average income in the highest-income decile of households by source and race



*Notes:* (a) Highest-income decile only. Salaries and wages include royalties. (b) Reflated from 2015 figures using average CPI. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on COICOP categories, household income deciles, population group and annual adjusted value. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

At every income level, whites were substantially more likely than blacks to be business owners. In 2015, three quarters of all employed people were African, but only just over half of employers. As Graph 22 shows, almost a fifth of white men were employers, compared to just one in 50 black women. Moreover, the median income for white business owners exceeded R14 000 a month, while for African businesspeople it was under R4000.

Graph 22. Share of employers in working-age population and median earnings of business owners by race and gender, 2016



*Source:* Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on nature of employment and earnings of employers and the self-employed. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017.

The combination of inherited wealth and residential restrictions before 1994 meant that even for higher income groups, white households had more valuable homes than black families. In 2016, for white families in the richest decile the median home value was R1,5 million. For their African counterparts, it was under R750 000. (Calculated from Statistics South Africa 2018a, series on imputed rent, population group and household income decile.)

There is only limited information on control and ownership of assets by gender. As noted above, the concept of “woman-headed” household provides partial insights. When it comes to assets, however, it is particularly skewed by the relatively high share of women in retirement age. This group reports higher incomes from pensions, which may exaggerate estimates of their underlying assets compared to employed people who are not yet drawing on their retirement savings.

As Graph 23 shows, in 2015, “woman-headed” households were less likely to have any assets other than housing. Except for retirement funds from work, they also had lower average earnings from assets. The differential was particularly large for earnings from business. One in five “man-headed” households had some business earnings, compared to one in seven “woman-headed.”

Graph 23. Share of “woman-headed” and “man-headed” households with different kinds of earnings from assets, and share of “woman-headed” earnings as percentage of total by value



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income by type, adjusted value and sex of household head. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The share of “woman-headed” households in assets by decile correlated with income, in contrast to the situation by race. This situation reflected the fact that inherited wealth did not vary that much by gender.

In sum, personal assets were more unequally distributed than income, both overall and by race and gender. In the rural areas, only a small minority had access to farmland, and while the majority of families owned their dwellings at every income level, very few could actually use these assets to take advantage of economic or educational opportunities.

#### Conclusions

Inequalities in wealth reproduced income inequality primarily through company decision making, but also through differences in opportunities and resilience at the household level. The differences emerged both in terms of economic power and decision making, through management and control of assets, and in terms of the effects of financial returns and profits on the income distribution. In this context, economic policy faced persistent contestation, as political power was distributed reasonably equally amongst households, while economic power remained concentrated in a fairly small group of companies and their executives.

### Education

In South Africa, inequalities in education were a central dimension of inequality. Lower income households had limited access to quality schools, which in turn constrained their members’ ability to obtain decent work and incomes. As with physical wealth, the distribution of human capital was profoundly inequitable.

As the following graph shows, in the poorest 30% of households 29% of adults over 21 had matric or more, compared to 83% in the richest decile. Of all adults with a university degree, two thirds were in the top decile and just a tenth were in the poorest 60%.

Graph 24. Education level of adults aged 21 to 64 by household income decile, 2016



*Source:* Calculated from Statistics South Africa. General Household Survey 2016. Series on highest education level, age and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in 2017.

A similar pattern emerged for school leavers. Most people who left school before matric were in the poorest 60% of households. Some 7,7% of young people aged 13 to 18 in the poorest 60% had left school before completing 12th grade, compared to 1,6% in the richest decile.

Graph 25. Share of youth without matric aged 13 to 18 and not attending school, 2016



*Source:* Calculated from Statistics South Africa. General Household Survey 2016. Series on highest education level, age, attending school and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in 2017.

The lingering effects of apartheid emerged in differentials in education by race, despite substantial progress after 1994. The poorest communities, which were almost entirely black, continued to have inadequate educational facilities, although most of the relatively small number of historically white and well-resourced educational institutions became more representative.

As Graph 26 shows, the share of people with education past matric rose for all South Africans after 1994, with the total climbing from 1,4 million to 4,1 million. The share of Africans with a diploma or a degree almost tripled from 3% in 1996 to 11% in 2017. In the same period, the share of whites with post-secondary education climbed from 25% to 42%. Because whites comprised under 10% of all the population, their share in all adults with post-secondary education dropped from half in 1996 to just over a quarter in 2017.

Graph 26. Share of adults aged 21 to 64 with post-secondary education, 1996 and 2017 (a)



*Note:* (a) Fourth quarter. *Source:* Calculated from Statistics South Africa. 1996 Census data. Series on education, age and population group. Downloaded from Superweb facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018; and Statistics South Africa. Quarterly Labour Force Survey. Fourth Quarter 2017. Series on education, age and population group. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Substantial racial differentials by subject persisted at the universities, largely due to the inequality of general education. In engineering, science and technology in 2016, 64% of public university graduates were African, compared to 77% in education and 69% in commerce and the humanities. (CHE 2018, p. 23)

Compared to race, gender had relatively little impact on educational outcomes in South Africa. In 2017, 45% of women over 21 had matric and 5,4% had a university degree; amongst men, 47% had matric and 5,5% had a degree. The subjects for post-secondary education varied substantially by gender, however. In 2016, 51% of public-university graduates in engineering, science and technology were women, compared to 76% in education and 61% in commerce and the humanities. (CHE 2018, p. 29)

As the following graph shows, more years of formal education generally led to greater chances of formal employment. Fewer years saw both higher employment in informal and domestic work and higher joblessness. In 2018, 60% of adults aged over 23 and under 64 with only primary education were jobless, compared to 40% of those with matric and just 16% of people with a university degree. Four out of five university graduates had formal employment, as did almost half of matriculants, but just a fifth of people with only primary education.

Graph 27. Employment status by years of education for people aged 23 to 64, 2018



*Source:* Calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on highest education, employment status and sector. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

For the employed, earnings also aligned with education levels. In 2016, the median income for a university graduate was R19 000 a month; for someone with matric plus a diploma, R12 000; with matric alone, R4000; and for a person with less than matric, R2600.

The unequal education system perpetuated the skills shortage, which in turn contributed to the unequal pay system. According ILO data, for 37 upper-middle-income countries providing data, 25% had advanced education, compared to 19% in South Africa.[[13]](#footnote-13) The relatively small number of educated people in South Africa meant that their pay was bid up by employers.

The impact of the skills shortage was aggravated by restrictive immigration rules that effectively let professional groups limit inflows of foreign skills. Before allowing skilled migrants, the Department of Labour generally asked professional groups if it would put downward pressure on pay. That in itself worked to entrench highly inequitable pay by restricting the supply of high-level skills.

Ultimately, the persistence of deep inequalities in the education system both reproduced privilege and sustained deeply unequal wages. They also left many young people from low-income communities ill-equipped to find employment at all.

### Infrastructure

Infrastructure also constituted an important dimension of inequality in South Africa. Deep inequalities remained in the quality of municipal services despite substantial improvements in low-income communities. Inequalities in themselves affected the quality of life and productivity of poor households, as well as fuelling resentment over continued disparities between the townships and leafy suburbs. In addition, low-income housing was generally distant from city centres and amenities, raising the cost of accessing economic, educational and social opportunities.

As Graph 28 shows, in 2017 under two thirds of households in the poorest 60% had running water on site, half had flush toilets and municipal refuse removal, and just over four out of five had electricity. In contrast, the richest 10% of households had virtually full access to these amenities.

Graph 28. Share of households in income group with amenities, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on mains electricity, water source, toilet, rubbish removal and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Even where low-income households had formal household infrastructure, the quality was often worse. For instance, as the following graph shows, households in the poorest 60% were far more likely to suffer from interruptions in water and electricity.

Graph 29. Interruptions to water and electricity supply by income group, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on interruptions to water and electricity, duration of water interruption, and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Inequalities in infrastructure also emerged in the relative distance of rich and poor households from amenities. As the following graph shows, in 2015 more than two out of five households in the poorest 60% were more than ten kilometres from a hospital, compared to under one in five for the richest decile. For economic amenities, the discrepancies were larger. A third of the poorest 60% of households was more than 10 kilometres from a bank, compared to a tenth of the richest decile.

Graph 30. Distance from hospitals and banks by household income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income and distance from hospitals and banks. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Racial inequalities persisted in access to infrastructure, although primarily for the formal working class rather than the high-income group. As the following graph shows, at every income level white households were more likely to have access to infrastructure than black ones. The greatest discrepancy emerged in the poorest deciles, but it persisted even for the richest 10%. That said, only on in five white households fell into the poorest 60%.

Graph 31. Access to infrastructure by race and income group, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on mains electricity, water source, toilet, race and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

There is no good measure of access to infrastructure by gender. Most households include both adult women and men, and their access depends in part on dynamics within households that the statistics do not capture. That said, the evidence suggests that “women-headed” households were less likely to have formal infrastructure, principally because they were disproportionately located in historic labour-sending regions. These areas had the most severe backlogs.

If we use water as an example, as the following graph shows, in 2017 41% of “woman-headed” households had water in their dwellings, compared to 46% of “man-headed” households. In urban and commercial-farming areas “woman-headed” households were more likely to have water on site than “man-headed” households, although the situation reversed in labour-sending regions. These differences were similar across income deciles. But a third of “woman-headed” households were located in historic labour-sending regions, compared to only a fifth of “man-headed” households. In these regions, only around 5% of households had water on site, so for “woman-headed” households as a group access was lower than for all “man-headed” households.

Graph 32. Share of “woman-headed” and “man-headed” households with piped water in dwelling by geography, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on sex of household head, geography and main water source. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Inequalities in infrastructure and location directly affected the quality of life for rich and poor households. They also had influenced perceptions of social fairness and solidarity, since most infrastructure services were the responsibility of the democratic government. Anger over shortcomings in poor areas compared to rich ones was intensified because inequalities continued to align with race that led, on the one hand, to demands for improved services from the state, and on the other to the perception that too little had changed from apartheid inequities, despite improvements in services in low-income communities after 1994.

In addition, access to infrastructure largely shaped the ability of households to engage economically in a variety of ways. People in low income households ended up spending more time on family work; found it harder to run businesses from home; and generally had a lower quality of life. In addition, the separation of low-income households from economic and social centres set up a barrier to their ability to take advantage of opportunities of all kinds.

### Location

Apartheid laws on land and residence led to profound spatial inequalities that were qualitatively different from the rural-urban differentials in other developing economies. Under apartheid, many Africans, particularly women and children, were permitted to live legally only in designated regions. The labour-sending areas were mostly designated far from economic centres, usually with borders drawn to exclude key resources, including agricultural land and water. Before 1994, the state largely excluded them from infrastructure investment of all kinds, including household amenities, social services, transport and communications.

When residential restrictions on Africans ended, a mass out-migration from the historic labour-sending areas began. The huge shift of people meant that the share of the historic labour-sending regions in the national population dropped from around half in the early 1990s to just over a quarter in 2017. The households that remained behind, however, still experienced extremely limited economic opportunities, lower incomes and worse education and infrastructure than the rest of the country.

In 2017, the median household income in the historic labour-sending regions was R2420, compared to R6660 in urban areas outside of these regions. In mid-2018, only 25% of working-aged adults were employed in the historic labour-sending areas, compared to 46% in the rest of the country. These areas accounted for 29% of the working-aged population, but just 18% of the employed. They held 24% of active work seekers; 54% of people who wanted work but had given up looking; and 38% of working-age adults who were not economically active.[[14]](#footnote-14)

The labour-sending regions were contained almost entirely in five provinces. KwaZulu Natal held 28% of their population; Limpopo, another 25%; the Eastern Cape, 18%; Mpumalanga 14%; and the Northwest, 10%. In contrast, the two most prosperous provinces – Gauteng and the Western Cape – contained almost no historic labour-sending regions. The alignment of provinces with the former “homelands” reflected how apartheid geography shaped democratic governance.

Graph 33. Population by type of region, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on geography and province. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

The depth of deprivation and potential for growth of the different labour-sending regions varied significantly, as Graph 34 indicates. In labour-sending areas of the North West the median household income came to R3000, compared to R2030 in the Eastern Cape. In Mpumalanga, the share of working-aged adults with employment in the historic labour-sending regions was 32%; it was just 18% in the Eastern Cape.

Graph 34. Median household income in 2015 and employment ratio (a) in 2018 in major historic labour-sending regions



*Note:* (a) Share of working-age adults with employment. *Source:* Calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on geography, province and employment status. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The labour-sending regions fell particularly far behind in terms of business and asset ownership. In 2018, there were 40 000 formal private business owners resident in these areas, or around 5% of the national total. That compared to the regions’ 29% share in the national working-aged population. As a result, only around 1% of all employed people in the former labour-sending regions was a formal business owner, compared to 5% in the rest of the country. Moreover, virtually all of the formal business owners living in the labour-sending areas were small or medium sized. Most of the large companies operating in these regions were in mining and belonged to companies headquartered in the metros or overseas.

The labour-sending areas also held a third of all informal business owners. A fifth of employed people there were informal sector employers or self-employed, compared to just a tenth in the rest of the country.[[15]](#footnote-15)

As noted in section 2.1.2b above, at every income level farming was not a major source of income or food in the historic labour-sending regions. Less than half of households worked the land at all, with the share falling to under 15% in the North West. Of the minority that farmed, almost all gardened in their back yards. Only 3% said they had access to farm land.

Graph 35. Households in historic labour-sending areas by type of land used for farming, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on geography, province and type of land used for farming. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Education levels in the historic labour-sending regions were substantially lower than in the rest of the country. In those areas, 70% of working-age people did not have matric, compared to 50% in the rest of the country. Only 1% had a degree, compared to 6% in other areas. In part, the lower education levels reflected the fact that people with higher education were more likely to migrate out of the labour-sending areas.

Graph 36. Working-aged population by education level, historic labour-sending regions and other areas, 2018



*Source:* Calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on population group, gender and main work. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In infrastructure, despite some progress, the historic labour-sending areas continued to see substantial shortfalls compared to the rest of the country. Progress was particularly slow with respect to water and sanitation. In contrast, access to electricity for lighting had largely caught up by 2018.

Graph 37. Access to water in dwelling, flush toilet and electricity for lighting in 2001 and 2017, for households in historic labour-sending regions and other areas

 *Source:* For 2001, Statistics South Africa. Census data. Electronic database. Series on geography type, water source, type of toilet and electricity for lighting. Downloaded from Superweb facility in October 2018. For 2017, Statistics South Africa. General Household Survey 2017. Electronic database. Series on geography type, water source, type of toilet and electricity for lighting. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Again, differences emerged between the various historic labour-sending areas. Municipal services fell particularly short in the Eastern Cape.

Graph 38. Access to water in dwelling, flush toilet and electricity for lighting in historic labour-sending areas by province, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on geography type, water source, type of toilet and electricity for lighting. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The historic labour-sending regions were disproportionately populated by women and had a high share of “woman-headed” households. In 2017, women constituted 56% of the population over 21 years old in these regions, compared to 50% in the rest of the country. Some 53% of households were “woman headed”, compare to 38% in other regions.

Graph 39. For Africans only, share of women in historic labour-sending and other areas, and population of historic labour-sending regions by gender, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on geography, population group, gender and age. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

Because women were disproportionately resident in the historic labour-sending regions, they were disproportionately affected by the poverty of these areas. In 2015, women living in the historic labour-sending regions comprised a quarter of all people in households living on under R3000 a month. In contrast, for households with incomes above the poverty line, their share was only a seventh.[[16]](#footnote-16)

In short, two decades after the elimination of apartheid laws on residence and land ownership, the historic labour-sending regions continued to fall behind the rest of the country in incomes, business capacity and household assets as well as education and infrastructure. Their share in the national population, however, dropped from half to a quarter due to mass out-migration.

## Progress toward NDP targets on inequality

As shown in Table 1 below, the NDP targets that link explicitly to the alleviation of inequality relate to

* income and asset inequality;
* employment;
* government income support;
* municipal services and healthcare; and
* education.

Table 1. NDP targets that explicitly address inequality

| **Dimension** | **Target** | **Source** |
| --- | --- | --- |
| Earned income and assets | Reduce the proportion of households with a monthly income below R419 per person (in 2009 prices) from 39 percent to zero. | The Plan in Brief (Box, p 37) |
| The Gini coefficient should fall from 0.69 to 0.6. |  |
|  | The proportion of national income earned by the bottom 40% should rise from about 6% today to 10% in 2030. | Chapter 3: Employment and Economy |
|  | Broaden ownership of assets to historically disadvantaged groups.  |  |
| Employ-ment | The unemployment rate should fall from 24.9% in June 2012 to 14% by 2020 and to 6% by 2030. This requires an additional 11 million jobs. Total employment should rise from 13 million to 24 million. | Chapter 3: Employment and Economy |
|  | The proportion of adults working should increase from 41% to 6 I%. |  |
|  | The proportion of adults in rural areas working should rise from 29% to 61%. |  |
|  | An additional 643 000 direct jobs and 326 000 indirect jobs in the agriculture, agro-processing and related sectors by 2030. | Chapter6: Inclusive Rural Economy |
|  | A third of food should be produced by small-scale farmers or households | The Plan in Brief (Box, p 37) |
| Govern-ment income support | Ensure progressively and through multiple avenues that no one lives below a defined minimum social floor. | Chapter 2: Social Protection |
| Provide income support to the unemployed through various active labour market initiatives such as public works programmes, training and skills development, and other labour market related incentives. |  |
|  | Public employment programmes should reach 1 million by 2015 and 2 million people by 2030. | Chapter 3: Employ-ment And Economy |
| Municipal services and healthcare | The proportion of people with access to the electricity grid should rise to at least 90% by 2030, with non-grid options available for the rest. | Chapter4: Economic Infrastructure |
| Ensure that all people have access to clean, potable water  |  |
| Upgrade all informal settlements on suitable, well located land by 2030. | Chapter 8: Transforming Human Settlements |
|  | More people living closer to their places of work |
|  | More jobs in or close to dense, urban townships. |
|  | Deploy primary healthcare teams provide care to families and communities. (actions include: Recruit, train and deploy 700 000 community health workers to implement community-based primary health care.) | Chapter 10: Health Care for All  |
|  | Everyone must have access to an equal standard of healthcare, regardless of their income. |
| Education | Between 80-90% of learners should complete 12 years of schooling and or vocational education with at least 80% successfully passing the exit exams | Chapter 9: Improving Education, Training and Innovation |
|  | Eradicate infrastructure backlogs and ensure that all schools meet the minimum standards by2016. |

*Source:* National Planning Commission. 2012. National Development Plan 2030. Page 34 (for The Plan in Brief) and pages 64 ff for chapter targets (from “Summary of Objectives and Actions.”)

Table 2 below provides an indication of progress from 2012 to 2017 against the NDP targets for inequality, where the data permit. A more detailed table is provided in Annexure A. In the heatmap below, red indicates that the target will not be met at the current rate of progress, green that some advances have been made, and yellow that little has changed. A blank in the trend column means that no numeric target was provided or defined, or that the available statistics do not permit evaluation of progress. In these cases, a proxy is provided where possible.

Table 2. Heatmap of progress on NDP targets for inequality

|  |  |  |  |
| --- | --- | --- | --- |
| On track | Progress but not enough to reach target | Will not reach target at current rate of progress | No information available |

| **Target** | **Target** | **Latest** | **Trend** |
| --- | --- | --- | --- |
| Proportion of households with monthly income below R419 per person (in 2009 prices)  | 0% (2030) | Under R637: 25% of households (2017) |  |
| Gini coefficient | 0.60 (2030) | .68 (2015) |  |
| National income earned by the bottom 40% should rise from about 6% today to 10% in 2030. | 10% (2030) | 5,2% (2017)5,5% (2014) |  |
| Broaden ownership of assets to historically disadvantaged groups |  | Black people were 88% of population in 2012 and 92% in 2017 |  |
| Proxy: % of wages, grants, pensions, remittances; imputed rent; capital and other income going to black people | Proportional to share in population | 2015: Wages etc: 70%; imputed rent: 64%; capital/ other income: 56% |  |
| Proxy: Business ownership by all black people and by black women | Proportional to share in population | 2017: All black owners: 53%Black women: 12% |  |
| The proportion of adults working should increase from 41% to 61%. | 61% (2030) | 43,4% (2017) |  |
| Employment | 24 mn (2030) | 16,3 mn (2017) |  |
| Unemployment rate | 14% in 20206% in 2030 | 27,5 (2017) |  |
| % employed adults in rural areas  | 61% | 2017: Total rural 32.7%; historic labour sending: 27,5% |  |
| Additional jobs in agriculture, agro-processing and related sectors. | 643 000 direct (2030)326 000 indirect (2030) | Total direct in 2017: 1,38 mnIncrease: 220 000 |  |
| Food produced by small-scale farmers or households | A third of total |  |  |
| % of households growing any food for own use/sale | n.a. | 14% (2017) |  |
| Provide income support to the unemployed through active labour market initiatives | n.a. | Undergoing training while jobless, 2017: 16 600 |  |
| Public employment programmes (number reached) | 1 mn (2015)2 mn (2030) | 2015/6: 1,1 mn2016/7: 741 000 |  |
| No one lives below a defined minimum social floor – proxy: % below poverty line *and* lacking water, a flush toilet and electricity. | 0% (2030) | 2017: 15% |  |
| % with access to electricity for lighting  | 90% on grid (2030)Rest non-grid | 2017: 87% on grid, 7% other electricity (mostly generator) |  |
| Access to clean, potable water  | 100% (2030) | 2017: 92% |  |
| Informal settlements upgraded on suitable, well located land – proxy is % of people in informal settlements over 30% minutes distant from work | 100% (2030) | 2016: 40,5% |  |
| People living closer to places of work – proxy is % over 30 minutes distant from work | “more” | 2016: 34,7% |  |
| Jobs in or close to dense, urban townships – proxy is % of people in townships living 15 minutes or less from work | “more” | 2016: 80% |  |
| Community health workers deployed  | 700 000 (n.d.) | n.a. |  |
| Access to equal standard of healthcare regardless of income. Proxy: % of individuals “very satisfied” with healthcare at latest visit | 100% (2030) | 2016: Richest 3 deciles - 73%Remaining 7 deciles - 56% |  |
| Complete 12 years of schooling and/or vocational education – proxy: aged 18 to 20 with minimum 12 years schooling | 80% to 90% (2030) | 2017: 45% |   |
| Pass exit exams | 80% (2030) | 2017: 75% |  |
| Schools meet minimum standards for infrastructure – proxy here refers only to water, sanitation and electricity, excluding classroom deficiencies | 100% (2016) | 2014: 84% |   |

*Sources:* See Annexure A for detailed sources for each indicator.

Assessment of these indicators suggests that there has been virtually no change in trends around inequality over the past five years. In particular, the following findings emerge.

* Income inequality and the rate of joblessness have remained essentially unchanged since 1994, with both unusually deep inequality and low levels of employment by international standards despite minor fluctuations.
* Representivity at the top has improved in terms of both ownership and management, although it still falls far short of full representivity. By extension, inequality between racial groups has diminished somewhat, although economic inequality remains virtually unchanged.
* Municipal services have been extended gradually over time, overcoming some of the backlogs left by apartheid, but progress in densifying urban areas remains slow.
* The historic labour-sending regions continue to lag well behind the rest of the country in terms of incomes and employment, while their population has declined substantially as a result of out-migration.
* In education, graduation rates have improved but the quality of basic education and prospects for achieving further education remains heavily dependent on where a family lives and its income. As a result, virtually all white children but only a minority of (mostly well off) black children obtain a university exemption for matric.

Several of the NDP’s targets do not align with standard statistics. To track them in the future will require more specific definition of terms and, in some cases, development and monitoring of new data series.

# The reproduction of inequality

Why did South Africa remain amongst the most unequal countries in the world despite the end of apartheid? Two systemic factors explain this paradox.

* Apartheid entrenched exclusionary systems that ultimately ensured inequitable access to employment as well as deeply unequal earnings. Measures to this end related above all to access to assets, education, infrastructure and markets as well as work organisation in formal enterprise.
* The production structure both reflected and reinforced these systems. It centred on mining, heavy industry and financial services. All of these industries tended to concentrate economic power and to perpetuate deeply unequal pay scales, while generating only limited direct employment.

Restructuring fundamental economic systems entails high levels of risk, costs and often fierce political contestation and social conflict. That in itself militated against large-scale interventions to bring about a more equitable and inclusive economy. In practice, the state focused more on ameliorating poverty and ending overt racism in public services than on addressing inequality, which would require restructuring economic systems and formal workplaces. In that context, its largest programmes aimed to address shortfalls in infrastructure within the limits set by conventional fiscal strategy and to provide social grants to ameliorate poverty.

This section provides a brief review of how apartheid entrenched inequality in business ownership, the workplace, education, the historic labour-sending areas, and infrastructure. It then reviews how these systems largely continued to reproduce inequality despite the elimination of legal racial and gender privilege after 1994. In each case, it outlines the nature and extent of government strategies in response. A final section considers the effects of social grants on inequality.

## Business ownership

### Factors entrenching inequality

Under apartheid, the state effectively closed down African farmers and urban businesses on a large scale through a combination of land expropriation, residential restrictions, and limits on operating licences and access to credit. Market institutions – from providers of inputs to retailers to financial and skills providers – consequently evolved primarily to meet the needs of formal, mostly larger enterprise. They developed limited or no services suited to small and informal producers. The result was a business environment that favoured large, formal businesses and heavy industry, while making it difficult to sustain and expand the small business sector.

Repealing the laws that blocked small business did not in itself remedy the backlogs small business faced in terms of assets, experience and appropriate market institutions. As a result, most new small businesses were informal, with survivalist technologies, very high turnover and virtually no chance of growth or permanence. (See Saldru 2005)

The elimination of legal discrimination did not bring about a resurgence in small business primarily for the following reasons.

To start with, in contrast to other upper-middle income countries, most small entrepreneurs were the first in their families to have a business. They did not inherit, even on a limited scale, business assets, experience, customer or supplier networks, or support from appropriate market institutions. In other developing countries, new entrepreneurs often would inherit at least some property – although often only a corner shop or a small farm – and the associated networks and skills.

Limited small business went hand in hand with limited market systems. In other developing economies, sales outlets, financial institutions, training centres, suppliers, municipal licencing and extension services evolved over centuries to serve small business. In South Africa, most new enterprises had virtually no access to these kinds of institutions. In 2015, for instance, only two thirds of business owners paid bank charges; presumably the rest did not have a bank account. As the following graph shows, only around 40% of households in the poorest 60% paid bank charges, with a far small share reporting formal loans. The richest 10% of households alone accounted for 60% of all households that reported paying any bank charges.

Graph 40. Share of households reporting payments for financial services by income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income deciles, bank charges, finance charges and mortgage bond payments. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In addition, after 1994 the economy remained largely dominated by the mining value chain, although the auto industry, the financial sector and tourism also saw rapid growth. Except for tourism, these activities mostly rely on large-scale production and by extension on large-scale companies. In these conditions, opportunities for small business as well as direct job creation generally remained limited. This pattern of growth meant that South Africa’s most competitive industries internationally were not likely to support a substantial expansion in small business or employment directly, even though they saw rapid growth after 1994.

South Africa’s major goods exports centred on the mining value chain, including downstream metals and heavy chemicals and upstream capital equipment, as well as auto assembly – all highly capital intensive industries. As the following graph shows, only food processing, which experienced substantial growth in the 2010s, was relatively labour intensive. Compared to other countries, South Africa lagged in exports of clothing and appliances. These industries formed the core of early industrialisation in Asian economies in particular, where they brought a significant expansion in employment and small business. South Africa, however, had only limited production and exports in labour-intensive sectors outside of food.

Graph 41. Revealed comparative advantage (a) for South Africa compared to other upper middle income economies excluding China, averages for 1995 to 1997, 2009 to 2011, and 2014 to 2016

*Note: Where a ratio in the graph above one, the share of the product in South Africa’s exports is higher than in other upper-middle-income economies. Where the ratio is below one, the share of the product in South Africa’s exports is lower than in the benchmark economies.*



*Notes:* (a) Defined as the share in South African exports of a product as a ratio to the share of the same product in total exports by the benchmark economies. The charts here rely on UNCTAD data, which do not fully report South Africa’s gold exports before 2010. As a result, they somewhat overstate South Africa’s revealed comparative advantage for manufactures compared to raw materials. (b) Ores, metals, precious stones and fuels. (c) Excluding coffee, tea and spices. *Source:* Calculated from UNCTAD. Merchandise trade matrix - product groups, exports in thousands of dollars, annual, 1995-2016. Electronic database. Series on relevant export groups and groups of country by World Bank income level. Downloaded from [www.unctad.org](http://www.unctad.org) in April 2018.

### Government programmes

In contrast to its extensive transfers to households in cash and kind, discussed in sections 3.r and 3.5 below, the democratic state undertook only very limited programmes to promote employment and self-employment or provide productive assets such as land and industrial or trading sites. State support for livelihood strategies based on self-employment remained particularly limited – in part because voters generally demanded better-paying and more secure employment.

Land reform was the most obvious response to the dispossession imposed by apartheid on rural communities. It remained relatively small, however, and aimed at restitution of land for people pushed off their land after 2013 and, from the early 2000s, land redistribution primarily to ensure a more representative class of commercial farmers. Only a relatively small share of land redistribution went to improve incomes for the poorest rural people. (See Aliber *et al*. 2018) In effect, then, land reform primarily ended up addressing inequality by race, without substantially affecting economic and regional inequalities. That said, at the time of writing land reform was undergoing a major review that seemed likely to both expand its budget and change its direction to promote livelihoods and access to urban land for low-income housing.

The Department of Rural Development and Land Reform (DRDLR) estimated that between 2009 and 2017, it redistributed 1,8 million hectares of land to almost 6000 households. (DRDLR 2018, p. 5) The average household received 300 hectares – small by commercial farm standards, but substantial for smallholder farms. In addition, it acquired 1,1 million hectares for restitution in this period, but much of that was urban land. Some 120 000 households benefited from restitution in this period. (DRDLR 2018, p. 15) From 1994 to 2011, it estimated that it had distributed a total of four million hectares. (Treasury 2014, p. 551) In total, then, it estimated that it had allocated around 7 million hectares of land, equal to over 5% of total agricultural land. In the decade to 2017/8, it spent a total of R28 million on land for redistribution in constant 2017 rand terms.

The DRDLR used the bulk of redistributed land to establish a limited number of small commercial farmers. For comparison, the number of households benefiting in the eight years to March 2018 came to around 10% of all formal farmers. For comparison, around 750 000 households in the poorest 30% did some gardening but did not have access to farm land. The DRDLR estimated that land reform generated around 4000 jobs in 2017/8, but it did not define what was meant by a job in this context. To the extent that jobs were transferred with the land from one owner to another, there would be no net new job creation through land reform. Land reform would only generate more employment and self-employment if the transferred land were used more labour intensively.

In 2015, the DRDLR initiated a programme to provide a hectare of land to small farmers in schemes initiated at provincial level. In 2017/8, it provided land to 4640 households under this programme in addition to the land redistribution programme. (DRDLR 2018, p. 19) This programme seemed more likely to support greater equality in land use, but it was again on a small scale relative to need. There does not appear to be any evaluation of the effects of the programme on beneficiaries’ incomes.

A survey of the available (limited) studies by (Aliber *et al.* 2018) found that around half of people who accessed farms through restitution or redistribution ended up not using them for production. This resulted in part from changing directives and burdensome requirements imposed by the DRDLR and in part from inadequate infrastructure, irrigation, market systems and extension services.

In sum, the land reform programme had only very limited impact on overall economic inequality (and poverty) as of 2018. Three reasons lay behind this failure.

* First, at least from the early 2000s land redistribution and restitution did not aim to reduce economic inequality, but rather to make land ownership more representative and to address historic injustices. Replacing existing commercial farmers with a more diverse group of smaller farms could, in theory, promote a more dynamic farm economy and ultimately generate more jobs. Still, in the short to medium term it seemed unlikely to affect South Africa’s overall inequalities in wealth and income.
* Second, land reform was small compared to the backlog in small business. As the following graph shows, the share of the Department of Rural Development and Land Reform came to around 1% of national expenditure over the decade to March 2018, and land redistribution accounted for just a quarter of its total expenditure in this period.
* Finally, the DRDLR was poorly situated to promote small farming businesses. On the one hand, it was not well aligned with key departments and agencies for farms, notably the Department of Agriculture, Forestry and Fishing and its Land Bank, as well as the Department of Trade and Industry. On the other hand, as a national department, it did not have integral links to either provincial or municipal authorities. Internally, its land acquisition officials were not integrally linked to the processes for distributing land. As a result, it ended up acquiring land that was not easy to farm, for instance because of a lack of water and infrastructure. (See DRDLR 2015) In this context, it tended to come up with broad programmes for rural development that ultimately fell far short of its hopes.

Graph 42. DRDLR budget in constant (2017) rand (a) and as percentage of total government expenditure, 2007/8 to 2017/18



*Note:* (a) Reflated with CPI for March of relevant year, rebased to March 2017. *Source:* Calculated from Statistics South Africa. Estimates of National Expenditure for relevant years. DRDLR vote by programme. Downloaded from [www.treasury.gov.za](http://www.treasury.gov.za) in October 2018.

In sum, the land reform programme was neither designed to ensure more equitable land use nor anywhere near large enough to achieve that end. In this context, it was unable to mobilise broad support and from 2013 saw a decline in its budget in constant terms.

Most other programmes to support emerging enterprises focused on formal small and medium enterprise. They generally sought only to provide financial support and sometimes mentorship. Virtually none of these initiatives sought to develop more robust institutions that could, in a holistic fashion and on a large scale, address the myriad gaps facing micro enterprise in terms of both institutional and infrastructural systems.

Financial institutions for small and micro enterprise existed across all the spheres of the state. The largest national agency was the Small Enterprise Finance Agency (sefa), which was started by the dti, transferred to the Economic Development Department from 2013 to 2015, and then fell under the Department of Small Business Development (DSBD). In 2017, it disbursed over R1 billion in finance to around 43 000 small and micro enterprises. Around a quarter of the total went to micro enterprise, who comprised almost all of its borrowers. Sefa’s lending and the number of borrowers more than doubled from 2013 to 2015. It then fell by around a third, apparently because of various pressures that in practice compelled it to reduce its risk levels.

Graph 43. Sefa lending in billions of constant (2017) rand and numbers of borrowers, 2013 to 2017 financial years



*Source:* Data on approvals, disbursements and businesses financed from sefa. Annual Report 2017. Pretoria. Data on transfers from National Treasury. Estimates of National Expenditure for 2015/6 and 2017/8. EDD Vote. Downloaded from [www.treasury.gov.za](http://www.treasury.gov.za) in October 2018.

Seda and similar institutions certainly made a significant contribution to maintaining small business. As with land reform, however, in themselves they were too small and too narrowly focused to substantially shift the distribution of ownership. Almost all of sefa’s loans went to micro enterprise, accounting for around a quarter of its total lending. While it reached around 50 000 firms a year, that was a small fraction of the total of 1,3 million informal enterprises. That said, demand for its loans was also limited by the lack of other services – market systems, training and infrastructure – that tightly constrained growth in small and micro enterprise.

The alternative to focusing on self-employment would be to expand paid employment in the formal sector much more rapidly. In the event, industrial policy measures focused primarily on enhancing technological capacity, diversification, export growth and black ownership of formal businesses, rather than job creation. In this context, industries producing mass consumer goods and services were generally not priorities, although they were key to rapid job creation in other industrialising economies. (See dti 2016)

In short, apartheid meant that most potential businesspeople did not inherit the experience, relationships and assets required for successful business; market institutions were not geared to supporting emerging enterprise; and economic growth was dominated by industries that depended on large-scale production. In these circumstances, ending discriminatory laws could not in itself lead to a resurgence in small business. Rather, that required large-scale programmes to remedy inequalities in access to market services, including procurement, sales outlets and training, as well as resourcing and infrastructure.

## The apartheid workplace

### Factors entrenching inequality

Apartheid policies intentionally shaped formal workplaces to promote pay inequalities in order to enable higher incomes for white workers. These policies established unusually large wage gaps between skilled and unskilled workers, with work organisation balancing a few highly skilled positions against largely deskilled work for the majority. The system was buttressed by unequal education systems and limits on skilled in-migration specifically to sustain higher pay for organised professionals.

We can understand the results in terms of the segmentation of the labour market. The segments differed in terms of the levels of legal protection for workers, unionisation, and work organisation, as shown in Table 3 below. They also varied by education level, reflecting the importance of unequal education in maintaining economic inequality. In effect, the conceptualisation of labour market segmentation here aims to explain overall inequality, rather than the more usual aim in the literature of analysing inequality between workers with similar educational background.

In terms of this analysis, apartheid left South Africa with five main labour-market segments.

**High-level formal:** In 2016, there were 1,2 million managers and 500 000 professionals in the private formal sector, and 155 000 managers in the public sector. Their position was largely shaped by laws and systems established under apartheid to create a separate labour market for managers, professionals and highly skilled production workers, who enjoyed “European” pay and benefits combined with strong legal job security. Through 1994, this segment was almost exclusively white; after democracy, the share of black people increased but remained less than fully representative. Of the private sector managers and professionals, 28% were employers or self-employed. In business, some 46% of managers and professionals were white; in the public sector, excluding professionals (who were mostly in education and healthcare), the figure was 15%. The median pay for managers and private-sector professionals came to R18 000 a month. In the national and provincial public service, the 10 000 members of the senior management service (out of a total of 1,4 million public servants) earned packages over R750 000, putting them in the top 2% of all income earners.

**Lower-level formal employment:** In 2016, there were 8,6 million formal workers in manufacturing and the services excluding managers and senior professionals – around half of total employment. For much of South Africa’s history, black workers in manufacturing and services were denied normal labour rights. Their position improved, however, as they unionised and fought for the kinds of legal protections historically developed for white employees. After 1994, the new labour laws and jurisprudence effectively extended strong legal protections to these workers. (See Cheadle 2007) In the private sector in 2016, their median formal wage came to R4000 a month. In the public services, where over half of all employees had a post-secondary degree or diploma – mostly as teachers and healthcare workers - the median pay came to R10 000 a month.

**Colonial:** Mining, agriculture, domestic work and low-end public sector jobs (largely in cleaning, infrastructure maintenance and agriculture) gained full labour rights and protections only after 1994. In practice, however, outside of mining most workers in the group still experienced largely colonial labour relations, with low pay, limited union membership, and deeply hierarchical power relations. The median pay for the 2,5 million domestic, farm and low-level public sector workers was only R1950 a month in 2016. Domestic and farmworkers saw substantial gains from the introduction of minimum wages in the early 2000s. In mining, in contrast, unionisation in the 1980s meant that workers could take advantage of full labour rights after 1994 to substantially improve earnings. The median pay for the 450 000 miners, excluding management and the professions, came to R8000 a month. Still, while union density in mining was higher than in any other industry, work organisation remained largely commandist. This mixed result fuelled continual conflict in the democratic era. (See Makgetla and Levin 2016)

**Informal:**  In 2016, there were 2,8 million informal sector workers, equal to around a seventh of total employment. Some 57% of informal workers were business owners, mostly self-employed. The self-employed were are not covered by labour laws, while labour laws were not generally enforced for informal employees. According to the 2016 survey, the median income for informal business owners came to R3000, and for informal employees, to R2200 a month.

**Unpaid labour:** In 2016, 3,7 million people said they were either full-time homeworkers, worked without pay in a family business, or spent at least seven hours a week gardening, fetching wood and water, catching food, in construction, or producing goods. Of the total, some 2,8 million said they did not seek or have paid work because of household work, and 78 000 said they worked without pay in a family business. A million were engaged in the other kinds of unpaid labour for at least an hour a day, and a fifth of them had paid work in addition. With the end of apartheid, many women were able to leave the former labour-sending areas and find paid work. Still, whether women were employed outside the home or not, they ended up doing the bulk of unpaid work.

Table 3 outlines the segmentation of the South African labour market and indicates how it changed with the transition to democracy.

Table 3. Segmentation of the South African labour market

| **Charac-teristic** | **Formal top** | **Formal lower** | **Colonial** | **Informal** | **Unpaid** |
| --- | --- | --- | --- | --- | --- |
| Occupa-tions | Management, professional outside major social services | Production and service workers, including big public service professions but excluding colonial segment | Mining, low-level public sector, domestic, commercial agriculture | Micro enterprise – predominantly hawking and gardening in the historic labour-sending regions | Mostly domestic |
| Number | 1,8 million | 8,6 million | 450 000 in mining; 70 000 in formal agriculture; 1,3 mn domestic and 500 000 low-level public service | 2,7 million | 2,8 million |
| % of paid employ-ment1 | 10% | 55% | 18% | 17% | n.a. |
| Under matric | 13% | 41% | Mining: 56%Other: 83% | 85% | 68% |
| Matric | 30% | 39% | Mining: 36%Other: 15% | 12% | 25% |
| Post-secondary | 56% | 20% | Mining: 8%Other: 2% | 2% | 6% |
| Skills | Professional level | Semi-professional, clerical, skilled and semi-skilled production, elementary | Skills historically not formally recognised | Skills typically not formally recognised | Skills not recognised |
| Median pay | R18 000 | R4000 | Mining: R8000Other: R1900 | R2500 | n.a. |
| Employ-ment-based medical aid  | 44,7% | 32% | Mining: 80%Other: 8% | 0,2% | n.a. |
| Historic labour laws | Very strong protection for white employees | Formally differentiated, initially by race and gender; from 1980s by permanence and skills | Special dispensations linked to broader institutions of control (pass laws, criminal laws, etc.) and foreign migrants in agriculture and mining | No applicable labour laws. Shaped largely by apartheid laws on access to urban jobs, training and infrastructure | No applicable labour laws. Shaped largely by apartheid residential laws and family practices |
| Current labour laws | Implemented for all | Generally implemented | Implemented in public sector and mining, but weak in agriculture and domestic | Mostly ignored | Don’t apply |
| Union density | 25% | 34% | Mining: 84%Other: 10% (35% for public servants) | Non-existent | Doesn’t apply |
| Wage bargaining | 19% | 35% | Mining: 84%Other: 14% | 2% | Doesn’t apply |
| % black | 53% | 88% | Mining: 89%Other: 86% | 95% | 93% |
| % women | 35% | 44% | Mining: 13%Other: 61% | 36% | 81% |
| Citizenship | Relatively few foreigners | Relatively few foreigners | Significant foreign presence outside of public sector | Significant foreign presence in informal retail | ?? |

*Notes:* (a) Statistics South Africa defines informal employment as self-employment or employment for an employer who is not registered to pay value added tax. (b) Unpaid labour is defined as full-time housework; unpaid work in a family enterprise; or at least seven hours a week spent fetching wood or water, catching food, gardening, working on construction or producing goods, undertaken by people with or without a paying jobs. *Source:* Except for the number of people employed in mining, calculated from, Statistics South Africa, Labour Market Dynamics 2016. Electronic database. Series on occupation, industry, formal vs informal employment, reason for inactivity, fetching wood or water, catching food, farming activity, working on construction or producing goods, and type of employer. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. Employment in mining from Statistics South Africa, Quarterly Employment Statistics, second quarter 2018. Excel spreadsheet. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The segmented labour market explains South Africa’s unusually deep inequalities in remuneration. The pay of formal managers and professionals was typically benchmarked against the high end of the global North. In contrast, wages in domestic, agricultural, low-level public-sector and informal employment were depressed by high joblessness and low union membership.

The labour-market segmentation instituted under apartheid reproduced inequalities in pay by race and gender despite laws requiring a single rate for the job. In 2016, the median wage for an African woman employee was R2500, compared to R3500 for an African man, R10 000 for a white woman and R15 000 for a white man. These inequalities appeared even when controlling for age and education, as Graph 44 shows. The median pay for an African woman employee with a degree came to R18 000; for an African man, R20 000; for a white woman, R16 000; and for a white man, R24 000. These differentials had diminished significantly from 1994, however.

Graph 44. Median monthly wage or salary by race, gender and education, 2016



 *Source:* Calculated from, Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on earnings, race, gender, age and education level. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in November 2016.

In short, the persistence of deeply inequitable workplaces combined with labour-market segmentation maintained unusually sharp differentials in pay both within and between enterprises. These factors meant remuneration systems in South Africa remained amongst the most unequal in the world.

### Government programmes

The democratic state did not directly address overall inequality in the workplace or payscales. Instead, it focused on extending labour rights – to organise, bargain and strike without employer punishment – to all workers, and set minimum conditions of service, including minimum wages for some industries. In 2018, it agreed to introduce a national minimum wage at R3500 a month, more or less equal to the median until then, but with longer phasing in for farm and domestic workers. The government also banned discrimination based on race and gender and sought to promote greater representivity in more skilled positions through employment equity requirements.

The labour laws, adapted largely from European models, essentially assumed that workers would belong to unions, which in turn would both win higher pay and monitor workplace protections. In practice, however, high levels of joblessness, the difficulty of organising small workplaces and the challenge of conceptualising alternative workplace systems meant that the labour laws did little to transform payscales and workplaces. As noted above, unions remained essentially limited to large formal companies and the public sector. The government did not, however, see its role as promoting worker organisation, but only as a fair mediator between employers and workers.

Through the Basic Conditions of Employment Act, the government set minimum standards primarily around working time, leave and for some industries minimum wages for all workers. As part of the Act, from the early 2000s it set minimum wages for domestic and agricultural workers, who together constituted around a third of all workers earning under R2500 a month in 2016. The result was a significant increase in pay in these industries in the early 2000s, although they then levelled off.

In contrast, the government made no attempt to limit compensation for senior managers and executives in the private sector. Moreover, it used private sector pay to benchmark public-sector remuneration for senior personnel, which effectively meant that government agencies, and especially state-owned companies, replicated the inequalities found in the private sector.

## Education

### Factors entrenching inequality

Unequal education is central to the reproduction of inequality over time. In South Africa, the apartheid regime explicitly limited the skills pool in order to ensure a premium for the well educated. To that end, it consistently underfunded and undermined the administration of African schools in particular. After 1994, explicit racial discrimination was ended. Nonetheless, profound inequalities remained.

Matric outcomes underscored the gap between schools serving well-off areas and others. The Department of Basic Education divided schools into groups based primarily on the incomes in their communities. The richest 15% of schools in 2015 were virtually all located in historically non-African neighbourhoods. They accounted for 30% of matric university passes, twice their share in the student population. They had an overall pass rate of 90%, and half their learners qualified for university. In contrast, the worst-off 25% of schools were found primarily in historic labour-sending areas and informal settlements. They achieved just 15% of all university passes. Only 62% of their learners passed at all, and less than one in five qualified for university. (Department of Basic Education 2016, p. 53)

The combined impact of unequal access to quality schools and relatively high university fees emerges in the figures on university attendance by income level. In 2015, for every thousand people in the poorest 60% of households, only around 20 attended university. In the richest 10%, the figure climbed to 160 per thousand. The richest decile accounted for over a third of all university students, and the second richest for another fifth. In contrast, the richest decile contributed just 8% of learners in secondary schools. Access to further education was far more equitable than university attendance, as Graph 46 shows, but the returns were generally substantially lower.

Graph 46. Students attending tertiary institutions per thousand people in income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income deciles and payments for university education (directly or for loans). Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

The differences in school quality that underpinned matric and university outcomes largely reflected continued inequalities in resourcing. In the early 2010s, the average number of learners per educator in historically black schools, whether rural or urban, was 32 to one. In contrast, in historically white schools, which had mostly been racially integrated, the figure fell to 22 to one. (Calculated from Department of Basic Education 2016)

Deep inequalities also emerged around facilities, reflecting the historic accumulation of resources in historically white schools combined with underinvestment in black schools. In 2011, almost half of schools did not meet national minimum standards, with the largest backlogs around classrooms. About a tenth, virtually all in the historic labour-sending areas, had no running water, and a tenth did not have electricity. Four out of five formerly white schools had a library, compared to half of other urban schools, and only one in five schools in historic labour-sending regions. (Calculated from Department of Basic Education 2014, Table 13, p 21; Table 35, p. 45)

Even if learners from poor schools managed to pass matric, fees often proved an insuperable obstacle to university attendance, and were always a real burden. In 2015, the cost of a year’s university education came to six months of the median annual income for households in the poorest 30%, but around ten days for those in the richest 10%. Yet only a tertiary degree correlated with a significant improvement in employment levels, as shown in Graph 27 above.

Graph 47. Median university fees in rand and as % of median annual household income by income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income deciles and payments for university education (directly or for loans). Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

A further challenge emerged around the kinds of education provided. Two key issues emerged.

First, the traditional curriculum appeared geared primarily to post-secondary education, even though the majority of learners ended at best with matric. Learners did not get key skills for the modern workplace, in particular around English, the language of the economy; computer skills; basic maths for accounting and arithmetic; and problem-solving, cultural activities and design. Instead of identifying these broad economic competencies, curriculum reform efforts tended to centre on extending access to traditional maths and science.

Second, in many regions, and particularly in the historic labour-sending areas, learners still have to shift abruptly from learning in their home language to English in secondary school. Moreover, learning in a single language in early grades discriminates against many South African citizens – a central challenge for instance in the platinum belt, where the children of workers from outside the region were often effectively unable to find a school.

### Government programmes

From 1994, the government ended racial discrimination in the provision of health and education and vastly increased spending on these services in poor communities. Nonetheless, inequality persisted, primarily because of the fee system for quality public schools and tertiary education combined with the failure to develop delivery systems for general education that were both effective and aligned with fiscal constraints.

A system of fees for quality public general education and universities effectively semi-privatised them. This system enabled high-income households, irrespective of race, to get a world-class education in the public sector at a comparatively low price. In contrast, schools in poor neighbourhoods did not charge fees but also had inadequate resources and generally provided a weak education, constraining the potential for employment and self-employment into the future. The historically white schools had to provide places to all nearby residents, whether or not they could pay. But they could select amongst non-residents, and in practice preferred those who were able to pay fees, which varied substantially by region and school.[[17]](#footnote-17)

This situation reflected a broader difficulty around how to deal with centres of excellence in the public sector that had been set up to ensure “European” standards for whites before 1994. These institutions were formally desegregated in the early 1990s. Still, they only had capacity to reach a minority of the population, and access depended in large part on ability to pay and location. This faced policymakers with the cruel choice of deliberately reducing the quality of services in these centres in order to bolster services for the majority, or maintaining world-class practices by providing higher funding and permitting them to charge fees, effectively maintaining historic inequalities.

In addition, the core delivery systems across the social services were effectively modelled on the centres of excellence. Yet most schools had neither the personnel nor the resources to implement them effectively. For instance, teachers had to have a university degree, with no formal auxiliary positions at lower levels. Given fiscal constraints, however, it proved virtually impossible to reach the necessary staffing levels in non-fee schools. As a result, staffing levels tended to fall far below international norms for the educational systems as a whole. In terms of learners to educators, for instance, the norm in upper-middle-income economies was just 15 to one – half the ratio in South Africa, despite some progress from 1994.

Graph 48. Learner-educator ratio in South Africa compared to peer economies, 1997, 2006 and 2015



*Notes:* (a) 1998 for South Africa. *Source:* Calculated from World Bank. World Development Indicators. Electronic database. Series on primary and secondary teachers and pupils. Downloaded from [www.worldbank.org](http://www.worldbank.org) in October 2018.

Finally, the general education curriculum remained geared to university entrance rather than employment. Efforts to revise the curriculum after 1994 tended to be under-resourced, particularly in terms of teacher training and the provision of texts. As a result, there was only limited expansion in teaching for new technologies and competencies, such as computer skills and problem-solving. In addition, there appeared to be no clear strategy for maintaining local languages while also ensuring competency in English, which was critical for obtaining employment in the formal economy.

In short, despite adequate funding, the education system remained profoundly inequitable. Critical challenges centred on the role of fees in maintaining unequal position of centres of excellence and the development of delivery systems that were sustainable given limited funding and ability to pay.

## Infrastructure

### Factors entrenching inequality

Apartheid policies under-resourced investment in infrastructure in black communities, particularly in the labour-sending regions, while providing “European” standards for white communities. This approach was integrated with residential restrictions that kept most black people distant from economic centres. Even within urban areas, townships and informal settlements were located far from most industrial sites and city centres.

From 1994, the government made improving municipal infrastructure a top priority. Still, three factors contributed to the reproduction of infrastructure inequality after 1994: relatively rapid rural-urban migration; the associated decline in household size; and the particularly deep backlogs in the historic labour-sending regions.

Rapid migration, and the small size of most new houses provided under state programmes, led to a marked fall in household size after 1994. In 1996, the average household had almost five members; in 2016, it had a bit over three. As a result, the number of households – and the related demand for housing and services – climbed by 90%, while the population grew by just 37%. The decline in household size in itself made it more difficult to improve coverage with network services such as water and electricity. If household size had not declined, the rapid expansion in the number of households with access to water and electricity from 1994 means that full coverage would have been achieved.

Because the provinces after 1994 largely aligned with apartheid geography, the rural-urban migration after 1994 meant their population growth rates diverged sharply. From 1996 to 2016, the national population grew by 38%. But the population of Gauteng climbed by over 70%, and the Western Cape by almost 60%. These population growth rates were matched by a few mining towns in the platinum and coal belts of the North West, Mpumalanga and Limpopo, as well as some iron-mining towns in the Northern Cape. Still, most provinces grew more slowly than the national average. The Free State, which suffered from the rapid downsizing of the gold industry as its reserves ran out, and the Eastern Cape fell furthest behind.[[18]](#footnote-18)

Graph 49. Estimated (a) population growth by province, 1996 to 2016



*Note:* (a) Estimates for rural-urban migration from 2011 are likely too low; see footnote on page 29. *Source:* Calculated from Statistics South Africa, 1996 Census and 2016 Community Survey. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in November 2016.

After 1994, South Africa saw a vast increase in formal housing stock, which usually went with improved municipal services. The number of families living in formal housing climbed from six million to 13 million between 1996 and 2016, rising from 64% to 79% of all households. The number in traditional housing dropped from 1,6 million to 1,2 million, or from 18% to 7%, reflecting the move out of labour-sending regions. The same migration patterns contributed to continued but very slow growth in informal housing. The number of families living in informal housing climbed from 1,5 million to 2,2 million. The share of informal housing dropped from 16% in 1996 to 13% in 2016.

Graph 50. Households by type of housing, 1996 to 2016



*Source:* Calculated from Statistics South Africa. Community Profiles (census data) and 2016 Community Survey. Interactive datasets. Series on main dwelling. Downloaded from Superweb facility at [www.statssa.gov.za](http://www.statssa.gov.za) in October 2018.

Formal housing typically brought improved infrastructure, particularly water, sanitation and electricity, as well as stronger structures. Moreover, for the lower-income group subsidised housing was generally somewhat closer to amenities than informal, traditional or older township houses.

Still, the new formal housing programmes did little to improve equality. Most were small and distant from economic opportunities. Virtually all were built as single houses on individual plots, which added to travel distances and the long-term cost of infrastructure, although it reduced the cost of land for housing programmes. That made the extension of network infrastructure and transport more costly. Many new settlements did not include economic sites, whether commercial, recreational or industrial.

In these circumstances the housing programme raised living standards but often did less than hoped to expand opportunities for employment and self-employment. Furthermore, subsidised housing was almost always segregated from high-income communities, adding to the social distance between rich and poor.

The reproduction of inequalities in infrastructure largely reflected the difficulty of securing greater equality given that the deepest backlogs existed in the poorest regions. In this context, mass migration to a few metros made it even harder to improve conditions for low-income households. In contrast, infrastructure in historically white areas and new upper-income suburbs was generally maintained, in part because high-income households paid the bulk of rates.

### Government programmes

The democratic government vastly increased investment in housing and household infrastructure in historically black communities, with the explicit aim of overcoming backlogs left by apartheid. These programmes entailed both upgrading services to existing houses and the provision of RDP houses, largely at no charge to low-income households.

Still, the standards of new infrastructure in historically underserved communities generally fell visibly below those in historically white suburbs. In the 1990s, faced with fiscal constraints, government departments effectively decided to promote a lower level of service in order to reach more people. For instance, the standard for new sanitation was a Ventilated Improved Pit (VIP) toilet, rather than flush toilets in dwellings. Similarly, water was often provided in the yard rather than in the house, and electricity was supplied for lighting but not cooking. Since these standards effectively applied only in poor communities, they built a degree of inequality into infrastructure provision.

In addition, the urban planning model that shaped the provision of new working-class housing still generally created settlements primarily as single-class dormitory towns segregated from urban centres and richer suburbs. That effectively recreated the inequalities inherent in apartheid town planning.

Subsidies for new formal housing represented a significant form of redistribution to the poorest 60% of households. As the following graph indicates, as of 2017 around a fifth of households in the poorest 60% had received a government housing subsidy. For the richest decile, the figure dropped to 4%.

Graph 51. Share of households saying they received a state housing subsidy by decile, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income deciles and state housing subsidy. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Besides extending physical infrastructure, from the early 2000s the state provided basic municipal services at no cost to poor households. As Graph 54 shows, 70% of the poorest 60% of households did not pay for services, compared to 6% in the richest decile. But most households did not pay due to inefficient billing systems, interrupted services or because they shared free community facilities, rather than because of targeted poverty-relief programmes. Still, low levels of payment in low-income households meant that half of all households that paid for water fell into the richest 30%, and a fifth were in the richest 10%. As noted above, however, the quality of free services however often lagged far behind that provided in well-off suburbs.

Graph 52. Percentage of households paying for water and reasons for not paying, by decile, 2015



*Note:* (a) Broken meter, interruptions to water supply or failure to bill. (b) Not specified or community decision not to pay. *Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Series on household income and household income deciles. Electronic database. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

It appears that across all deciles, free-service programmes provided around R200 a month in relief. [[19]](#footnote-19) That meant they had a progressive impact, since the share of services in income was substantially higher for low-income households than for rich ones.

From the mid-2010s, the government initiated a series of programmes that were supposed to bring about more integrated communities, breaking from the apartheid tradition of single-class dormitory housing for working people. These programmes ranged from a new emphasis on building more integrated economies in townships to urban-planning regimes that were expected to develop more coherent and integrated communities. The impact of these programmes was not clear at the time of writing. They faced three significant challenges, however.

* The cost of land nearer to city centres and the need to develop new norms for urban planning both made it harder to shift paths. Construction companies were accustomed to building dormitory towns with rows of small formal houses but no sites for commercial or productive activity. Denser housing, such as row houses, typically had a higher cost per unit, although in the longer run they returned substantial savings for both residents and municipalities.
* Because incomes in most townships were low, demand for goods and services was often weak, making it hard to support local businesses. In formal townships in the metro areas in 2017, the average monthly income came to R5200, compared to almost R30 000 for the richer suburbs. In the former labour-sending areas, township demand was around half as high. In effect, the townships faced a vicious cycle of poverty, where limited demand in itself depressed economic opportunities. Overcoming it required more consistent urban planning, financial support and subsidies, and the provision of below-cost market services at least for the medium term.

Graph 53. Median income in formal townships and suburbs, by type of municipality, 2017 (a)



*Notes:* (a) The data set does not distinguish housing by township and other, but it does provide relevant characteristics of houses. In this analysis, suburban houses are defined as formal dwellings of all kinds with over six rooms (including kitchen and bathrooms) and at least one bathroom. Formal township housing is defined as formal stand-alone houses with six rooms or less and no more than one bathroom. This methodology means there may be some overlap, as smaller suburban houses and high-end township ones would be allocated inappropriately. Still, the broad differentials are clear. *Source:* Calculated from Statistics South Africa. General Household Survey. Electronic database. Series on main dwelling, toilets, geography type and metro. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

* Proposals to build township economies were often conceptually unclear. The original concept focused on the need to develop integrated communities for residents. But some versions aimed at placing heavy industry, for instance auto repair shops and industrial sites, in residential areas rather than on their outskirts. That effectively contradicted most urban-planning norms.

## The historic labour-sending areas

### Factors entrenching inequality

A variety of factors led to the continued impoverishment of the historic labour-sending regions compared to the rest of the country long after apartheid formally ended. This situation reflected both the inherently marginalised nature of these areas, which resulted from their original designation. Combined with huge backlogs in infrastructure, they led to low incomes, which in turn limited local demand, further limiting economic opportunities. Finally, the mass out-migration from 1994 saw an outflow of working-aged adults, especially the most educated. The resulting lack of labour and skills added to the vicious cycle of poverty.

The labour-sending regions were designated from the 19th Century to exclude most natural resources, including agricultural land or water. Some districts had potential for mining, tourism and some farming, but studies from the 1950s demonstrated that they could not support their populations. In addition, for decades they were deprived of investment in infrastructure for both economic and household aims, as the disparities in access to services demonstrates.

Under apartheid, the myth was that everyone in the labour-sending regions was a farmer. Employment statistics published by the Development Bank of Southern Africa in the early 1990s simply assumed full employment in these areas as a result. In practice, households in the historic labour-sending regions historically depended on remittances from workers in the rest of South Africa. With the transition to democracy, that income was supplemented by social grants. In 2017, 28% of households in the historic labour-sending regions received a remittance, and 69% received a social grant. Some 40% depended primarily on social grants to survive, compared to 16% that relied on remittances and 32% on employment earnings. Remittances to households in the labour-sending regions had a median value of around R1000 at every income level.[[20]](#footnote-20)

A further challenge was that the labour-sending areas held a relatively low share of working aged adults. In 2017, 45% of residents in the labour-sending regions were aged between 15 and 64, compared to 60% in the rest of the country. Almost half of their residents were children; in the rest of the country, the figure was just over a third. This age profile made it more difficult to intensify farming and other economic activities, even in fairly uncommon situations where good land was available. Moreover, shortfalls in government services such as healthcare, education and water proved particularly burdensome to families with many dependents.

Graph 54. Population by age, race and location, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Series on geography, population group and age. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018.

### Government programmes

Government efforts to improve conditions in the historic labour-sending regions centred on improving household living standards through social grants and increased investments in infrastructure and social services. While these areas did not catch up to the rest of the country, they experienced significant improvements in these areas, as noted above. In contrast, government efforts to improve economic opportunities were limited and disjointed. They were hampered in particular by the lack of a realistic and shared understanding of the often severe economic constraints on the different labour-sending regions, combined with often weak local governance structures.

Of all government services, social grants were most successfully extended to the historic labour-sending areas. In 2017, 40% of households in these areas depended principally on social grants, compared to 12% in the rest of the country.[[21]](#footnote-21) In part, this was because grants were paid only to people unable to work due to age or disability, which qualified a higher share of people in the historic labour-sending regions. Moreover, because of lower earned income in these regions, social grants were more likely to be a critical source of income. The old-age pension, for instance, was equal to around 60% of the median household income in the historic labour-sending regions, but only about 25% in the rest of the country.

Other services improved substantially in the labour-sending regions, but on the whole failed to reach the level of the rest of the country, much less to catch up with the rich suburbs. This situation arose in part because the difficult of matching the long-term investments made over centuries in the economic centres. Moreover, given fiscal limitations, the standards set for new services were visibly lower than those in the historically white areas.

Social grants provision more than equalised because they were legally made available to all as an entitlement, without analysis of the cost. For some years in the 1990s and early 2000s, however, annual increments were below inflation. That strategy significantly reduced their real value compared to the sums provided before 1994 exclusively to white households.

In contrast to the provision of government services, only relatively limited initiatives sought to expand economic opportunities for people in the historic labour-sending regions. This situation reflected the difficulty of agreeing on and funding strategies, especially in light of the lack of obvious opportunities and capacity in most of these areas.

The liberation movement historically saw land reform as central to reversing the legacy of apartheid in the rural areas. As noted above, however, after 1994 it was neither implemented on the requisite scale nor targeted primarily at low-income people in the historic labour-sending regions.

Most economic departments had additional projects or programmes that in theory aimed to promote growth in the historic labour-sending regions, from the agro-parks promoted by the DRDLR to the Department of Trade and Industry’s Special Economic Zones. These programmes proved unable to mobilise significant resourcing or support from other state agencies, however. In any case, most were not designed to generate employment or higher incomes for poor households on a large scale.

The role of unelected “traditional” authorities in the historic labour-sending regions proved a further obstacle to economic transformation. In particular, under apartheid, the state delegated control over land, some dispute settlement processes and the allocation of local budgets to these authorities. In the process, it assumed the final say both on who became “traditional” authorities and on what kinds of power they wielded. After 1994, as part of the Constitutional compromise, “traditional” authorities retained considerable but neither well-defined nor formally accountable power in the historic labour-sending regions. (See Weinberg 2015; HLP 2018, p 200 ff)

This system posed particular challenges around control of land. As the following graph shows, almost half of households in the historic labour-sending regions that gardened at all did not own their land outright, but rather were subject to “traditional” tenure rules. These rules were often unclear and discriminated against women and people from other parts of South Africa. (See Makgetla and Levin 2016) Moreover, land farmed under “traditional” rules typically could not be sold or used as security for credit. The insecurity around its use in itself deterred households from investing to improve the land they used. Furthermore, some mining companies paid royalties to “traditional” authorities, which lead to a range of conflicts within communities.

Graph 55. Tenure status of land farmed in the historic labour-sending regions, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on geography, province and tenure status of land used for farming. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

Overall, the position of the historic labour-sending regions posed an archetypical wicked problem, with deep difficulties around agreeing on viable strategies and funding them. In this context, the combination of social grants and mass out-migration reduced political pressure to find economic solutions. Three main challenges emerged:

* Defining viable solutions where possible, while recognising that some regions would not be sustainable in the long run once people were no longer forced to stay there;
* Dealing with the divisions within the state to ensure adequately capacitated agencies to drive priority programmes, with support from across all of government; and
* Securing sufficient funding for major programmes, despite the inherent risks involved in any transformatory programme.

## The redistribution of income

### Social grants

By the mid-2010s, the provision of social grants had become the large programme aimed at alleviating poverty. It addressed inequality because, given a fairly progressive tax system, it effectively redistributed income from relatively well-off households and big business to poor people who were unable to work. It did not, however, directly provide any support to working-aged people who were not disabled.

In February 2018, 17,5 million South Africans, or almost one in three, received some kind of social grant. Grants were provided to people who could not physically work due to age or disability and who earned less than R78 000 a year as a single person, or R158 000 as a couple, and owned under 1,1 million rand in assets. These income levels made the poorest 60% of the population eligible, although they also had to be unable to work and have limited assets.

In 2018, the maximum old-age pension and disability pensions were pegged at R1600 a month, while the child support grant was R380. Three out of five grants were for child support, reaching 12,2 million children in early 2018. In addition, there were 3,4 million old-age pensions and 1,1 million disability grants. (SASSA 2018) Because old age pensions and disability grants provided over four times as much as child-support grants, however, they accounted for around 60% of the value of all grants. Both the old-age and disability grants came close to the national and international poverty lines for a couple, while the child support grant would lift half a person out of poverty, using Statistics South Africa’s food poverty line.[[22]](#footnote-22) The World Bank’s standard of US$1,90 a day indicates similar results.

Two thirds of households in the poorest 60% received a grant (sorted by total household income rather than income per person). For these households, given high jobless rates, access to a social pension often spelled the difference between destitution and ordinary poverty. A relatively small number of higher-income households also got social grants, presumably because low-income pensioners or disabled people were living with better-off families.

Graph 56. Share of household residents receiving grants per thousand people by household income decile, 2017



*Source:* Calculated from Statistics South Africa. General Household Survey 2015. Electronic database. Series on household income, child support grant, disability grant and old age pension. Downloaded from [www.statssa.gov.za](http://www.statssa.gov.za) in November 2016.

Social grants accounted for around over a quarter of total income for the poorest 60% of households in 2015, and well over a third for the poorest 30% alone. For the formal working class, a similar percentage of households benefited, but grant income was dwarfed by much greater earnings from work. In the richest decile, a tenth of households got an old-age or disability grant, but the income came to less than 0,5% of total income.

Graph 57. Grant income as percentage of total income and recipients as percentage of all households by income group, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Series on household income, household income deciles, and income from grants by type. Electronic database. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

While social grants contributed less than half of income for the poorest 60%, for the households that benefited from them old-age and disability grants provided at least half of their total income. Child-support grants contributed a quarter of income to beneficiary households in the poorest 60%.

Graph 58. Social grants by type as percentage of average income for beneficiary households only, 2015



*Source:* Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Series on household income, household income deciles, and income from grants by type. Electronic database. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018.

In terms of the share of households affected, South Africa’s income support programme was amongst the largest of upper-middle-income economies. Almost 35% of South African households received some kind of state transfer, compared to a weighted average of 15% for peer economies. Of course, the other economies had a more equitable primary income distribution to start with.

Graph 59. Percentage of women and men who said they had received a cash transfer from the government in the preceding year in upper-middle-income economies, 2014



*Source:* Calculated from World Bank. Gender Statistics. Electronic database. Series on received government transfer in the past year for women and men. Downloaded from [www.worldbank.org](http://www.worldbank.org) in December 2016.

### Taxation

Redistributive efforts depended on a largely progressive tax system. As the following graph shows, the share of company and personal income tax in total government revenues remained fairly stable at around 55% from 1994 to 2017.

Graph 45. Tax revenue in billions of constant (2018) rand and shares by type, 1999 to 2018 (a)



*Notes:* (a) 2018 is budget projections. (b) Deflated with CPI for March, rebased to 2018. *Source:* Calculated from National Treasury. Budget Review 2018. Tables in excel. Table 2. Downloaded from [www.treasury.gov.za](http://www.treasury.gov.za) in October 2018.

The deep inequalities in income meant that the tax burden was borne largely by a relatively small number of high-income individuals. In 2015, 500 000 people – around 1,3% of the working-aged population - earned almost a third of taxable income and paid just under half of total personal income tax. Overall, just 7% of working aged people paid any income tax. Other taxes, however, were less progressive. Of these, the largest was the Value Added Tax, which had an essentially flat incidence in 2015 – that is, the share of income paid in tax was more or less the same at every income level.

Inevitably, where the primary income distribution – that is, income distribution based on the economy alone – is highly unequal, it proves difficult for the state to sustain redistribution from the relatively small high-income group to the rest of society. In unequal democracies, however, it is critical to maintaining social and political stability. That said, in the long run redistribution through the state requires that the programmes funded retain a degree of legitimacy amongst high-income taxpayers. For that reason, the evidence of state capture in the mid-2010s inevitably affected tax morality, which in turn contributed to the challenges of sustaining redistributive initiatives.

## Conclusions

The inequalities in ownership, workplaces, educational systems and infrastructure established under apartheid were essentially reproduced by economic forces. Specifically, historically disadvantaged communities and individuals did not have the resources, experience, education or access to market services and infrastructure required to generate or in many cases even to take advantage of economic opportunities. The complex history of the former labour-sending regions meant that they contributed little to sustainable livelihoods for residents, significantly aggravating national inequalities and poverty.

Efforts by the democratic state to address these challenges centred on improvements in core government services. They were dominated by programmes

* to improve government services and provide cash transfers to poor households,
* to protect labour rights and institute minimum wages, and
* to enhance representivity in business ownership and senior management through broad-based BEE policies.

While government services improved significantly in low-income areas, they remained heavily inequitable. In large part, this resulted because of reluctance to reduce the quality of services provided in rich areas, although they did seek to leverage increased payments for high-end institutions. They also did not undertake substantial innovation in most delivery systems outside of social grants and the development of lower service standards for low-income communities. Delivery systems remained heavily bureaucratised and hierarchical, and consequently often unresponsive to individual or community needs. Moreover, services were frequently understaffed.

Government undertook only very limited programmes to address the drivers of primary income inequality that arose out of the economic systems. It introduced a patchwork of programmes to promote small business and to reduce the wage gap, inequalities in education and the location of low-income housing. They remained small relative to the scale of the problem, however, and were generally not prioritised and poorly aligned across the state as a whole.

Strengthening programmes to bring about greater equality requires an understanding of why they have remained limited to date. Some factors include the following.

* While democracy promises a degree of equality for voters, the economy gave great power to a small, relatively cohesive group of business managers and owners and to people with high skill levels. With the end of apartheid, this group became more representative, but arguably over time that made it more difficult to reduce its privileges. The unusually large social and physical distances that apartheid established between rich and poor made it more difficult for the rich and powerful in both the public and private sector to understand and respond to the needs of the majority.
* Introducing large-scale, systemic change in the economy was inevitably risky and costly. In the absence of agreement on the required direction of change, mobilising the political will to bring it about proved difficult. Government leaders and officials knew that if a programme went wrong, they would be blamed, whereas if it worked they would likely still be seen as falling short.
* Government structures tended to limit the scope for large innovative programmes. To start with, the fragmentation of the state between departments and spheres made it almost impossible to secure alignment around major programmes. In addition, the budget system was largely designed to prevent risk. That made it difficult to get funding for innovative programmes on a large enough scale to make a difference.
* The extreme poverty and economic exclusion of the historic labour-sending regions proved particularly difficult to address. A central challenge arose around the fact that many, although not all, of these regions were designed to be rural slums, unable to support their populations and far from economic centres. In these circumstances, a more differentiated approach was required, which would build on strengths where possible but also scale up measures to accommodate the unavoidable mass migration to economic centres.

# Toward strategic solutions

In theory, programmes to achieve greater equality differ from anti-poverty strategies that seek primarily to ensure an acceptable living standard for a minority of poor households. In practice, the main distinctions between these kinds of programmes emerge around

* Whether programmes target the majority (for instance, the poorest 70% of the population) or a minority (typically the poorest 10% to 40% of households);
* Whether they provide immediate relief from extreme poverty in the form of income or in-kind support, or improve access to economic opportunities; and
* Whether they are complemented by programmes to constrain remuneration and wealth for the richest decile, to equalise government services and to develop communities that are more integrated by income level.

This section outlines some strategies to address inequality. In the short run, the greatest impact can be achieved through institutions that facilitate collective action to address community challenges and by initiating support for small business, including through land reform and support for township enterprise. In the longer run, industrial policy needs to focus more on scaling up support for industries that are both sustainable and relatively labour intensive, including in light industry and services.

This section identifies broad parameters for strategies to empower communities as the basis for democratic shifts in the economy; promote small business and more equitable workplaces; and address inequalities in education. It does not provide detailed programmatic proposals, but rather broad interventions that, if adopted on an adequate scale, could materially narrow the income gap. It notes relevant proposals that are included, at least in a limited form, in the recent Jobs Summit Framework Agreement.

## Empowering communities

Bringing about systemic change at community level cannot normally be achieved by individuals or households. Rather, it requires collective action by community members. That in turn needs appropriate organisational structures that provide a platform for people to reach agreement and oversee initiatives. From this standpoint, the average municipality, with over 40 000 households, was too large to promote community-level mobilisation around common projects.

Various models exist for developing community institutions, including projects for township upgrading, various forms of marketing, financial and service co-ops, and the Community Work Programme as originally designed. These models have in common the need to resource institutions, to involve some dedicated organisers, and to allocate time for institution building. While these processes usually impose some delays and costs, they often prove crucial for long-run sustainability.

In a similar vein, government programmes should actively promote worker organisation. To that end, it could provide resources for organising and policy work. It could also support non-profit agencies to operate service centres for unorganised workers, especially in domestic and farm work, and to assist small businesses with labour relations. The Commission for Conciliation, Mediation and Arbitration (CCMA) undertook some of these functions, it they were not a central part of its mandate.

## Promoting small business

Developing economic institutions and systems that support small business requires a holistic approach that can mobilise resources, assist with skills, and access market institutions. That in turn requires dedicated institutions. Such agencies are sometimes called “meso-institutions” that function at the level of a region or an industry – able to develop systems at a scale beyond the reach of an individual entrepreneur but also to respond to specific regional or sectoral needs. Models for this kind of agency include marketing co-ops; cluster institutions of various kinds; and social enterprises that support for instance crafts producers and incubators.

Given appropriate institutional supports, scaling up the resourcing of small business would become less risky, and it remained crucial for any success in achieving a more equitable society. In this context, land reform and support for township enterprise stand out as critical elements.

To start with, land reform would have to be fundamentally repurposed to promote rural livelihoods, ideally by increasing production for local consumption or for national value chains. To succeed, it would have to start with a viable business model and then identify what land should be acquired. Identifying land needs at the local level and linking people to viable production models makes more sense than purchasing (or expropriating) land and then hoping to find entrepreneurs to use it. The concept of district land committees provides a basis for this approach.

The Job Summit generated two large-scale projects that were particularly relevant to land reform. One involved the development of farming in the West Rand on the basis of old mining land, with significant support from mining companies and the potential for generating 50 000 new jobs. The other would establish a fund for meso-institutions to support rural production clusters.

In addition, the Job Summit proposed a fund for initiatives to support township enterprise. The aim would be to provide infrastructure, services and financial support for new business centres in townships or industrial sites near them. Organisations and municipalities could apply for resourcing to establish support systems for local clusters or sites.

## Promoting greater accountability and equality in big business

The Job Summit proposed the development of systems to promote more collaboration between employers and workers in the workplace. That could be promoted for instance through improved training for supervisors; providing resources for companies and government institutions to review, with worker representatives, workplace organisation, communication systems and qualification requirements, and on that basis remuneration systems; and possibly through worker and community representation on boards of directors.

The Job Summit also proposed that large companies be required to publish information indicating the wage gap. This could be complemented by information on employment numbers in South Africa and on local procurement and supplier-development efforts. Ideally these requirements would extend to large private companies and foreign subsidiaries.

## Education

A more equitable economy cannot be achieved without a radically more equitable system of general education. That in turn requires that the education system be reviewed to ensure that it does more to generate the skills required for the economy, and in particular to make it easier for the majority who get only matric or less to take advantage of economic opportunities. Critical challenges included the following.

1. Ensuring that school leavers had the core skills for employability include an ability to use English well; problem solving, creativity and design competencies; computer use; and an ability to use arithmetic for accounting and monitoring.
2. Revising work organisation and the associated qualification requirements to ensure adequate staffing, including for administrative and support staff, and to fast-track access to basic maths and computer skills as well as bilingual education systems in the lower grades.
3. Ensuring that access to quality educational institutions is visibly based on merit, not just income. Measures to achieve that end could include for instance a requirement that every school, public or private, be at least 50% black; that people who work in a community, even if they do not live there, have an entitlement to send their children to the local school; and for secondary schools, the development of admissions procedures that are blind to both income and residential location. At university level, tuition should be replaced with a surcharge on the income tax. In practice, this would have the same effect as proponents of the current loan fund anticipate, since graduates would have higher incomes and therefore be able to meet the additional cost of the tax.

Finally, inequalities in pay largely reflected the skills shortage. They could therefore be ameliorated in the medium term by ending restrictions on skilled immigration. In particular, professional associations should not be allowed to veto migrants in order to maintain their own incomes. If migrants can demonstrate that they have a university degree or full artisanal qualification, they should be permitted to migrate, even without a job offer, precisely because it would reduce the cost of skilled labour.

## Infrastructure

There were no simple fixes for infrastructure inequalities. Current delivery models could be improved by the following.

* A more rigorous effort to track internal migration would assist in anticipating needs. In particular, an annual report on the municipalities with the fastest growth, including mining towns as well as metro areas, would assist in ensuring more appropriate planning and resourcing of infrastructure and housing.
* Densification and the development of multi-class communities should be made a central aim of urban planning. That requires both the development of appropriate models and resourcing for initiatives. As a start, all new high-income housing developments should have to set aside say 25% of housing for people in the lower 60% of households by income.
* Service standards should be set at the same level for all communities. If a solution is not appropriate for high-income communities, it should not be imposed on low-income areas.
* Participatory budgeting at the ward level would assist communities in facing up to the trade-offs required by limited resourcing, and enable them to identify their own priorities.

## Conclusions

Addressing inequality was a prerequisite both for accelerating economic growth and building social cohesion. But it invariably imposed risks and hard choices. As the Job Summit Framework Agreement notes,

“…we can only address the weaknesses in our economy if all the economic stakeholders become far more innovative. That, in turn, requires that we accept and manage higher levels of risk and adopt a longer-term perspective. If we continue to avoid the risks and costs of real change in the economy, we will have to live with the certainty of slow and unstable growth and rising political and social conflict.” (NEDLAC 2018, p. 8)

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Annexure A. Progress on NDP targets on inequality

|  |  |  |  |
| --- | --- | --- | --- |
| On track | Progress but not enough to reach target | Will not reach target at current rate of progress | No information available |

| **Target** | **Text**  | **Target** | **Baseline** | **Latest** | **Trend** | **Comment** |
| --- | --- | --- | --- | --- | --- | --- |
| **Earned income and assets** |  |  |  |  |  |
| Proportion of households with monthly income below R419 per person (in 2009 prices)  | 39% (n.d. or source) | 0% (2030) | 2012 under R485: 26% of households 36% of individuals  | 2017 under R637: 25% of households2016 under R604: 38% of individuals |  | Source: GHS for 2017 and LCS for 2014Data for 2017 are household income estimates from GHS divided by household size, excluding missing data (which understates very rich and very poor, as a rule), reflated from 2009 figures using average annual CPI. The LCS is more accurate on household income and expenditure but comparable data are only published every five years. For technical reasons, the data on individuals are not available for 2017. |
| Gini coefficient | 0.69 | 0.60 (2030) | .69 (2011) | .68 (2015) |  | Source: DPME, Development Indicators, from IES and LCS respectivelyThe Gini coefficient includes social grants and other cash transfers in household income, but not the effect of subsidised government services. |
| National income earned by the bottom 40% should rise from about 6% today to 10% in 2030. | 6%  | 10% (2030) | 6,7% (2012) | 5,2% (2017)5,5% (2014) |  | Source: GHS for 2017 and LCS for 2014Data are household income estimates from GHS, excluding missing data (which understates very rich and very poor, as a rule). The LCS is more accurate on household income and expenditure but these kinds of data are published only every five years. |
| Broaden ownership of assets to historically disadvantaged groups | none | Black people made up around 88% of the population in 2012 and 92% in 2017 |  |  |  | The NDP does not provide a target for this aim or define what measure of assets to use. Equality can (and has) improved between racial groups but not by economic class. We here indicate progress in terms of (a) income from assets, (b) business ownership and (c) occupations. All are imperfect, because none distinguish the size of business involved and income from capital leaves out remuneration and bonuses for executives. For income, figures for black women are not available separately. It is assumed that the target is full representivity in terms of the share in the population. The share of white-headed households declined from 12% to 10% over the period. |
| % of wages, grants, pensions, remittances; imputed rent; capital and other income going to black people | none | Proportional to share in population | 2011:Wages etc.: 63%Imputed rent: 48%Capital/other: 48% | 2015:Wages etc.: 70%Imputed rent: 64%Capital/ other: 56% |  | IES 2011 and LMS 20151. Imputed rent is the rent that would have been paid by homeowners, and therefore provides a proxy for home ownership.
2. The 2011 data do not distinguish capital and other income, but in 2015 the category was split almost evenly between the two. Income from capital constituted 1% of income for Africans and 4% for whites in 2015. It excludes remuneration for business owners and managers.
 |
| Business ownership by all black people and by black women | none | Proportional to share in population | 2012: All black owners: 49%Black women: 9% | 2017: All black owners: 53%Black women: 12% |  | Source: LMD for 2012 and QLFS (averages) for 2017 |
| % black people and black women in formal private senior managers and professionals | none | Proportional to share in population | 2012: All black people: 51%Black women: 18% | 2017: All black people: 54%Black women: 18% |  | Source: LMD for 2012 and QLFS (averages) for 2017 |
| **Employment** |  |  |  |  |  |  |
| The proportion of adults working should increase from 41% to 61%. | 41% | 61% (2030) | 42,1% (2012) | 43,4% (2017) |  | Source: QLFS “trends” spreadsheet annual averagesAt current rate of improvement, ratio of employed to total adults would reach 47% in 2030. The international norm is around 60%. Since 1994, the rate has fluctuated between 39% and 46%, peaking in 2007/8.  |
| Employment | 13 mn | 24 mn (2030) | 14,5 mn (2012) | 16,3 mn (2017) |  | Source: QLFS “trends” spreadsheet annual averagesAt growth rate for employment from 2012 to 2017, starting with 14,5 mn in 2012, would reach 22 million in 2030. To reach the ratio of employed to all adults would in any case require 29 million employed in 2030, assuming no decline in population growth, so the targets are not aligned.  |
| Unemployment rate | 24,9% | 14% in 20206% in 2030 | 24,7 (2012) | 27,5 (2017) |  | Source: QLFS “trends” spreadsheet annual averages |
| % employed adults in rural areas  | 29% | 61% | 2012: Total rural 32.6%Laboursend-ing areas: 24,1% | 2017: Total rural 32.7%Labour send-ing areas: 27,5% |  | Source: LMD for 2012 and QLFS (averages) for 2017It is not clear if the target referred to all rural people, which would include commercial farming areas and some mining communities, or only the historic labour-sending regions. For the broader rural category, there has been no significant change in the employment ratio; for the historic labour-sending regions the ratio has improved somewhat, but not enough to reach the target. Moreover, the historic labour-sending regions improved in part because the share of working-aged adults dropped from 29% to 26% of the total from 2012 to 2017, presumably due out-migration. |
| Additional jobs in agriculture, agro-processing and related sectors. |  | 643 000 direct (2030)326 000 indirect (2030) | total direct in 2012: 1,162 mn | Total direct in 2017: 1,38 mnIncrease: 220 000 |  | Source: LMD for 2012 and QLFS (averages) for 2017Statistics South Africa reported a surge of 140 000, or 19%, in agricultural employment from 2013 to 2015. The reasons remain unclear, but might be related to a reweighting of the data in this period. From 2015 to 2017, agricultural employment fell by 37 000 or 4%. Agro-processing employment – food, beverages, tobacco, wood and paper – reportedly climbed by 72 000 from 2012 to 2017, with substantial fluctuations over the period.  |
| Food produced by small-scale farmers or households | n.a. | A third of total |  |  |  | Most estimates suggest that commercial farmers provide around 95% of all food sold formally, but there are no regular published statistics on this topic.  |
| % of households growing any food for own use/sale | n.a. | n.a. | 16% (2012) | 14% (2017) |  | Source: GHS 2012 and 2017.May have been affected by drought. Almost all families in this group say their own production was not their main source of food. |
| **Government income support** |  |  |  |  |  |
| Provide income support to the unemployed through various active labour market initiatives | n.a. | n.a. | Undergoing training while jobless, 2012: 16 100  | Undergoing training while jobless, 2017: 16 600 |  | Source: LMD for 2012 and QLFS (average) for 2017There is no comprehensive statistical system on outputs or outcomes for active labour market initiatives. The figure provided is a survey finding on people who are jobless because they are undergoing training that should assist in finding work. It represents the number in training in any given quarter; the annual figure could be more than four times as high (at least 65 000) depending on the length of training, which is not given.  |
| Public employment programmes (number reached) | n.a. | 1 mn (2015)2 mn (2030) | 2011/2: 843 000 | 2015/6: 1,1 mn2016/7: 741 000 |  | EPWP M&E reports, fourth quarter for relevant years, Annexure AExtrapolating from first three quarters of 2017 for which data are available, the total for 2017/8 will come to around 920 000.Trajectory to 2030 is unclear because fairly rapid growth from 2009 to 2015 appears to have declined over the following 3 years.  |
| **Municipal services and healthcare**  |  |  |  |  |  |
| No one lives below a defined minimum social floor | n.a. | 0 |  |  |  | No definition provided for “minimum social floor”. Proxy used in following indicator is income above the poverty line, and has at least a VIP pit latrine, running water on site and electricity for lighting. |
| % below poverty line *and* lacking water, a flush toilet and electricity.  | n.a. | 0% (2030) | 2012: 17% | 2017: 15% |  | GHS 2012 and 2017Water defined as running water on site; sanitation as a flush toilet (a VIP reduces figure for 2017 to 13%); electricity as electricity for lighting from mains or generator. |
| % with access to electricity for lighting  | n.a. | 90% on grid (2030)Rest non-grid electricity | 2012: 87% on grid, 0,3% other electricity (solar and generator | 2017: 87% on grid, 7% other electricity (mostly generator) |  | GHS 2012 and 2017.The percentage using a generator climbed steadily from 2014. It is not clear if this reflects a change in actual practice or a change in data collection.  |
| Access to clean, potable water  | n.a. | 100% (2030) | 2012: 92% | 2017: 92% |  | GHS 2012 and 2017.Percentage that says their drinking is safe to drink, whatever the source. |
| Informal settlements upgraded on suitable, well located land – proxy is % of people in informal settlements over 30% minutes distant from work | n.a. | 100% (2030) | 2012: 39,1% | 2016: 40,5% |  | GHS 2012 and 2016.Proxy for upgrade on better located land, as no specific data series available.The share of individuals living in informal settlements (excluding backyard informal dwellings) dropped from 7% to 6% from 2012 to 2016.  |
| People living closer to places of work - % over 30 minutes distant from work | n.a. | “more” | 2012: 35,5% | 2016: 34,7% |  | GHS 2012 and 2016. |
| Jobs in or close to dense, urban townships – proxy is % of people in townships (see note) living 15 minutes or less from work | n.a. | “more” | 2012: 80% | 2016: 80% |  | GHS 2012 and 2016.Urban township housing measured as formal housing with less than 4 rooms plus formal or informal backyard housing, excluding whites, in urban areas. |
| Community health workers deployed  | n.a. | 700 000 (n.d.) | n.a. | n.a. |  | There appears to be no central register of community health workers in the public and non-profit sector, so tracking numbers is not possible. |
| Access to equal standard of healthcare regardless of income. Proxy: % of individuals “very satisfied” with healthcare at latest visit | n.a. | 100% (2030) | 2012: Richest 3 deciles - 73%Remaining 7 deciles - 55% | 2016: Richest 3 deciles - 73%Remaining 7 deciles - 56% |  | GHS 2012 and 2016.Measure asks, of those who visited a health facility, whether they were very satisfied. If the standard of healthcare were equal regardless of income, the share “very satisfied” should not differ significantly by income level.  |
| **Education** |  |  |  |  |  |  |
| Complete 12 years of schooling and/or vocational education – proxy: aged 18 to 20 with minimum 12 years schooling | n.a. | 80% to 90% (2030) | 2012: 41% | 2017: 45% |   | GHS 2012 and 2017.Percentage of individuals aged 18 to 20 who have at least 12 years of education, even if they did not pass matric, or 11 years of secondary with a diploma or certificate. |
| Pass exit exams | n.a. | 80% (2030) | 2012: 74% | 2017:75% |  | Matric pass rate |
| Schools meet minimum standards for infrastructure – proxy here refers only to water, sanitation and electricity, excluding classroom deficiencies | n.a. | 100% (2016) | 2011: 77% | 2014: 84% |   | DBE. Second Detailed Indicator Report for Basic Education Sector. 2014. Page 45.The report does not give figures including class room deficiencies for 2011. In 2014, only 46% of classrooms had basic facilities including adequate classrooms.  |

1. Angola, for instance, claimed a Gini of .3 in the mid-2010s, which would make it more equitable than France, the U.K., Germany and a host of other countries, and only slightly more unequal than Sweden, Denmark and Norway. [↑](#footnote-ref-1)
2. For purposes of calculating the distribution of household incomes, households can be ranked in terms of the income of reporting households as units, or in terms of per-person income within households. Given the same household income, larger households have lower per-person incomes. In practice, using per-person household income means that households in the lowest deciles are relatively large, while using complete households as reporting units the poorest households are smaller than average. Arguably figures on government programmes should use income per person, since the aim is to improve living conditions, while figures on earnings from the economy use income per households, to reflect the returns to employment and business ownership for households. The different methods do not substantially affect findings on overall inequality, but the per-person approach reveals higher dependence on social grants in the poorest quintile in particular. This document uses income per household throughout. [↑](#footnote-ref-2)
3. Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. [↑](#footnote-ref-3)
4. Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on population group of household head and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018. [↑](#footnote-ref-4)
5. Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on population group of household head and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018. [↑](#footnote-ref-5)
6. The Census used income categories rather than actual incomes and did not probe responses. The General Household data, used for the 2017 findings, estimated income for households based on responses around separate income categories, including wages, profits and social grants. [↑](#footnote-ref-6)
7. Reflated with the deflator for gross fixed capital formation, rebased to 2017. [↑](#footnote-ref-7)
8. Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on earnings for employers and employees and sector 2. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. [↑](#footnote-ref-8)
9. Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on main work, earnings of employers and employees, and industry. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. [↑](#footnote-ref-9)
10. Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on earnings of employees, formal sector including agriculture, and main industry. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. [↑](#footnote-ref-10)
11. Calculated from Statistics South Africa. Labour Market Dynamics 2016. Electronic database. Series on education status, formal sector including agriculture, and main industry. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in December 2017. [↑](#footnote-ref-11)
12. The World Bank, using a different dataset, finds even more unequal ownership of financial assets. See World Bank 2018, p. 51 ff. [↑](#footnote-ref-12)
13. Calculated from ILO. ILOSTAT. Electronic database. Series on education and employment. Downloaded from [www.ilo.org](http://www.ilo.org) in October 2018. [↑](#footnote-ref-13)
14. Employment data calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on geography and employment. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. Household income data calculated from Statistic South Africa. General Household Survey 2017. Series on geography and household income. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018. [↑](#footnote-ref-14)
15. Calculated from Statistics South Africa. Quarterly Labour Force Survey, Second Quarter 2018. Electronic database. Series on geography, province and main work. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. [↑](#footnote-ref-15)
16. Calculated from Statistics South Africa. Living Conditions Survey. Electronic database. Series on gender of household members, settlement type and household income decile. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. [↑](#footnote-ref-16)
17. In theory, schools could not turn away learners just because they could not pay; in practice, they could pick amongst applicants from outside the district, and were more likely to select children from well-off households. [↑](#footnote-ref-17)
18. The 2016 Community Survey likely understates migration from 2011 because it is weighted by the mid-year population estimates. The 2011 Census found that Statistics South Africa’s mid-year population estimates substantially underestimated rural-urban migration. Nonetheless, the mid-year estimates since 2011 assume a falling migration rate. In interviews, Statistics South Africa officials argued that the rate through 2011 was extraordinarily high by international standards and therefore could not persist – an argument that ignores the unique nature of South Africa’s apartheid legacy. [↑](#footnote-ref-18)
19. Calculated from Statistics South Africa. Living Conditions Survey 2014/5. Electronic database. Series on household income in kind and by decile. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. [↑](#footnote-ref-19)
20. Calculated from Statistics South Africa, *General Household Survey 2017.* Electronic database. Series on remittances and geography type. Downloaded from Nesstar Facility at [www.statssa.gov.za](http://www.statssa.gov.za) in March 2018. [↑](#footnote-ref-20)
21. *Source:* Calculated from Statistics South Africa. General Household Survey 2017. Electronic database. Series on geography type and income source. Downloaded from Nesstar facility at [www.statssa.gov.za](http://www.statssa.gov.za) in August 2018. [↑](#footnote-ref-21)
22. In 2015, Statistics South Africa estimated a food poverty line of R501 per person per month in 2011 rand. (Statistics South Africa 2015, p 10) Reflating this figure using CPI, the poverty line would be around R620 a month per person in 2015. By this standard, the old-age pension could support around 2,2 people a month, and the child grant around half a person. [↑](#footnote-ref-22)