

LSE-UCT joint lecture series

Is South African society more equal today than when Apartheid ended in 1994?

Dr Max Price

Vice-Chancellor, University of Cape Town

Professor Judith Rees

Chair, LSE

LSE events

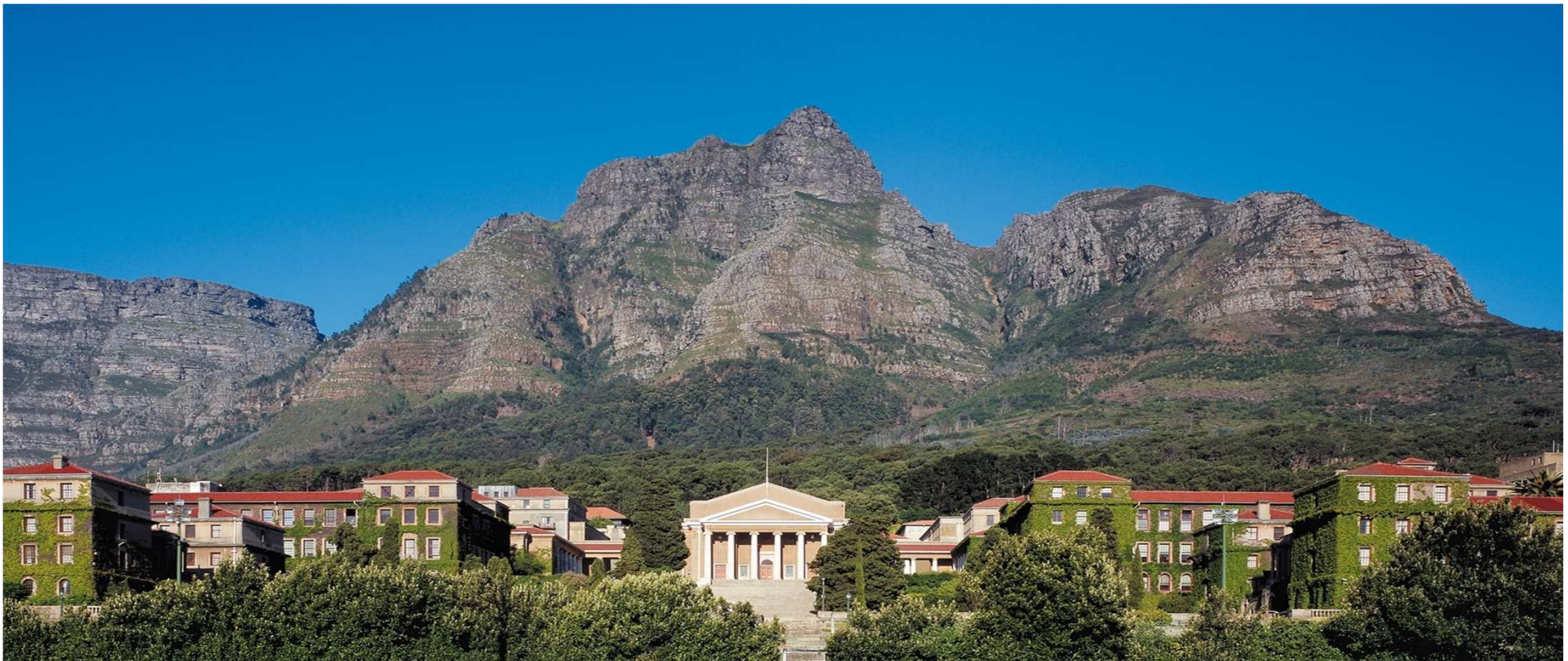
Suggested hashtag for Twitter users: #lsesouthafrica





What has happened to inequality and poverty in post-apartheid South Africa

Dr Max Price
Vice Chancellor
University of Cape Town



OUTLINE

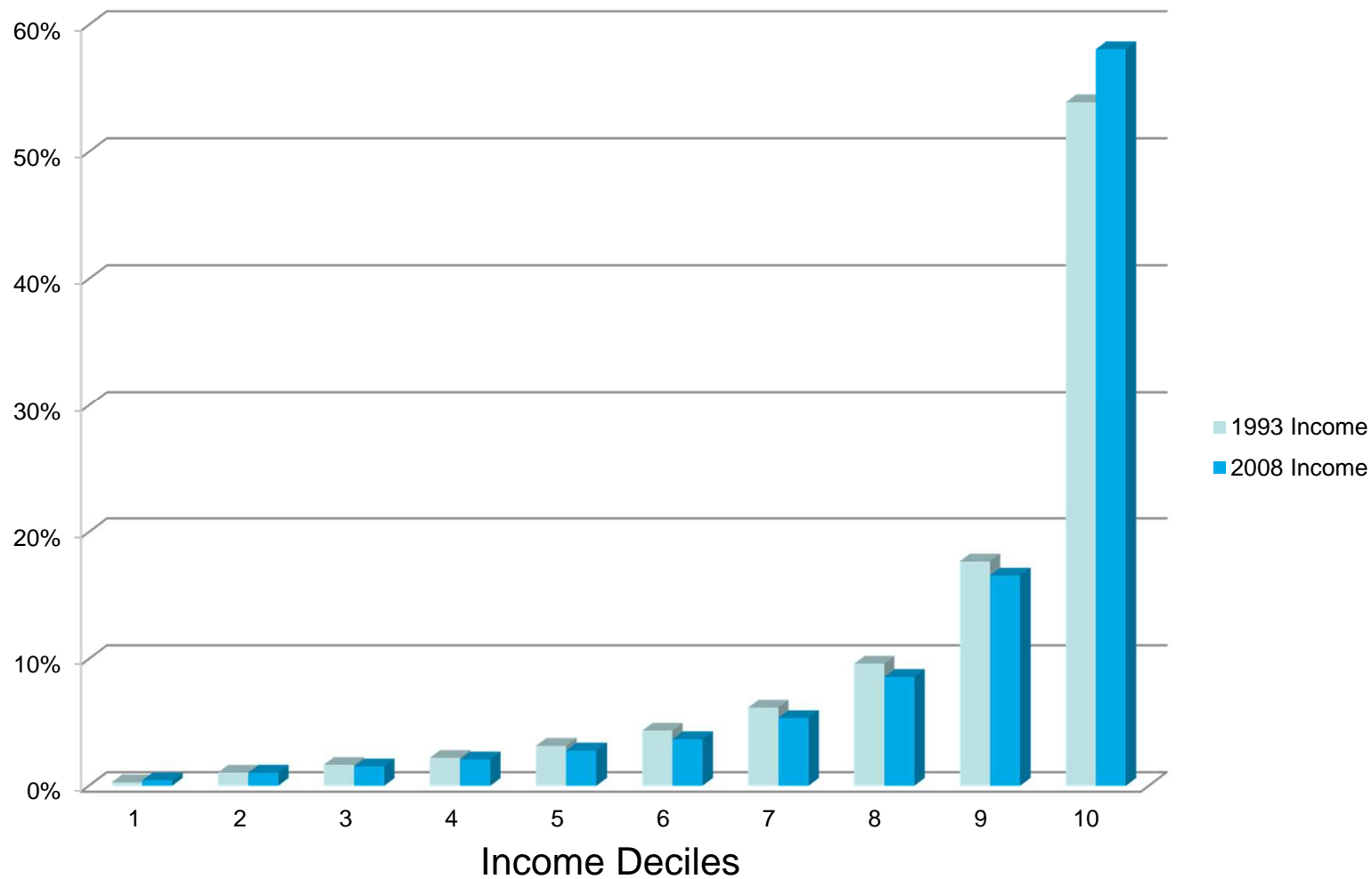
Examine trends post-apartheid (since 1994)

- Income inequality
 - Overall, by race, by gender
- Poverty
 - Overall, by race, by gender
- Composition of income and impact of social grants
- Trends in social spending and welfare
 - Impact on Asset distribution
 - Impact on health and education

Some explanations for trends

Some options for the future

Shares of Total Income By Decile



Source: Leibbrandt et al (2010).



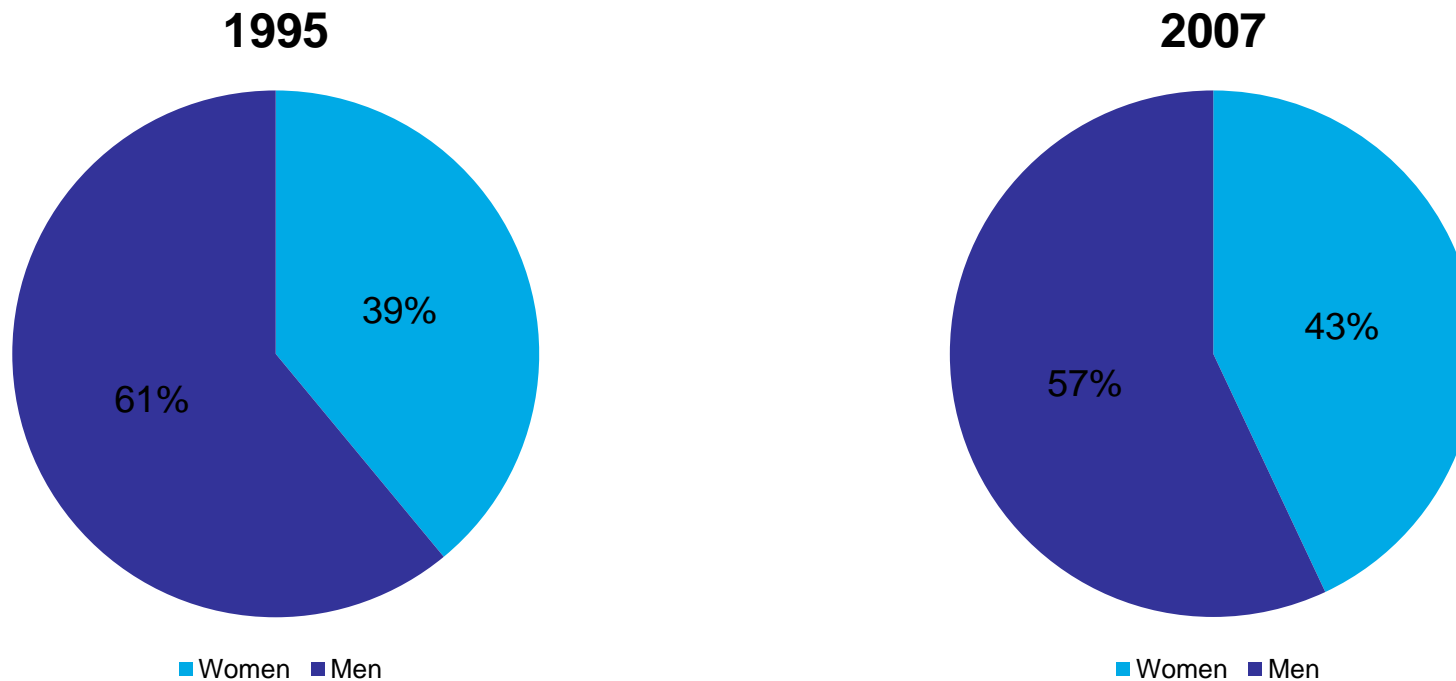
Income Gini Coefficients

	1993	2000	2008
African	0.54	0.60	0.62
Coloured	0.44	0.53	0.54
Asian/Indian	0.47	0.51	0.61
White	0.43	0.47	0.50
Overall	0.66	0.68	0.70

Source: Leibbrandt et al (2010).



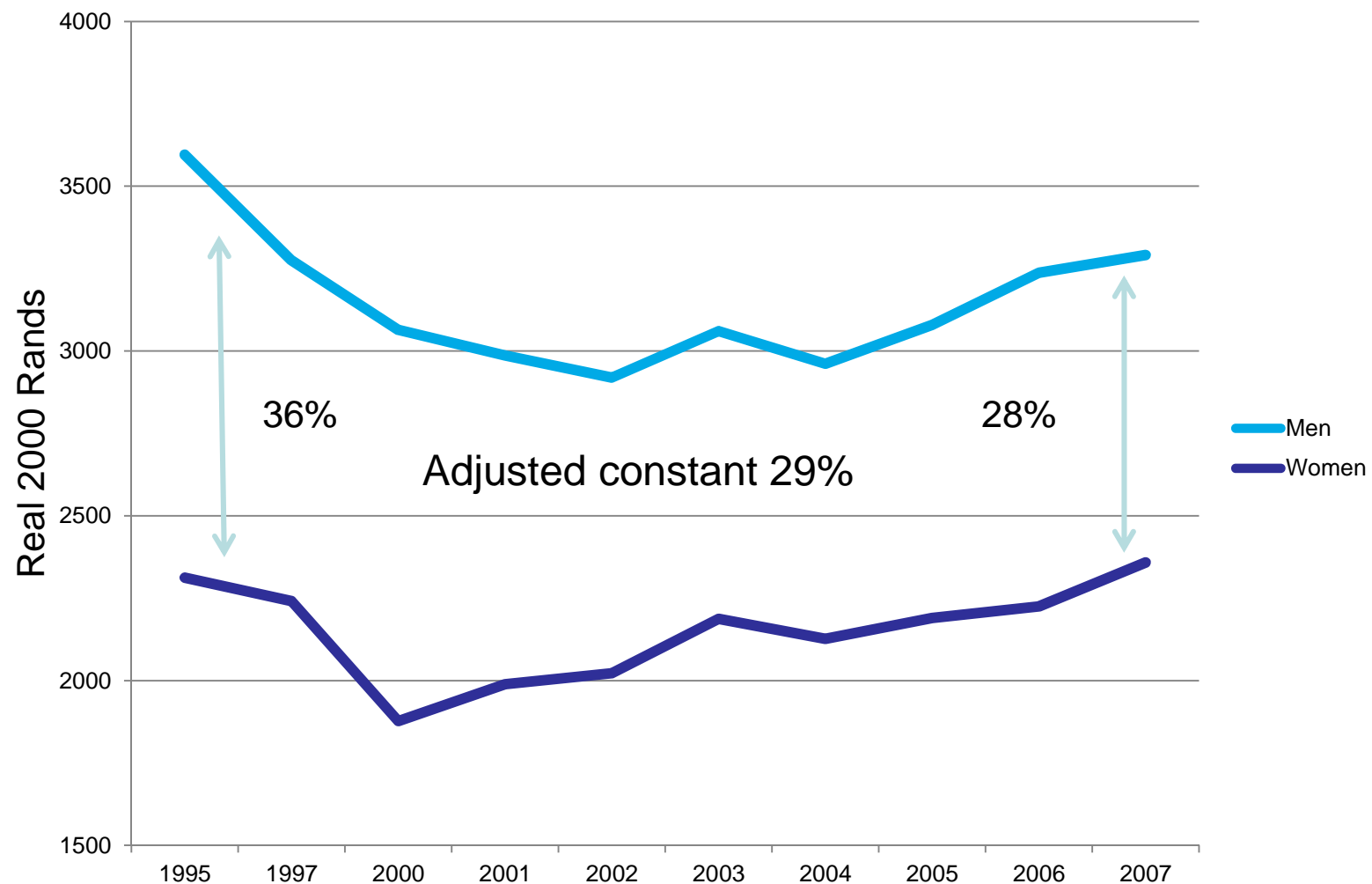
Employment Shares by Gender



56% of all new jobs filled by women

Source: Posel (2011).

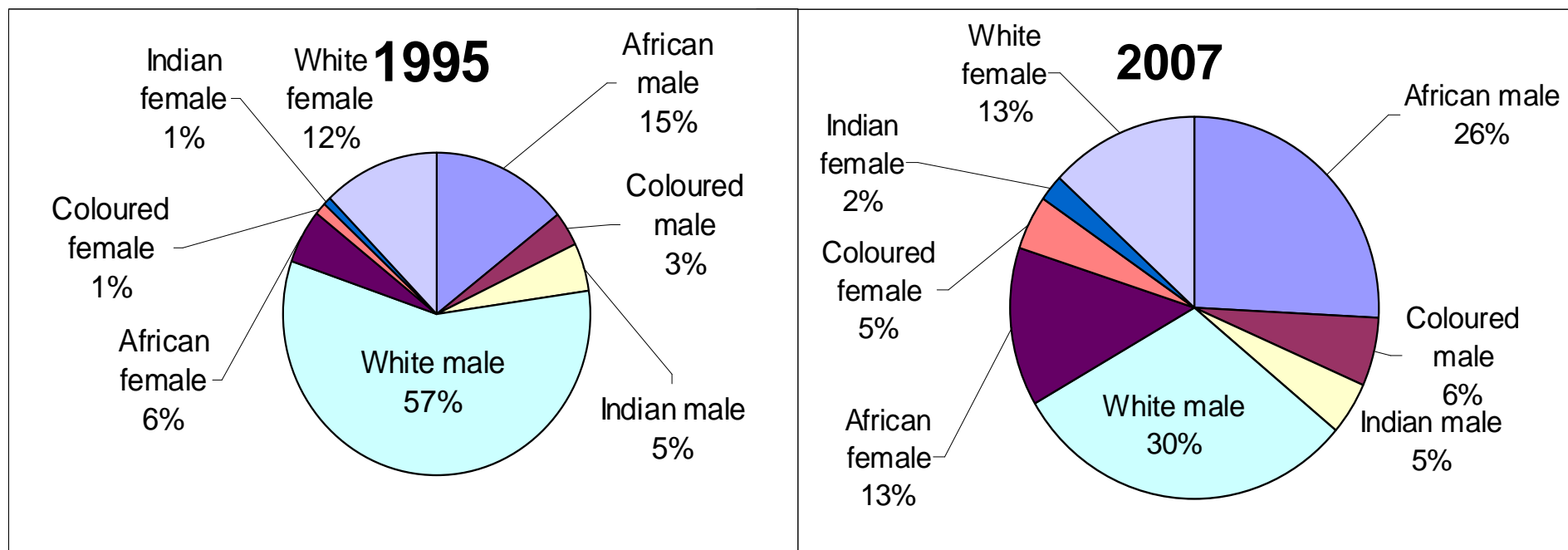
Real Monthly Average Earnings by Gender



Source: Posel (2011).



Racial and gender breakdown of those in the top earnings decile, 1995 and 2007



Source: Posel (2011).

Income Inequality

- Real GDP growth 1994 to 2009 = 3.5%pa = 68%
- Income inequality increased – one of highest Gini Coeff in the world
- Increase is mainly intra-racial
- Inter-racial inequality reduced - considerable fall in the share of Whites among top earners
- Gender inequality reduced
 - More women in employment (but more unemployed)
 - Average earnings of women increased relative to men
 - Percent of women in top earnings decile increased from 20% in 1995 to 33% in 2007

Poverty Indices for a line of R515 per month (US \$4 per day)

Year	P ₀	P ₁
1993	0.56	0.32
2000	0.54	0.29
2008	0.54	0.28

Foster-Greer-Thorbecke (FGT) poverty indices:

P0 – the poverty headcount ratio

P1 - the mean poverty gap

Source: Woolard et al (2010).



OUTLINE

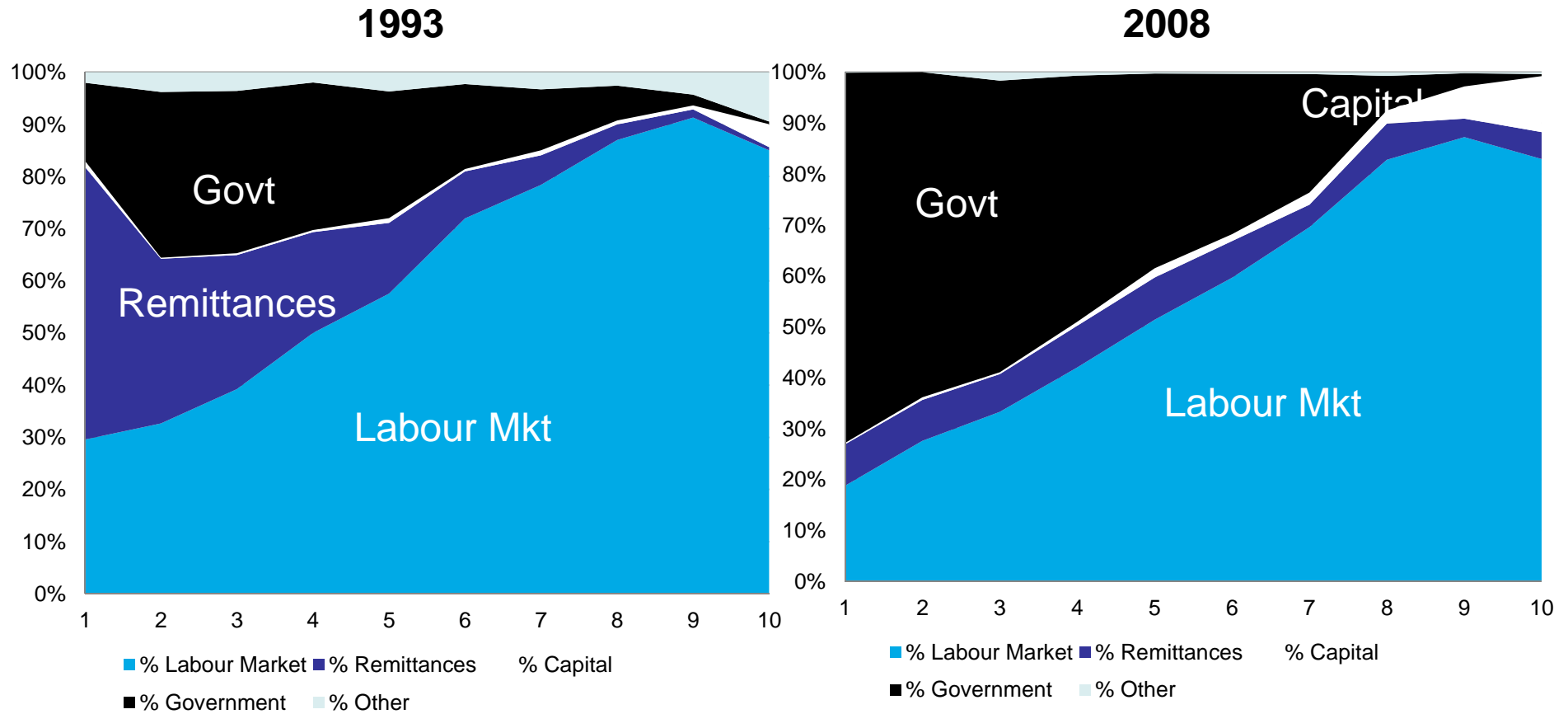
Examine trends post-apartheid (since 1994)

- Income inequality
 - Overall, by race, by gender
- Poverty
 - Overall, by race, by gender
- **Composition of income and impact of social grants**
- Trends in social spending and welfare
 - Impact on Asset distribution
 - Impact on health and education

Some explanations for trends

Some options for the future

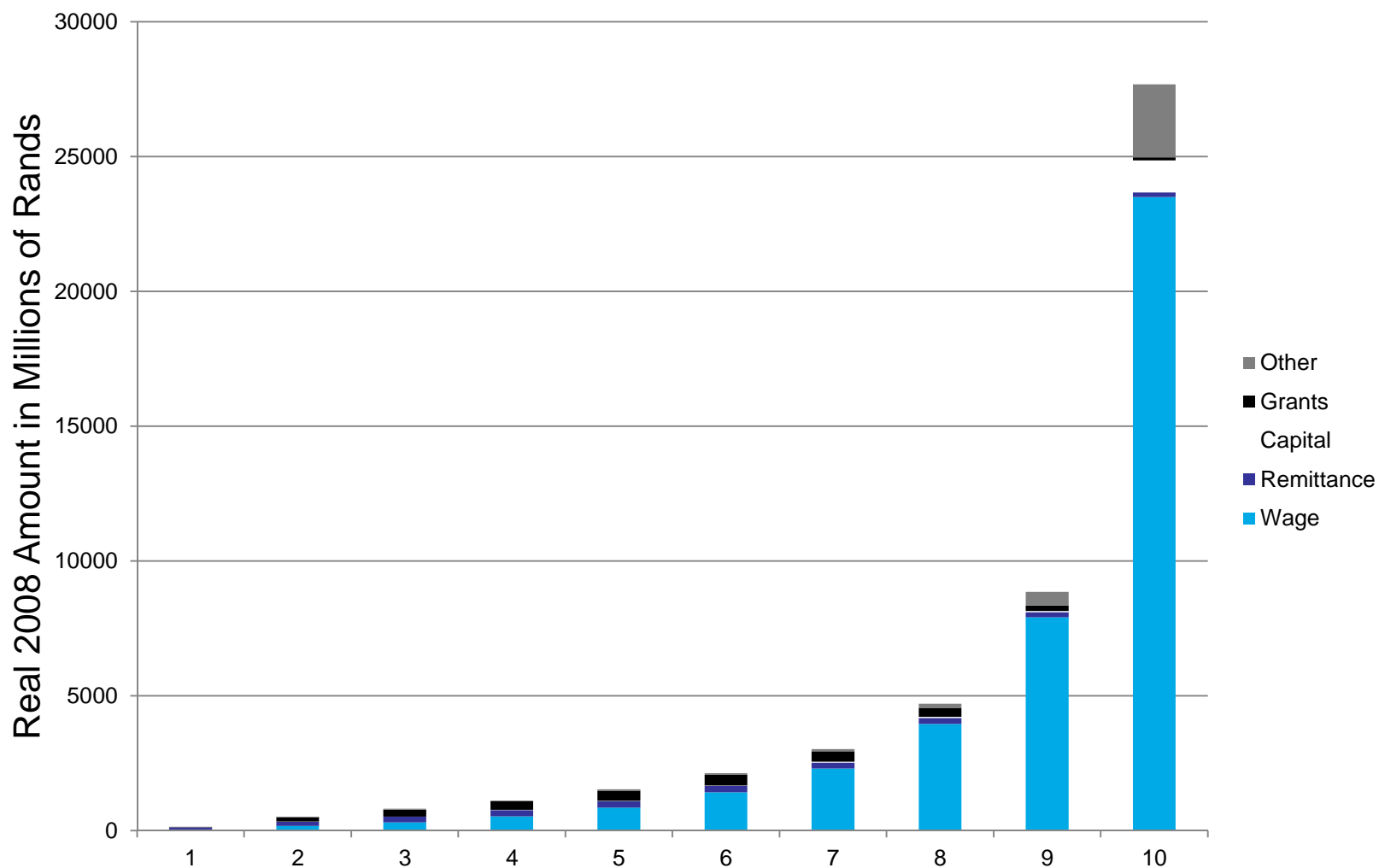
Composition of Household Income



Source: Leibbrandt et al (2010).



Composition of Household Income - 1993



Source: SALDRU 1993 PSLSD data. Own calculations.



Unemployment

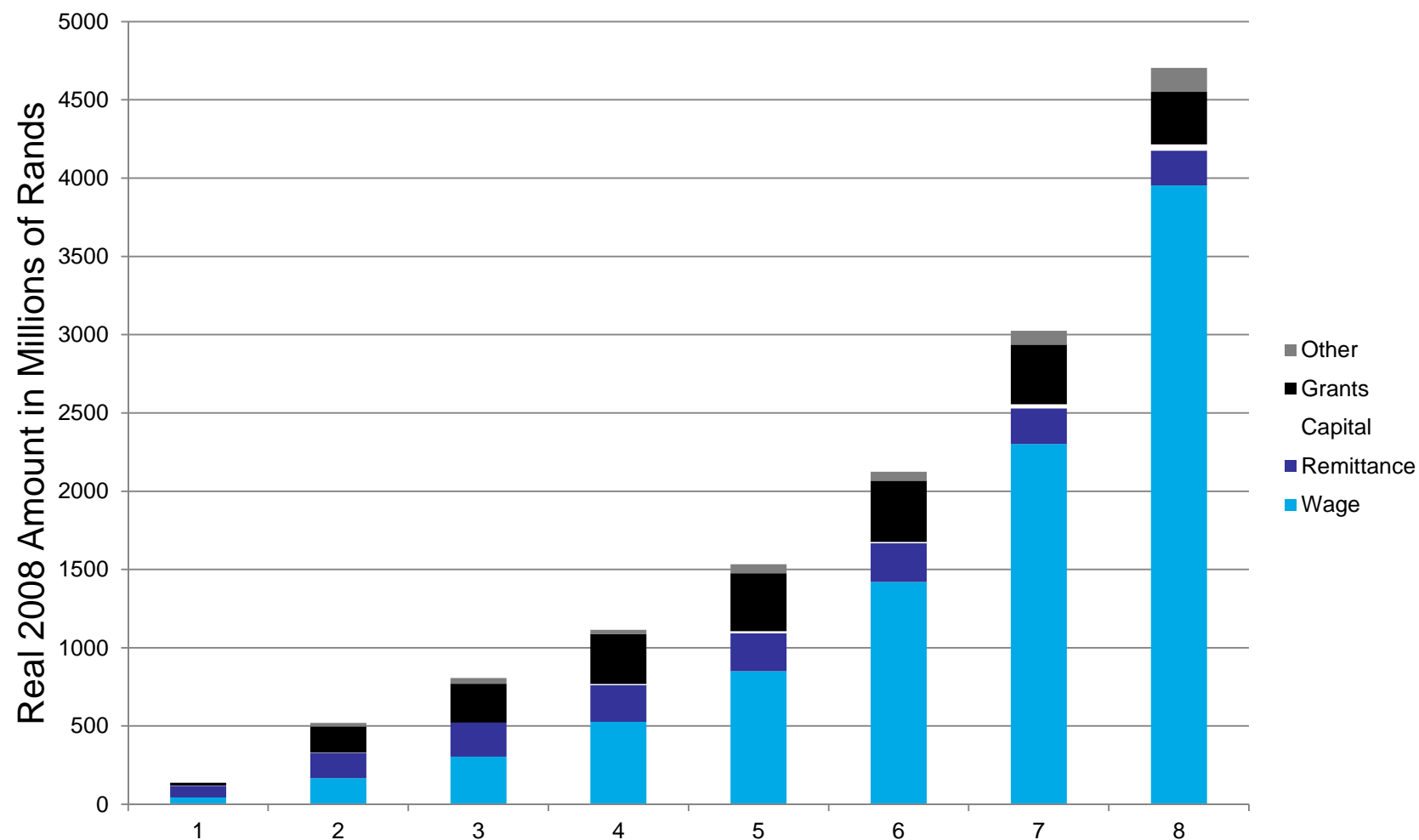
Increased inequality d/t relative access to jobs and increase in salaries for scarce skills

Economic growth not been jobless but less than increase in those in labour force

1995 to 2007:

- 3.1 million increase in jobs
- But: 3.6 million increase in those who want employment but who are unemployed.
- Although women's share of employment has risen, women have also been more vulnerable to unemployment than men.

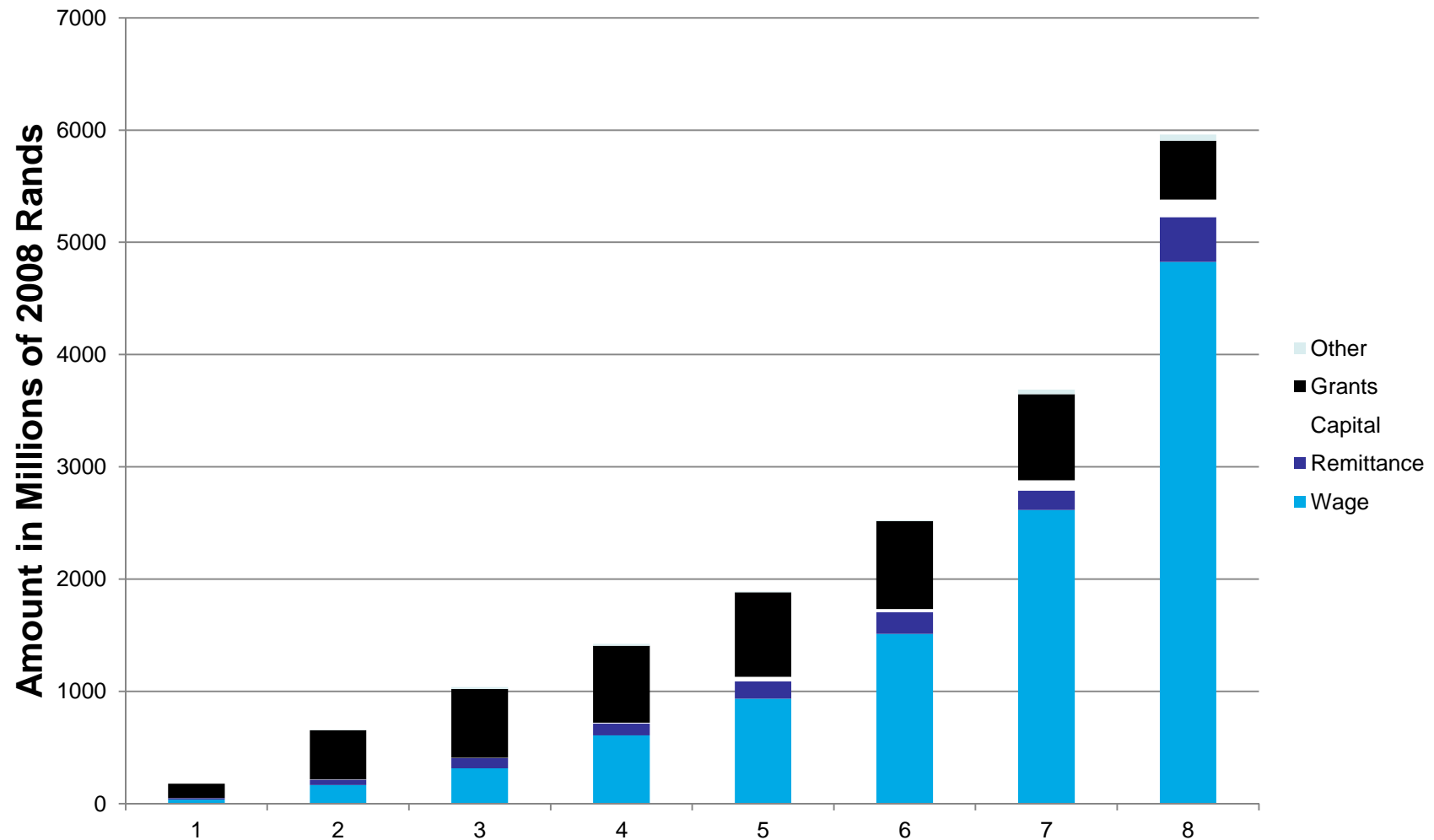
Composition of Household Income - 1993



Source: SALDRU 1993 PSLSD data. Own calculations.



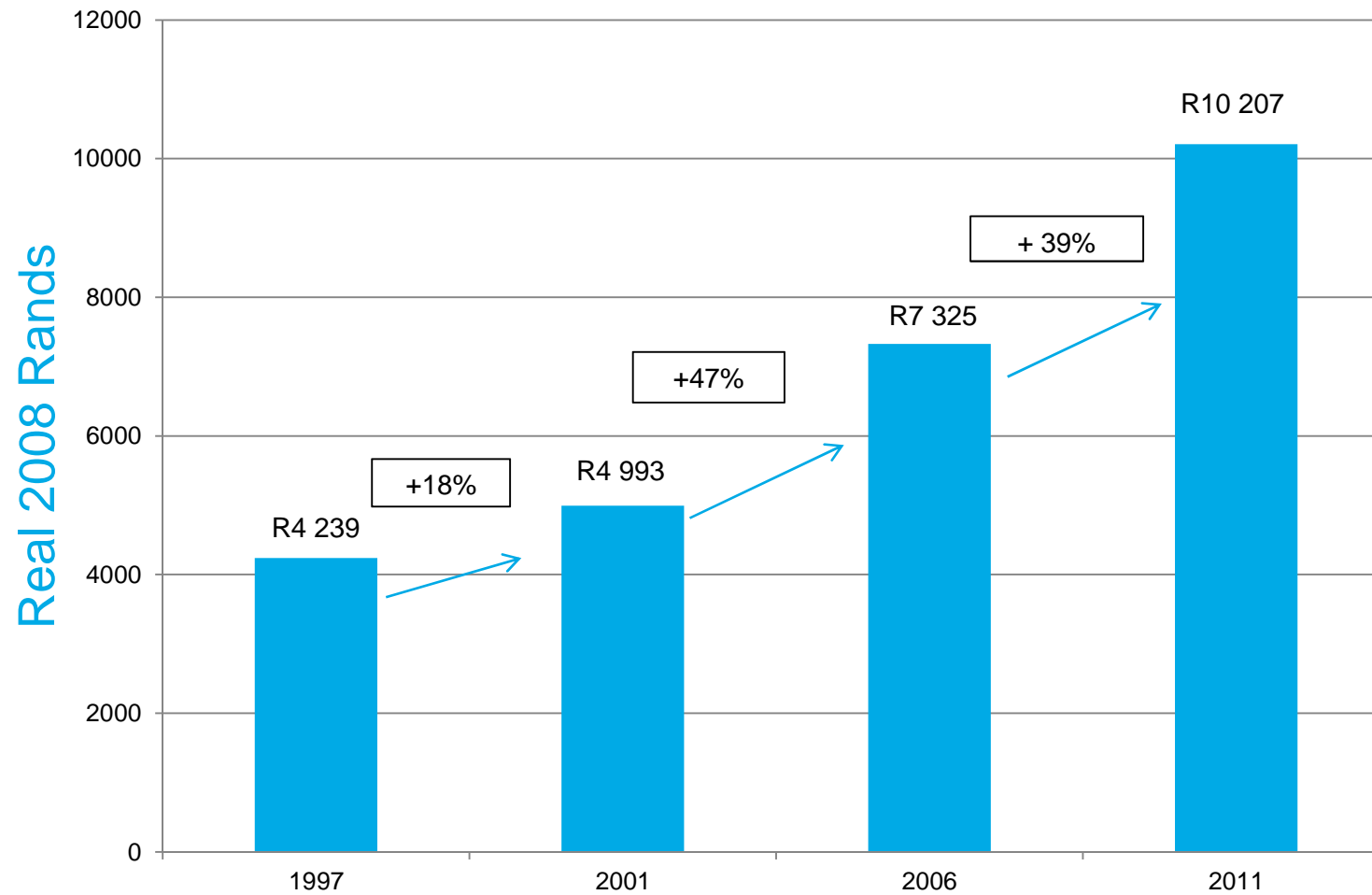
Composition of Household Income - 2008



Source: 2008 NIDS data. Own calculations.



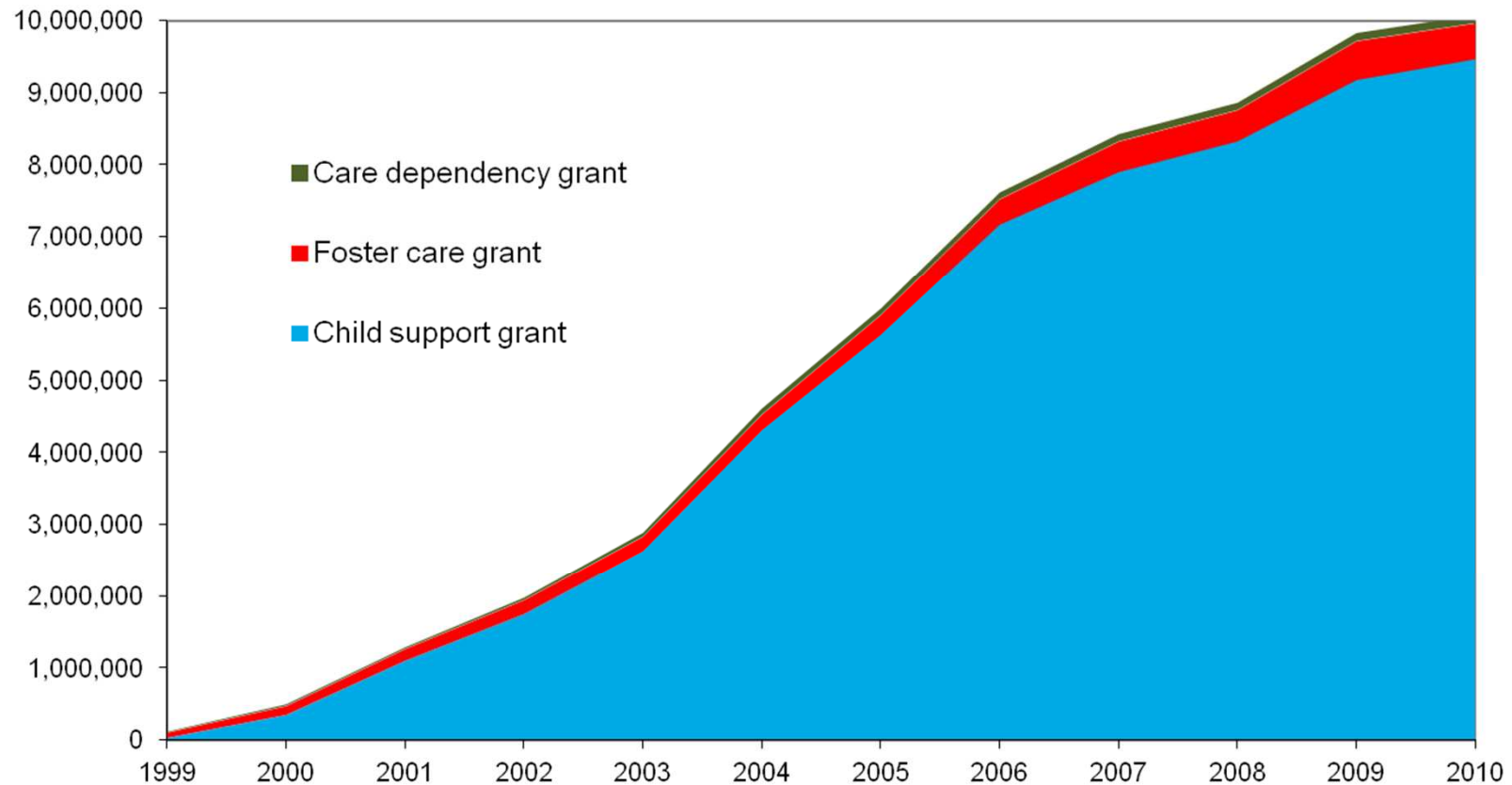
Growth of Per Capita Social Spending



Source: South African National Treasury and Statistics South Africa. Own Calculations.



Expansion of Grants to Children



Source: South African Social Security Agency SOCPEN data.



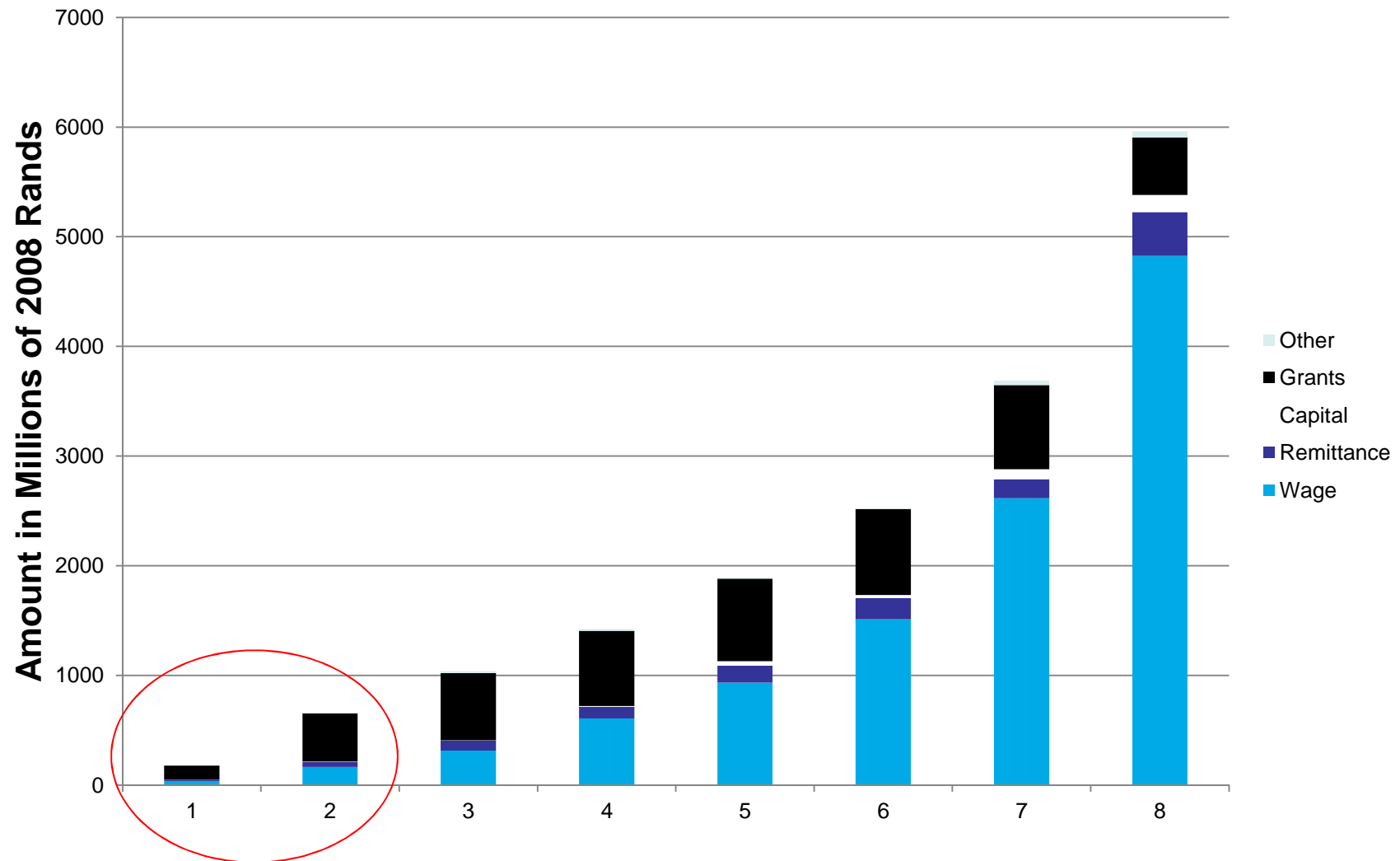
Main Government Grants

Grant Type	2010 value in Rands (and PPP\$) per month	Value as a % of median monthly per capita income
Old Age Pension	R1080 (PPP\$230)	175
Disability Grant	R1080 (PPP\$230)	175
Child Support Grant	R250 (PPP\$53)	40
Foster Care Grant	R710 (PPP\$150)	115

Source: Woolard et al (2010).



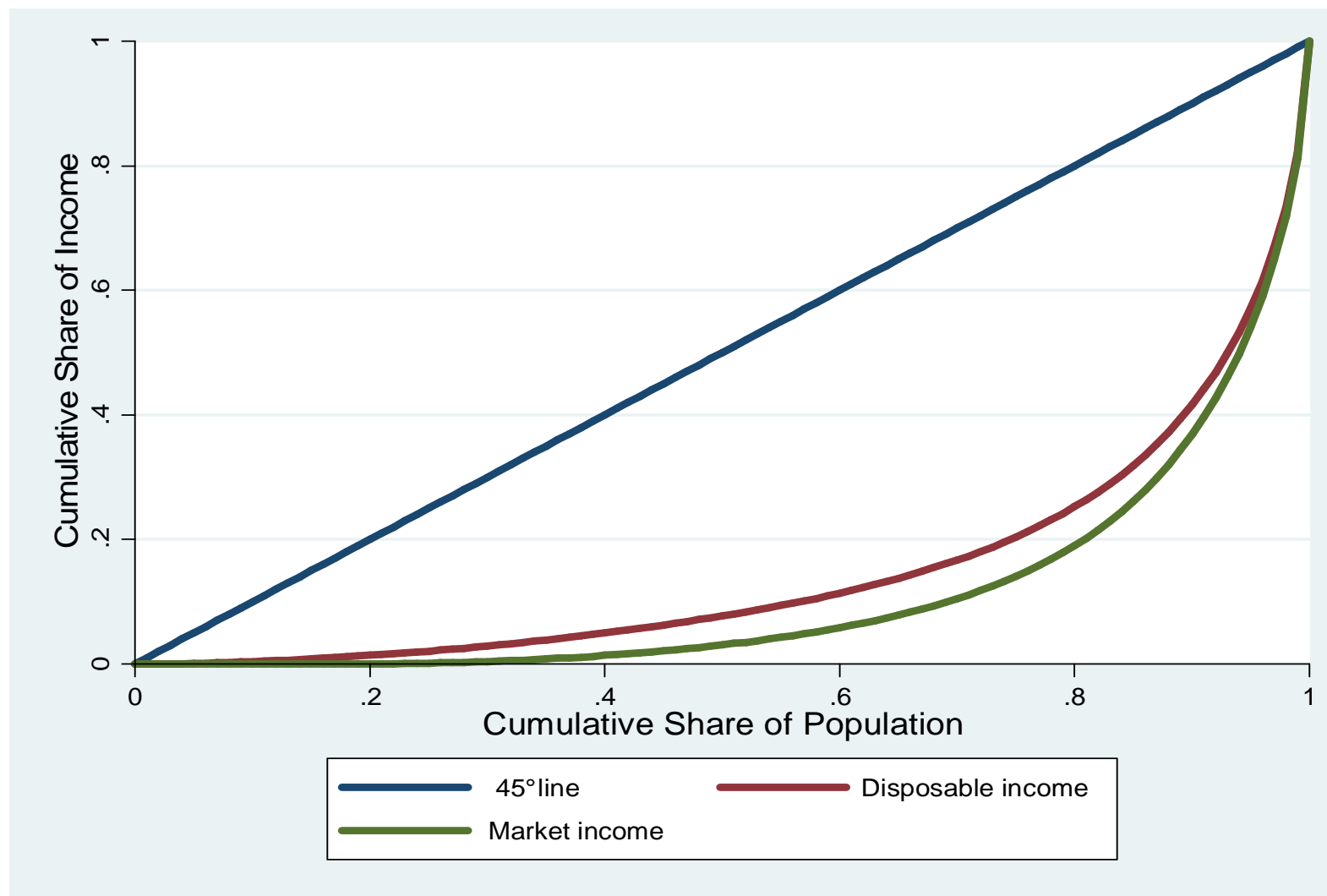
Composition of Household Income - 2008



Source: 2008 NIDS data. Own calculations.



Lorenz Curves 2008



Source: 2008 NIDS data. Own calculations.

Gini Coefficients With and Without Grant Income

	1995			2005		
	With grants	Without grants	Difference	With grants	Without grants	Difference
African	0.56	0.59	0.03	0.61	0.71	0.10
Coloured	0.49	0.52	0.03	0.59	0.64	0.04
Asian/Indian	0.46	0.47	0.01	0.56	0.57	0.01
White	0.44	0.44	0.00	0.51	0.52	0.01
Overall	0.64	0.66	0.02	0.72	0.77	0.05

Source: Borat et al (2011).



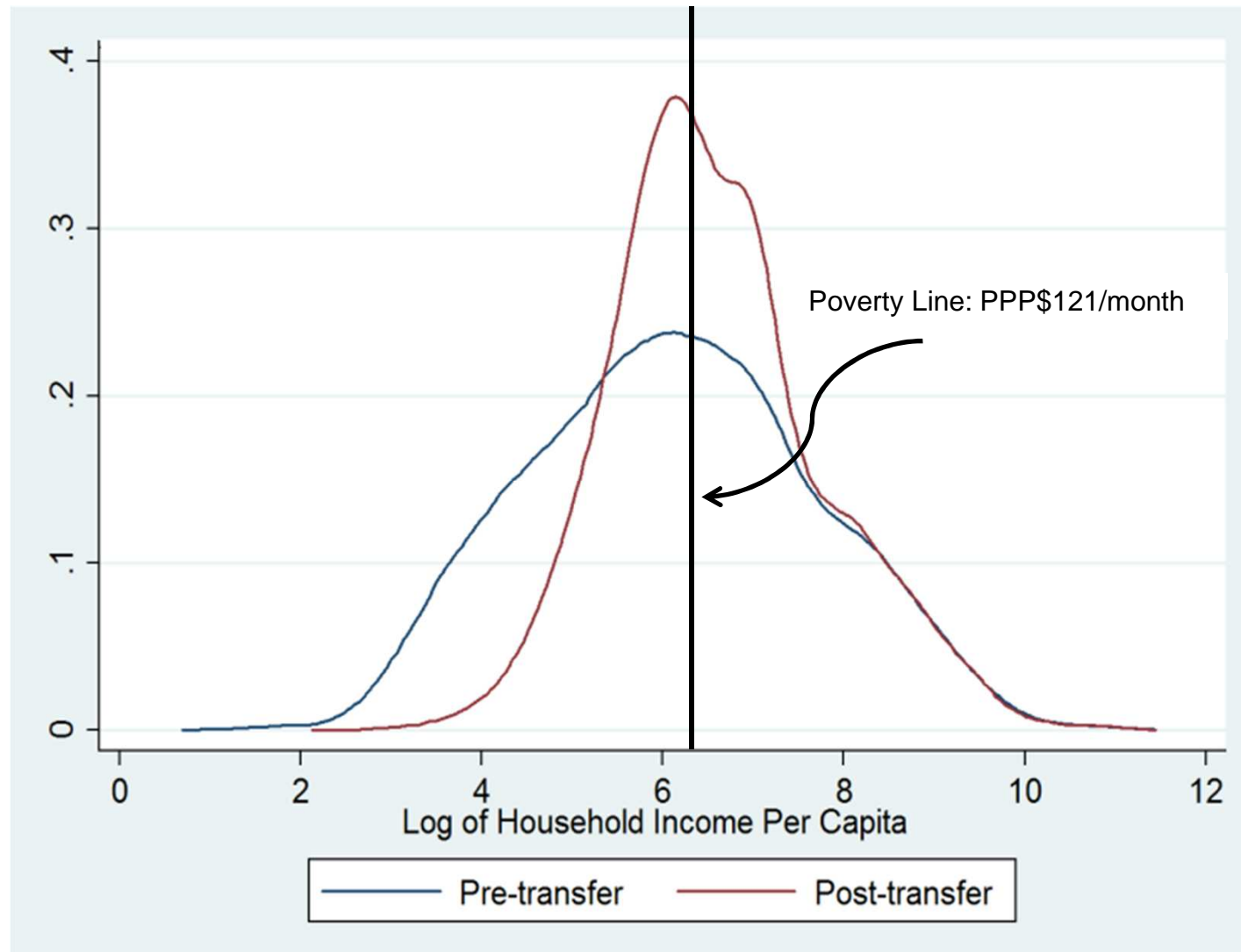
Poverty Including and Excluding Grants

Year	Including grants		Excluding grants	
	P(0)	P(1)	P(0)	P(1)
1993	0.56	0.32	0.60	0.40
2000	0.54	0.29	0.57	0.37
2008	0.54	0.28	0.60	0.44

Source: Woolard et al (2010).



Distributions Including and Excluding Grants, 2008



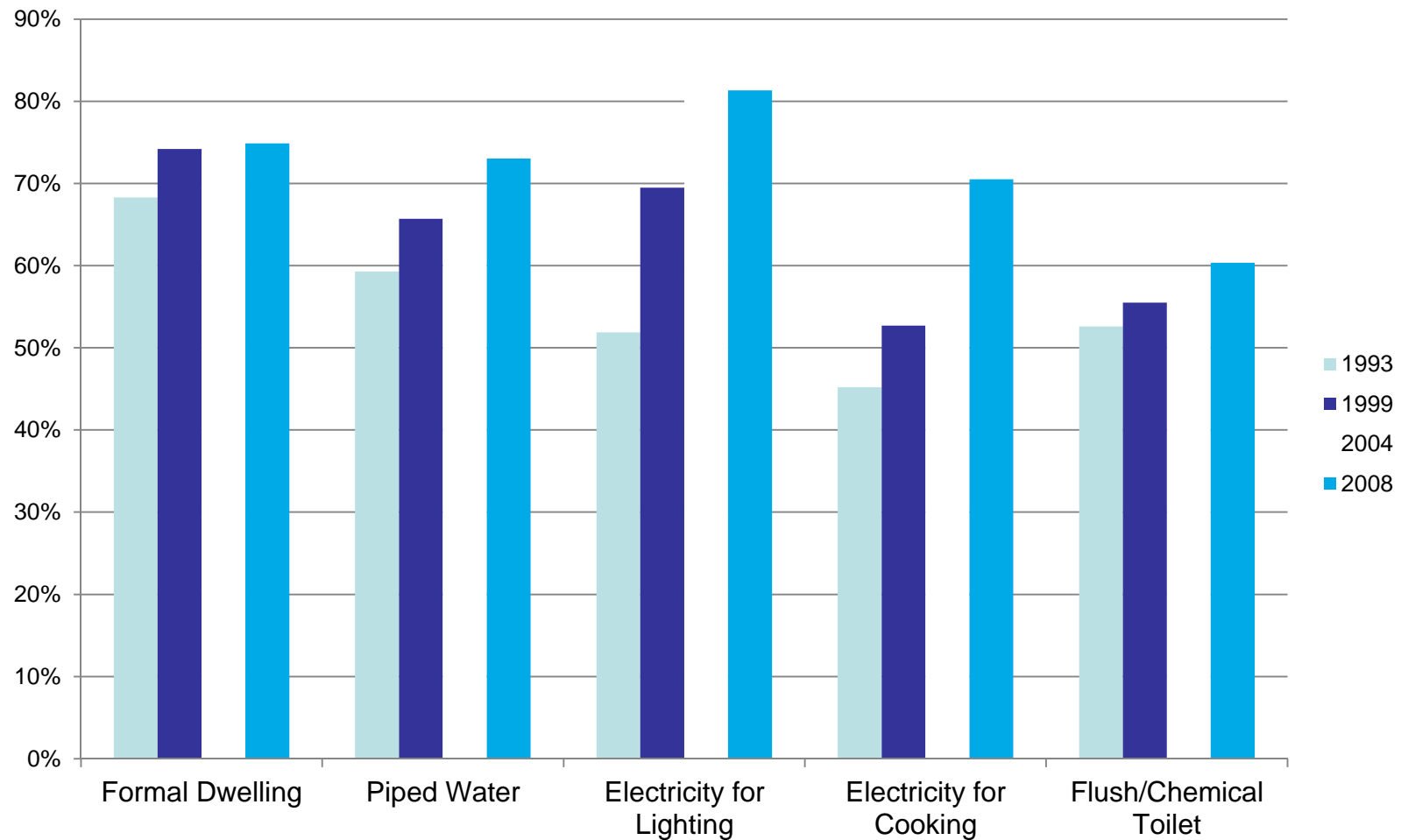
Source: Woolard et al (2010).

OUTLINE

Examine trends post-apartheid (since 1994)

- Income inequality
 - Overall, by race, by gender
- Poverty
 - Overall, by race, by gender
- Composition of income and impact of social grants
- **Trends in social spending and welfare**
 - **Impact on Asset distribution**
 - **Impact on health and education**
- Some explanations for trends
- Some options for the future

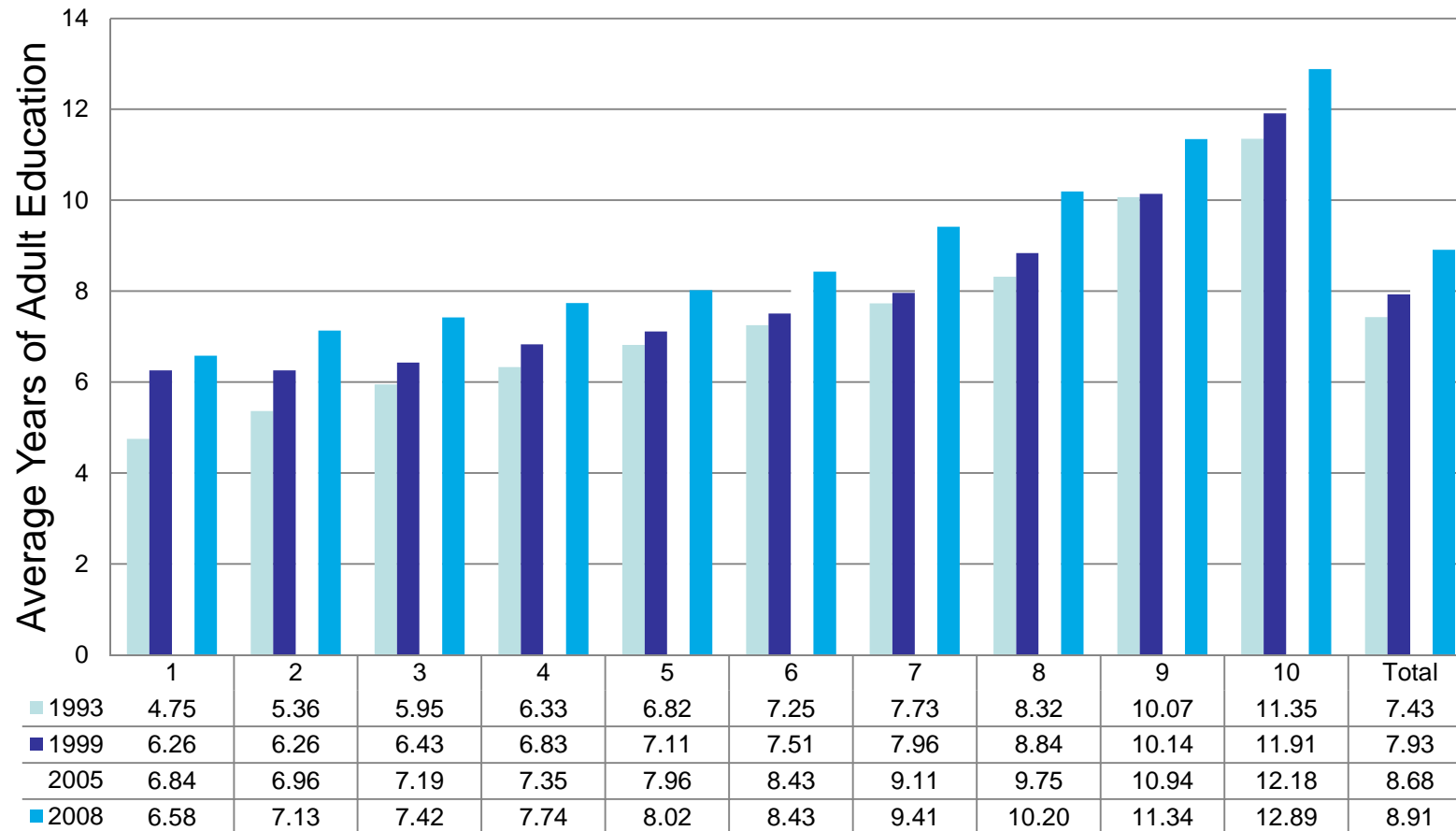
Access to Public Assets and Services



Source: Borat et al (2007) and (2009).



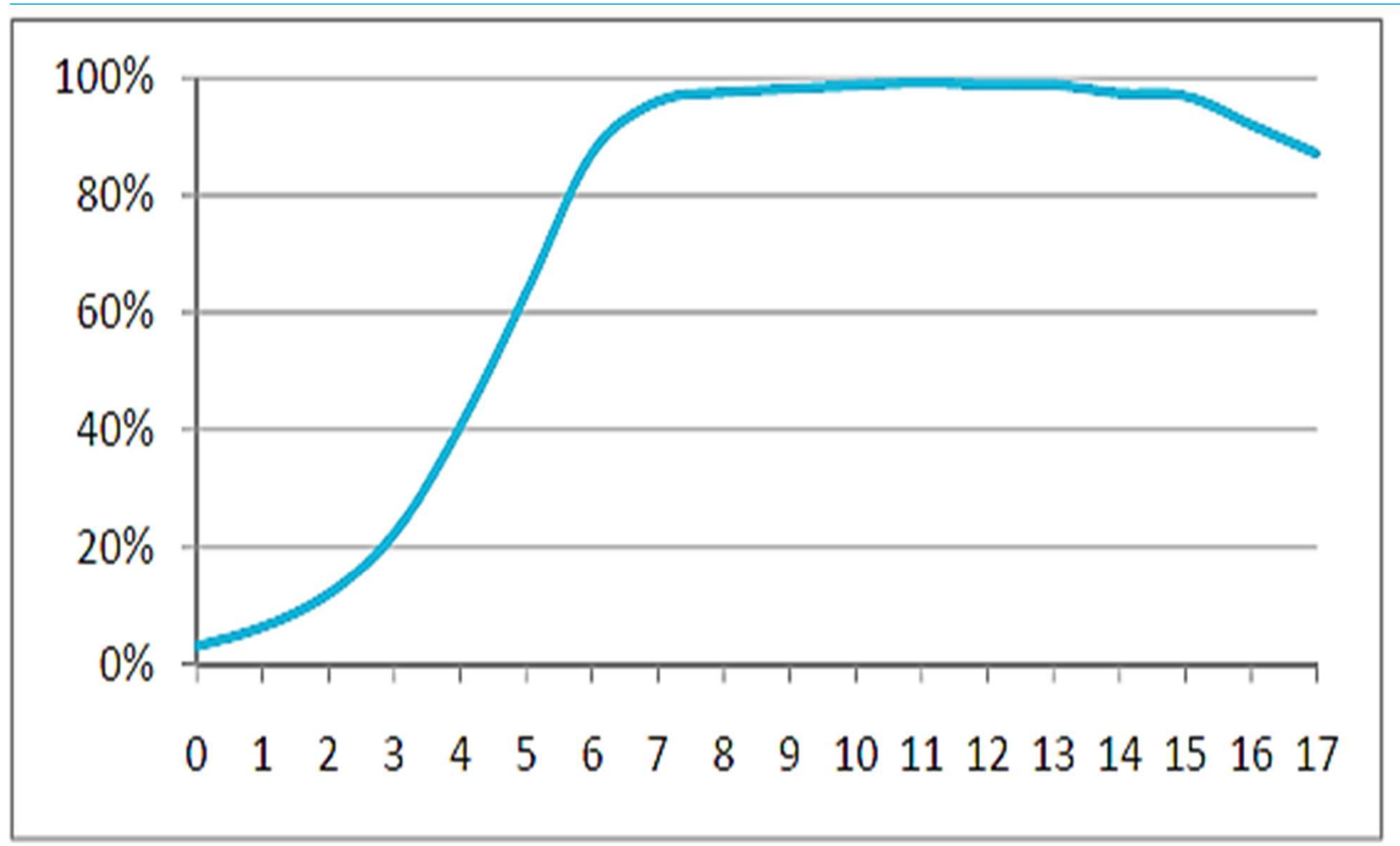
Average Years of Education by Expenditure Decile



Source: Borat et al (2007) and NIDS 2008 data, own calculations.

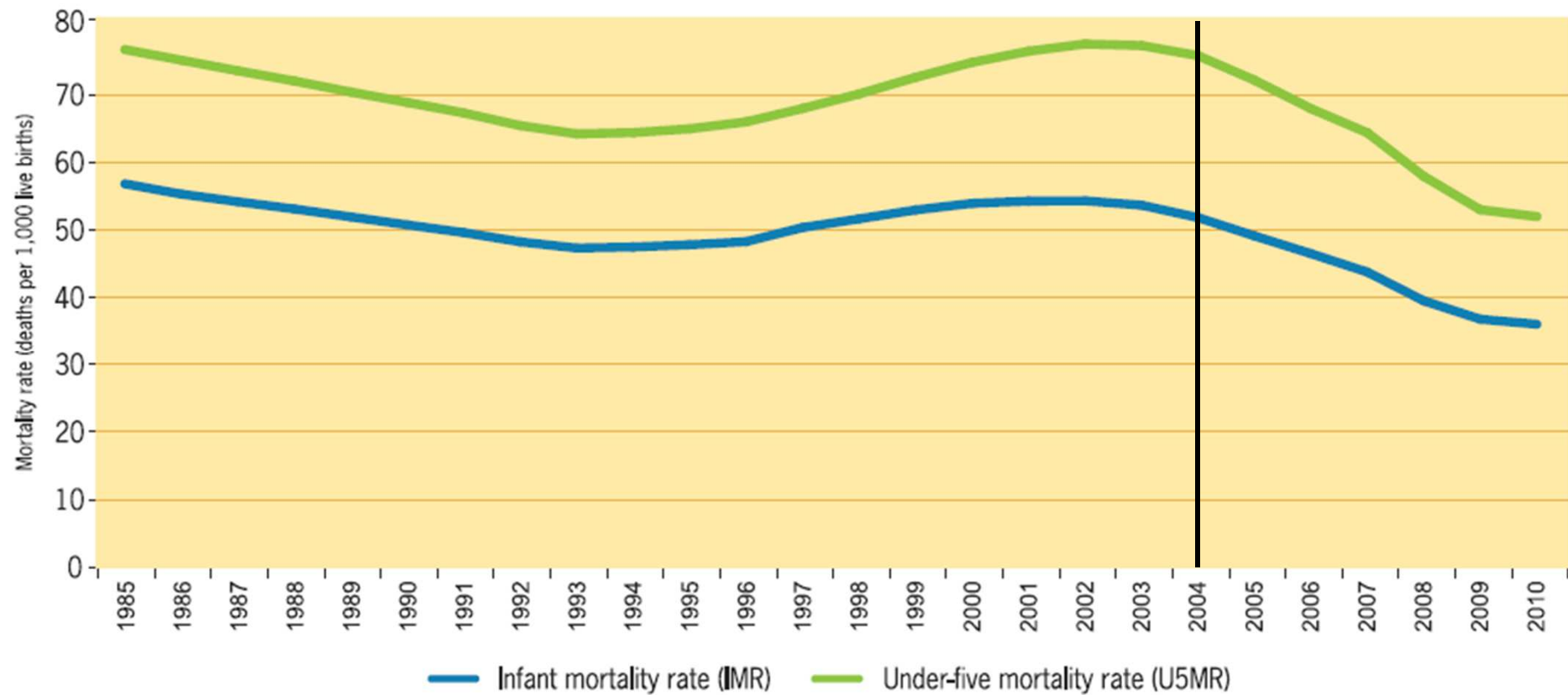


2009 Enrolment Rates by Age



Source: Woolard et al (2010).

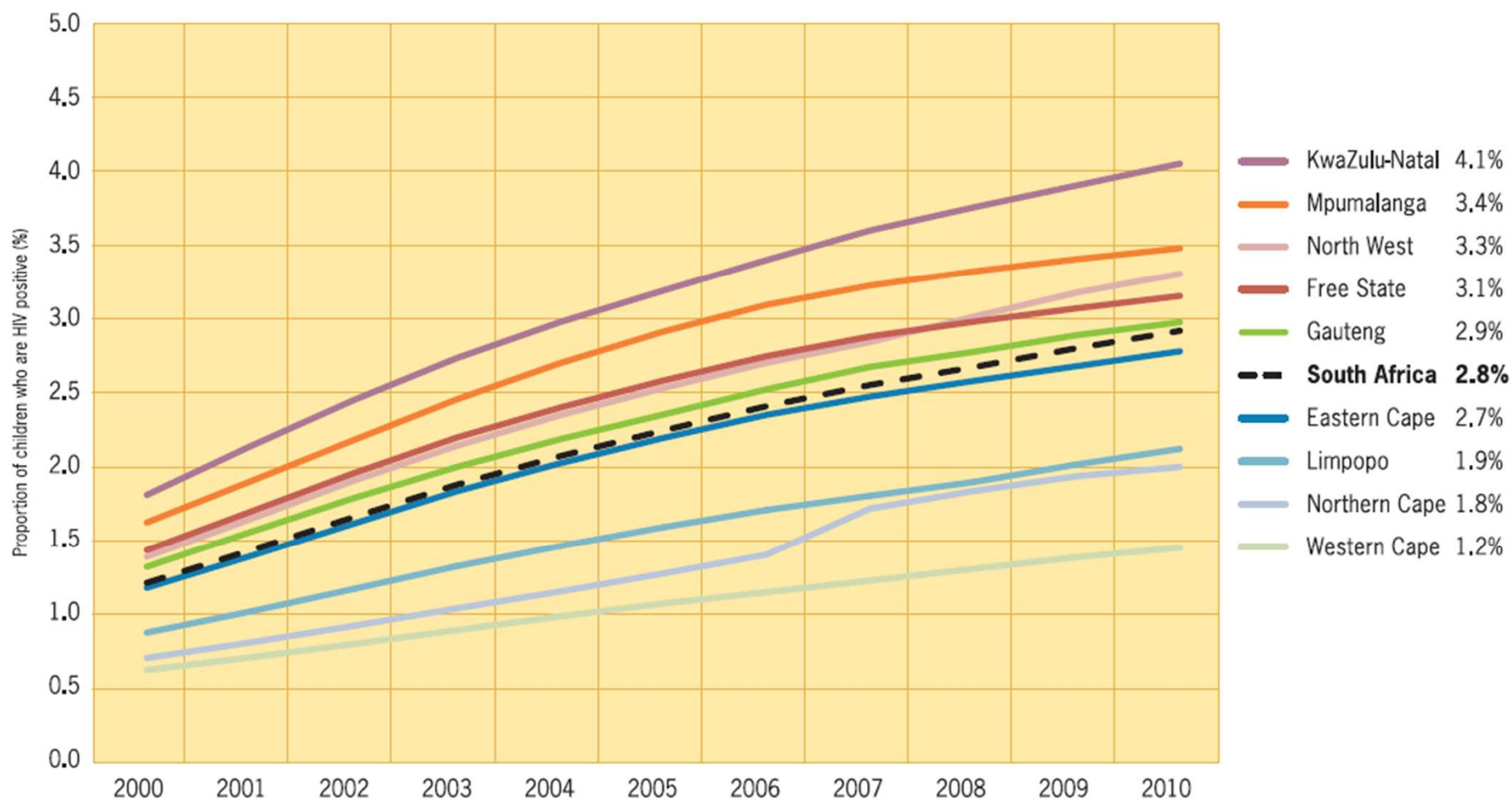
Child Mortality Trends



Source: Jamieson et al (2011).



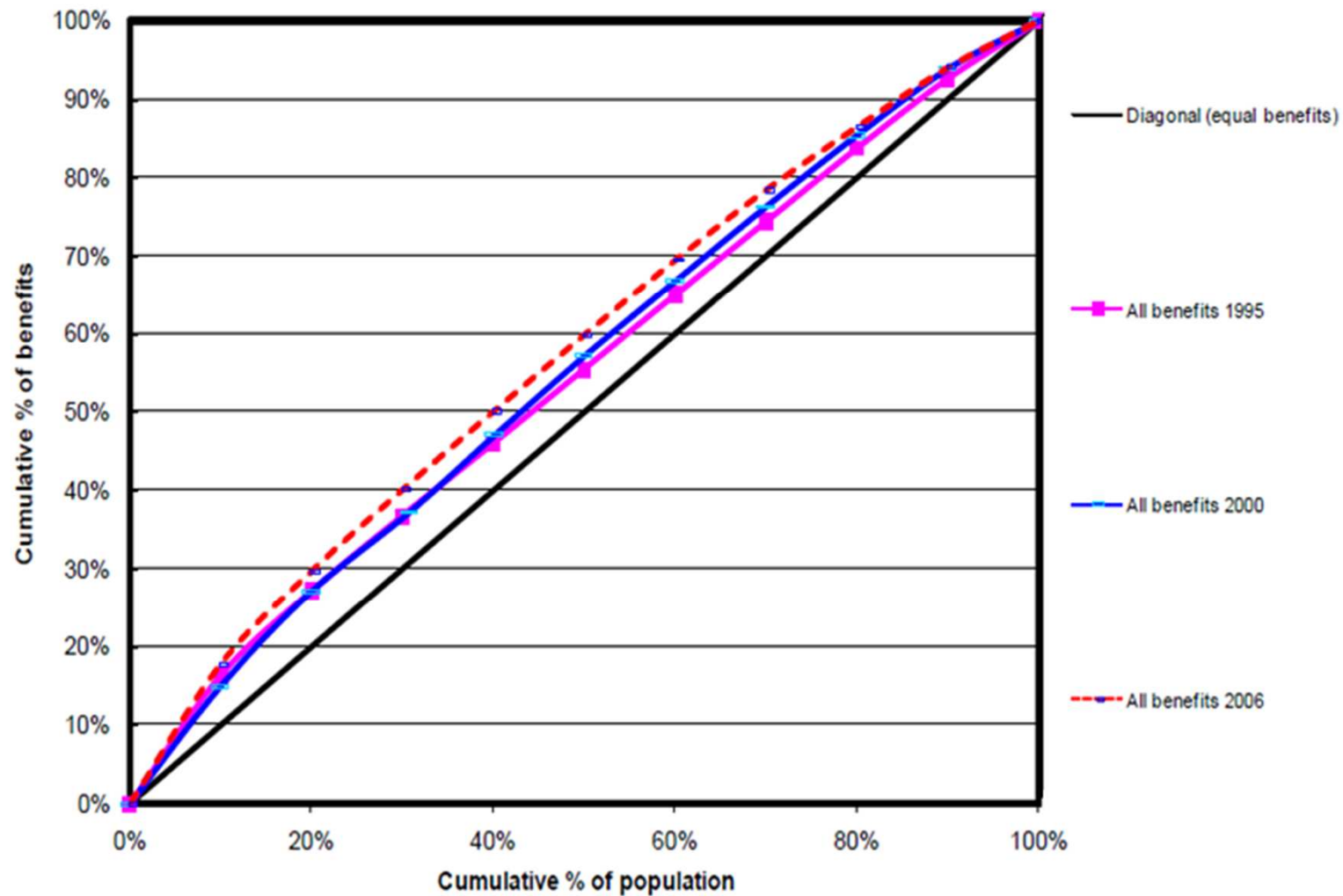
HIV Prevalence in Children Under 15



Source: Jamieson et al (2011).



Concentration Curves for Total Social Spending



Source: van der Berg (2009).

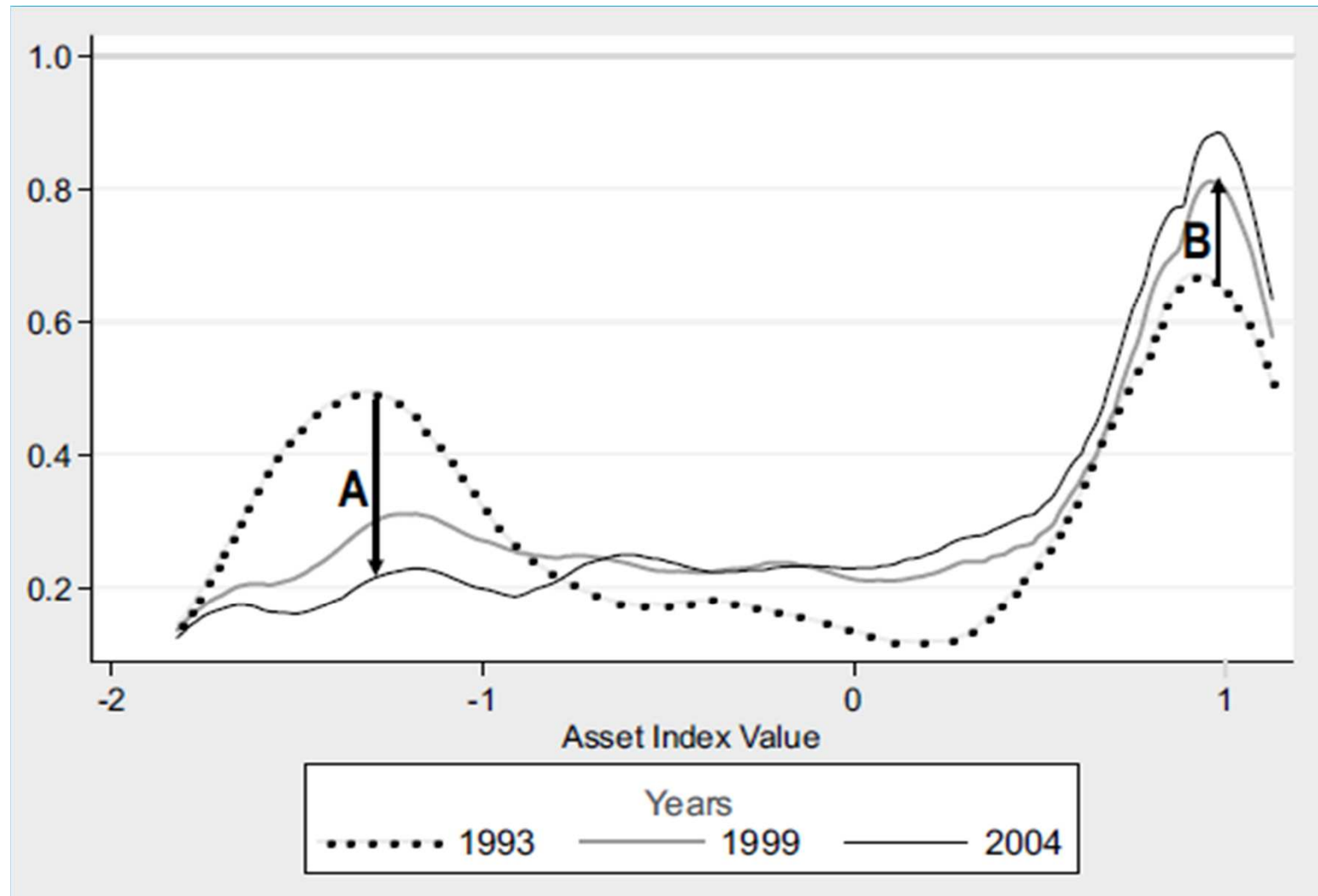
Concentration Ratios

	2000	2006	Pro poor ?
School education	-0.121	-0.128	✓
Tertiary education	0.528	0.641	✗
All social grants	-0.371	-0.359	✓
- Child support	-0.247	-0.318	✓
- Disability	-0.291	-0.288	✓
- Old-age pension	-0.412	-0.436	✓
Health	-0.118	-0.137	✓
- Public clinics	-0.177	-0.257	✓
- Public hospitals	-0.105	-0.103	✓
Housing	0.160	0.070	✓
Total across services	-0.112	-0.152	✓

Source: van der Berg (2009).



Kernel Densities of Asset Indices



Source: Borat et al (2007) .

Summary re Inequality

- Analysis of 'Asset' inequality tells a different story from income inequality. Income Gini has worsened, asset Gini coeffs improved
- No attempts yet to put a value on assets so cannot calculate social wage and therefore impact on poverty levels – but highlights danger of ignoring
- Question: why decreasing asset inequality has not been translated into decreased income inequality?
 - Most should have increased productivity
 - Yet very low returns to improvements in absolute and relative investment in assets

OUTLINE

Examine trends post-apartheid (since 1994)

- Income inequality
 - Overall, by race, by gender
- Poverty
 - Overall, by race, by gender
- Composition of income and impact of social grants
- Trends in social spending and welfare
 - Impact on Asset distribution
 - Impact on health and education
- **Some explanations for trends**
- Some options for the future

Reasons for persistent poverty and inequality

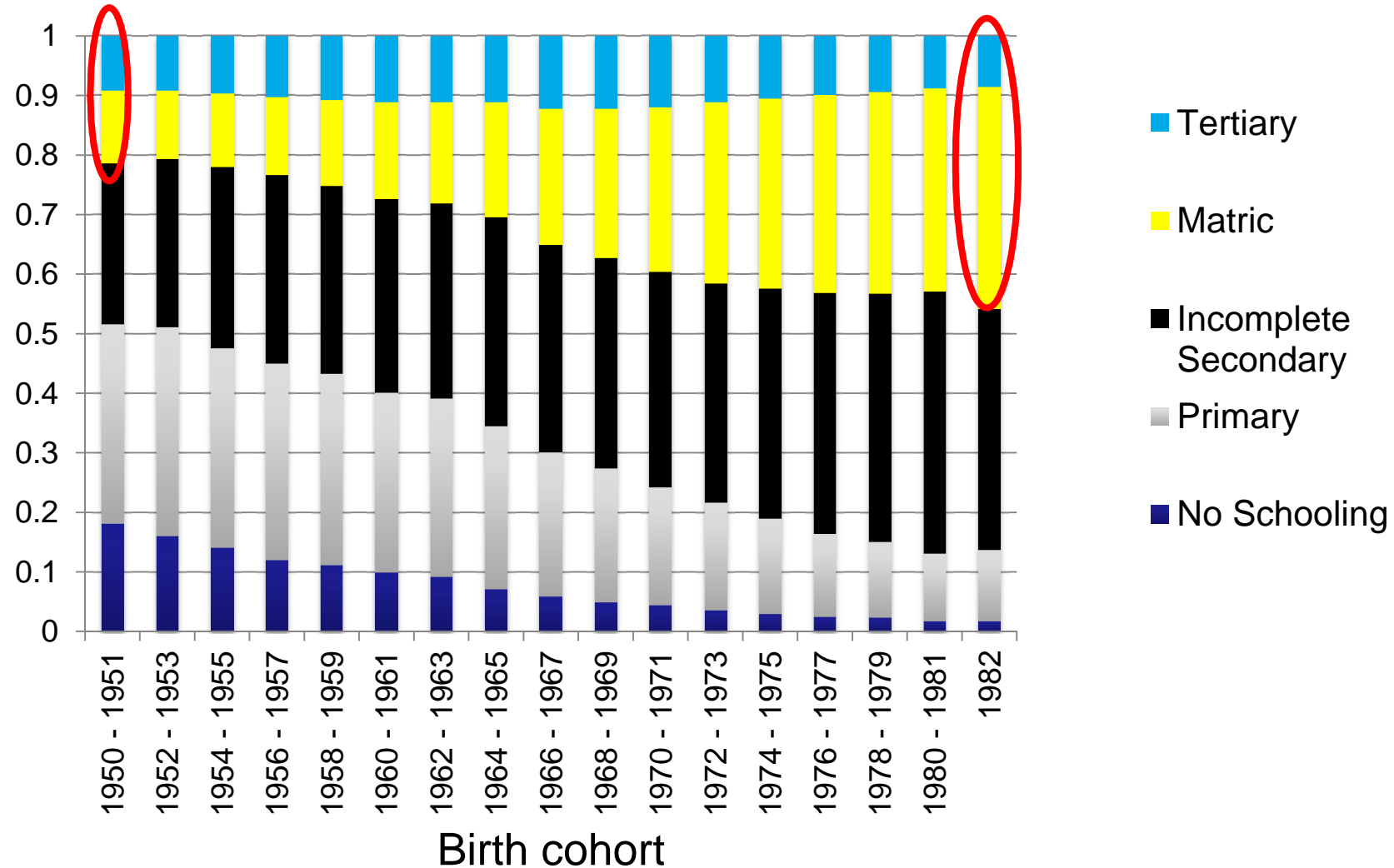
Multi-causal, debated, beyond this paper. Some e.g.

- Opening economy, global competition and slow restructuring of industry
- Strong labour movement, unions in government, high wages (esp. public sector, sets benchmark)
- V. progressive labour legislation – perhaps country not ready (hire and fire)
- Strong affirmative action policy – impact on wages and productivity
- Corruption in public and private sectors

Reasons for persistent poverty and inequality

- Low skills, poor education system – low productivity
- Health – AIDS and TB, productivity and turnover

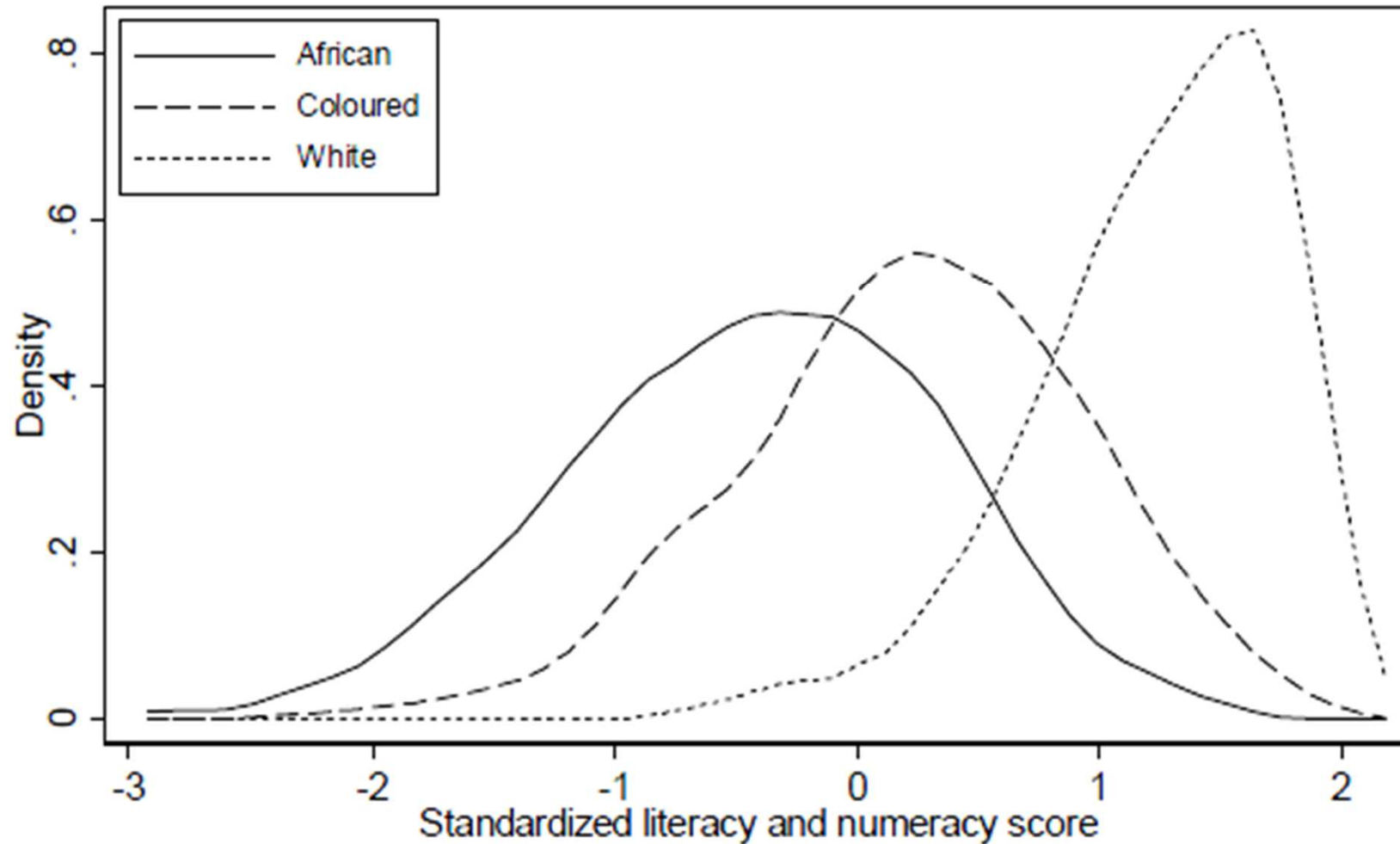
Educational Attainment of 25-59 Year Olds by Birth Cohort



Source: Ardington et al (2011).



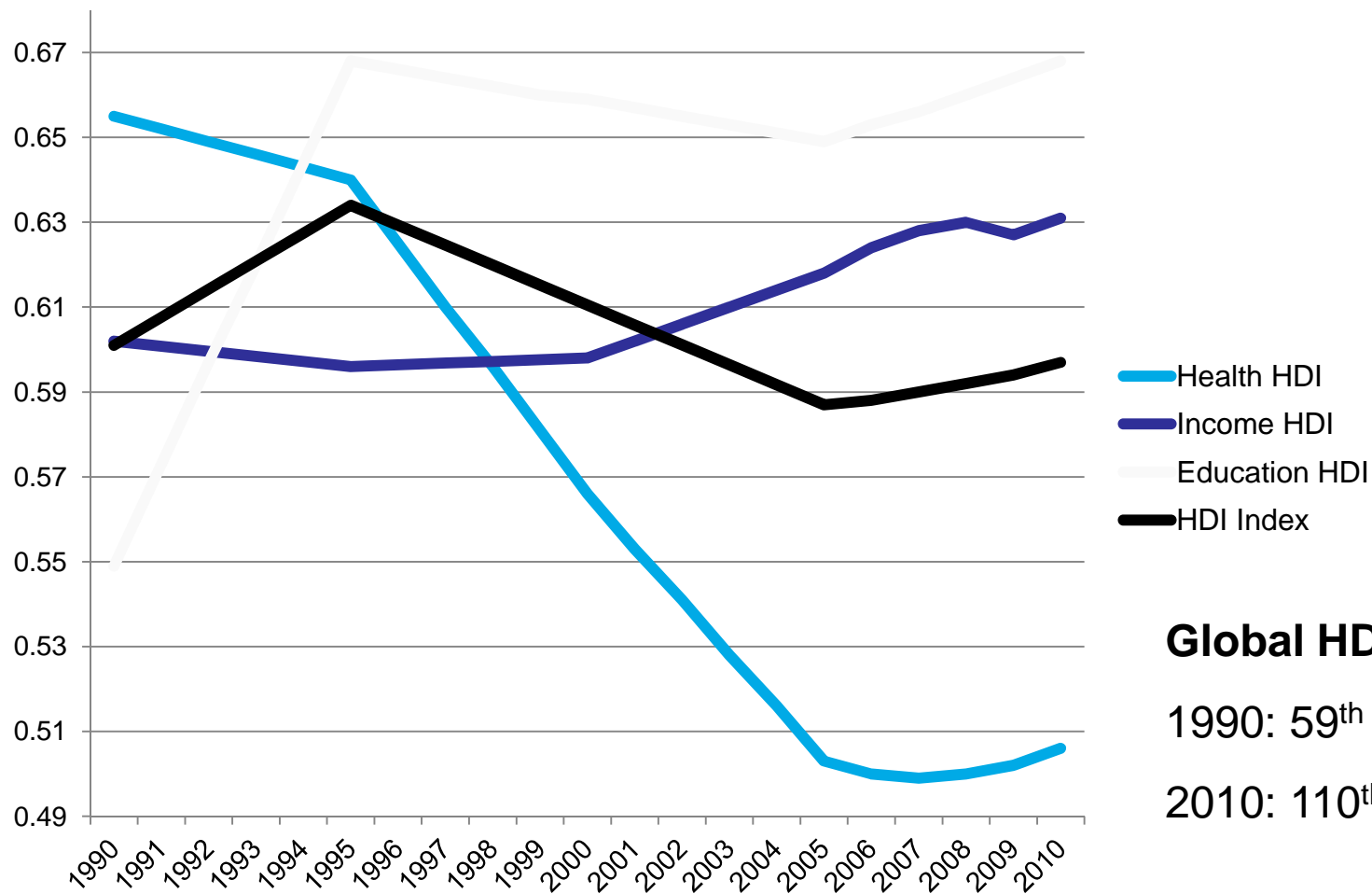
Kernel Densities of Literacy and Numeracy Scores – Grade 8 to 12



Source: Lam et al (2011).



South Africa's HDI Indices



Source: United Nations Human Development Reports.



CONCLUSIONS 1

- Income inequality rose, especially within race, reduced between whites and others
- Income inequality between men and women reduced
- Nature of inequality changing dramatically – due to social grants
- Headcount poverty slightly decreased, while mean poverty gap substantially reduced
- Asset inequality improved – reflecting pro-poor social spending
- Risk!!! Fiscal sustainability of grants and social spending

CONCLUSIONS 2

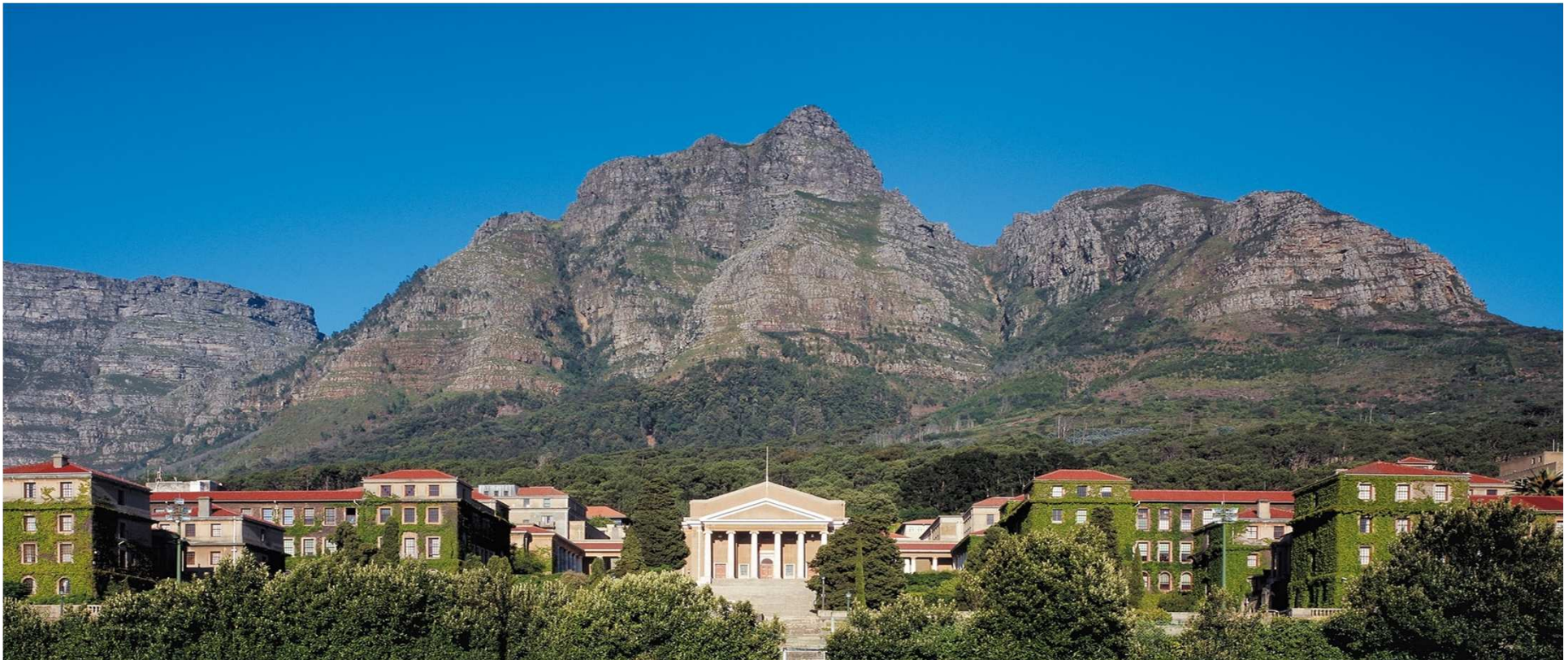
Desperate debates: Nationalisation debate! Wealth tax! Land grabs!

- Key problem is human resources capability
 - Health
 - NB Education – fix schooling
 - Post-school system
 - But ... long term
- Public works and state investment in economy
- Uncompetitive wages in relation to productivity
 - Do social grants aggravate this?
 - Youth wage subsidy?
 - Clothing sector deal
 - Conditional grants (e.g. Brazil) may not be possible



UCT-LSE partnership

Challenges are there – come help us address them



LSE-UCT joint lecture series

Is South African society more equal today than when Apartheid ended in 1994?

Dr Max Price

Vice-Chancellor, University of Cape Town

Professor Judith Rees

Chair, LSE

LSE events

Suggested hashtag for Twitter users: #lsesouthafrica

