

# FreeFACTS

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## Inequality trends show folly of government policy

**Inequality is often cited as one of South Africa's 'triple challenges' – along with unemployment and poverty. But, in truth, it is more complicated than that.**

Inequality is, in and of itself, not a problem. All societies are unequal and securing complete equality is impossible. What we should strive for is to ensure that those at the bottom live dignified lives, without being stricken by poverty.

And, in truth, South Africa is making some progress on that front.

Inequality, despite the popular narrative you will come across in the media, is actually declining. It is still high, but the trend is downwards. And when we look at inequality within race groups, inequality is highest among black people (on a number of inequality measures). In addition, the only group which experienced a significant increase in inequality between 2006 and 2015 (the period under review) was black people.

This tells us policies ostensibly aimed at helping black people, such as employment equity and black economic empowerment (BEE), have, in general, failed. The higher rates of unemployment and poverty (despite some improvements) that black people suffer from would also seem to indicate this.

It is clear that a rethink is needed on how to reduce poverty and unemployment, which disproportionately affect black South Africans. The current way of doing things is not working.

The entire policy of BEE needs to be rethought, if not scrapped. South Africa has had a number of successes since 1994, but race-based policies and laws have not been one of them. It is time to consider a different form of empowerment, that is based on actual disadvantage, rather than race.

At the same time, the government must concentrate on reducing South Africa's very high unemployment rate. This needs to be the primary focus of government policy. This can be done through reducing red tape, reforming labour laws, and doing away with onerous BEE requirements.

Until this happens, South Africa will continue to lose the battle against unemployment and poverty.

— **Marius Roodt**

## JOIN US

The IRR is an advocacy group that fights for your right to make decisions about your life, family and business, free from unnecessary government, political, and bureaucratic interference. FreeFACTS publishes evidence that communities are better off when individuals are free to make decisions about how they want to live, be educated, work, access healthcare, think, speak, own property, and protect their communities. If you agree with the issues we stand for, welcome to the team. There are millions of people just like you who are tired of South African politicians, activists, and commentators attempting to rein in your freedom to decide. Take control and make sure your voice is heard by becoming a friend of the IRR.

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## Assets and Incomes

### Expenditure by race group, 2006 and 2015

Race	2006	2015
Black	41.8%	49.3%
Coloured	8.2%	9.4%
Indian/Asian	4.7%	4.8%
White	45.3%	36.4%

Source: StatsSA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p29

Totals add up vertically to 100%.

This table indicates how expenditure patterns by race have changed. Although white people still account for expenditure far above their proportion of the population, it is clear how this is shifting, in favour of other South Africans, especially black South Africans.

## Household income

### Annual average household income by race<sup>a</sup>, 1996-2016

Year	Black	Coloured	Indian/Asian	White	Total
R					
1996	30 460	41 243	89 648	131 504	50 806
1997	32 766	47 435	96 170	150 998	55 891
1998	33 246	50 787	97 649	161 938	57 495
1999	33 997	54 284	100 090	173 654	59 225
2000	35 832	59 353	105 622	190 001	62 689
2001	37 517	63 432	112 142	203 014	65 506
2002	40 996	70 107	124 192	222 874	71 170
2003	42 924	74 185	131 823	235 064	74 307
2004	47 673	83 014	147 548	261 024	81 858
2005	52 497	92 006	163 614	287 460	89 287
2006	57 373	101 189	181 891	316 243	97 076
2007	64 681	114 159	211 437	359 639	109 104
2008	70 837	124 778	236 338	394 858	118 576
2009	74 559	130 813	253 527	416 243	123 493
2010	80 261	139 590	279 430	449 988	132 354
2011	87 814	152 488	306 219	487 879	143 392
2012	95 419	167 066	326 333	520 710	153 864
2013	102 896	181 649	343 153	548 588	163 721
2014	110 167	196 541	356 574	572 493	172 911
2015	116 734	211 132	366 661	592 952	180 686
2016	123 971	226 739	381 303	619 980	189 951
<b>1996-2016</b>	<b>307.0%</b>	<b>449.8%</b>	<b>325.3%</b>	<b>371.5%</b>	<b>273.9%</b>

Source: IHS Global Insight Southern Africa, *Regional Explorer*

a Current prices. Including income from social grants.

## Assets and Incomes

Annual income per capita by race <sup>a</sup> , 1996-2016					
Year	Black	Coloured	Indian/Asian	White	Total
R					
1996	6 051	8 426	20 818	44 550	10 962
1997	6 691	9 815	22 292	51 461	12 310
1998	7 101	10 784	22 852	55 928	13 127
1999	7 675	11 982	24 212	60 946	14 161
2000	8 474	13 577	26 627	67 575	15 592
2001	9 172	14 846	29 311	72 675	16 752
2002	10 254	16 705	33 401	80 420	18 564
2003	10 945	18 036	36 452	85 732	19 728
2004	12 393	20 497	41 824	95 757	22 097
2005	13 788	22 624	46 412	104 750	24 247
2006	15 108	24 610	51 090	114 039	26 334
2007	17 062	27 538	58 698	128 661	29 563
2008	18 876	30 004	65 528	140 622	32 338
2009	20 162	31 319	70 392	147 328	34 015
2010	21 670	33 314	77 974	158 605	36 371
2011	23 747	36 491	85 883	171 923	39 448
2012	25 930	40 060	92 111	184 409	42 512
2013	28 024	43 868	97 242	195 738	45 360
2014	30 052	47 758	102 197	205 639	48 018
2015	32 196	51 809	107 391	214 646	50 702
2016	34 477	56 392	113 694	226 161	53 754
<b>1996-2016</b>	<b>469.8%</b>	<b>569.3%</b>	<b>446.1%</b>	<b>407.7%</b>	<b>390.4%</b>

Source: IHS Global Insight Southern Africa, *Regional eXplorer*

a Current prices. Including income from social grants.

The two tables above show how income and expenditure have risen markedly for all South Africans. Despite this, there is still a large gap between - especially - black and white South Africans. This is due to two primary factors. The first is the legacy of apartheid, and the second is the more recent legacy of government mismanagement of the economy, which has stifled job creation and the growth of businesses.

## Personal income

Annual income <sup>a</sup> per capita by province, 1996-2016									
Province	1996	2006	2010	2011	2012	2013	2014	2016	Change 1996-2016
R									
EC	6 813	16 516	23 382	25 268	27 927	30 170	32 095	37 067	444.1%
FS	9 290	22 977	31 388	34 141	37 079	39 769	41 665	46 699	402.7%
GAU	20 300	43 185	57 284	61 875	64 329	66 803	69 412	74 900	269.0%
KZN	8 302	20 403	27 898	30 283	33 003	35 644	38 410	43 875	428.5%
LIM	5 767	14 141	20 348	22 140	24 788	27 023	29 412	34 364	495.8%
MPU	7 913	20 233	27 778	30 224	33 506	35 881	37 937	41 987	430.6%
NW	8 439	20 610	29 693	32 208	35 219	39 196	41 376	46 550	451.6%
NC	9 075	24 720	33 679	36 441	39 905	42 791	47 807	53 477	489.3%
WC	16 956	38 663	52 358	56 091	60 707	64 845	68 430	77 546	357.3%
<b>SA</b>	<b>10 962</b>	<b>26 334</b>	<b>36 371</b>	<b>39 448</b>	<b>42 512</b>	<b>45 360</b>	<b>48 018</b>	<b>53 754</b>	<b>390.4%</b>

Source: IHS Global Insight Southern Africa, *Regional eXplorer*

a At current prices. Including income from social grants.

## Assets and Incomes

Trends of household asset ownership (2009, 2011 & 2015)			
Assets	2009	2011	2015
Camera	12.8%	14.4%	10.9%
Internet services	6.2%	8.4%	11.8%
Computer	15.1%	18.8%	22.1%
Hi-fi	21.8%	27.3%	22.3%
Motor vehicle	24.7%	27.3%	28.8%
Satellite TV	13.0%	22.0%	35.1%
Washing machine	27.5%	31.9%	35.9%
Radio	53.0%	55.0%	44.2%
DVD player	49.9%	59.8%	46.5%
Microwave oven	37.1%	43.8%	52.0%
Flush toilet	61.7%	63.5%	67.6%
Fridge	64.7%	71.1%	79.7%
Television	68.4%	76.8%	83.3%
Living in a formal structure	78.6%	81.2%	83.8%
Stove	80.0%	88.2%	86.7%
Electrical connection	83.6%	87.0%	93.8%
Piped water	90.4%	89.9%	97.1%

Source: Stats SA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p47

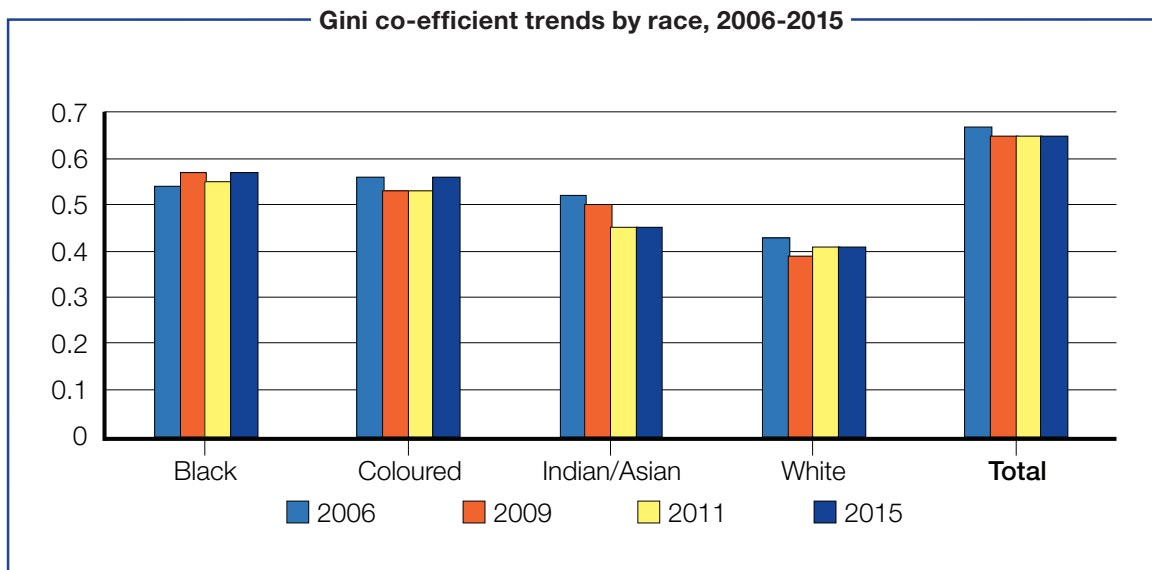
This table indicates that much progress has been made on some fronts, despite the disaster of the Zuma presidency. The majority of South Africans now have access to modern appliances, along with electricity and sanitation.

## Assets and Incomes

Gini co-efficient trends by race, 2006-2015					
Year	Black	Coloured	Indian/Asian	White	Total
2006	0.54	0.56	0.52	0.43	0.67
2009	0.57	0.53	0.50	0.39	0.65
2011	0.55	0.53	0.45	0.41	0.65
2015	0.57	0.56	0.45	0.41	0.65
<b>Change: 2006-2015</b>	<b>5.6%</b>	<b>0.0%</b>	<b>-13.5%</b>	<b>-4.7%</b>	<b>-3.0%</b>

Source: StatsSA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p34

The Gini co-efficient is a measure of inequality. A Gini of 1 would indicate complete inequality (one person would hold all the wealth) while 0 would indicate that everyone has equal amounts of wealth or income.



As the table and graph on the next page indicate, inequality in South Africa dropped very slightly between 2006 and 2015, despite the popular narrative of increasing inequality. In addition, inequality is highest among black South Africans, in which group it increased the most over the nine-year period. This would seem to indicate that only a small proportion of black South Africans are benefiting from policies such as black economic empowerment and employment equity.

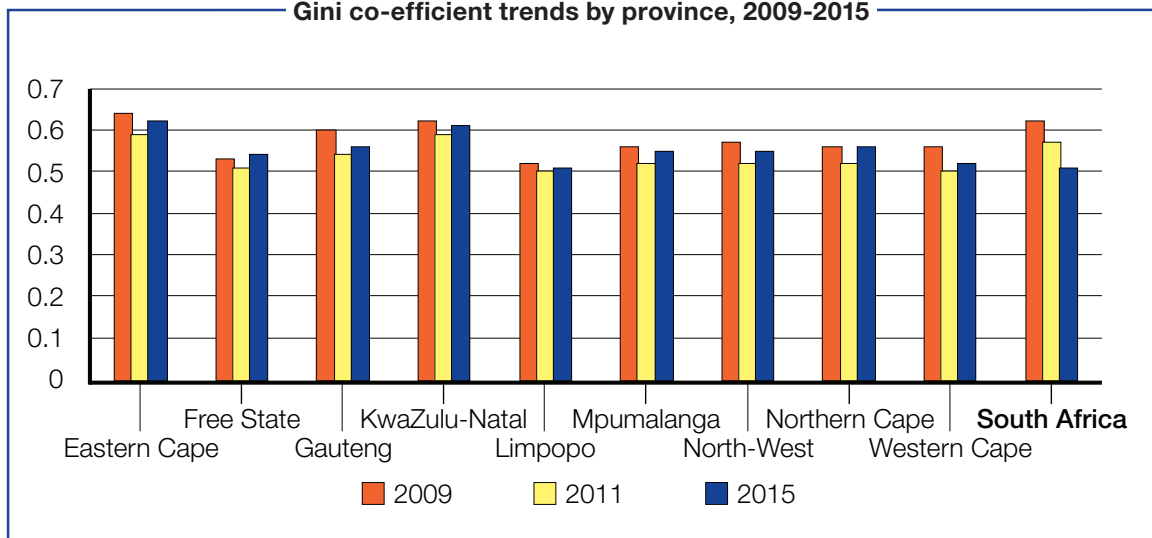
## Assets and Incomes

**Gini co-efficient trends by province, 2009-2015**

Province	2009	2011	2015
Eastern Cape	0.64	0.59	0.62
Free State	0.53	0.51	0.54
Gauteng	0.60	0.54	0.56
KwaZulu-Natal	0.62	0.59	0.61
Limpopo	0.52	0.50	0.51
Mpumalanga	0.56	0.52	0.55
North-West	0.57	0.52	0.55
Northern Cape	0.56	0.52	0.56
Western Cape	0.56	0.50	0.52
<b>South Africa</b>	<b>0.62</b>	<b>0.57</b>	<b>0.51</b>

*Source: Stats SA, Inequality Trends in South Africa: A multidimensional diagnostic of inequality, Report No. 03-10-19, p54*

**Gini co-efficient trends by province, 2009-2015**



## Assets and Incomes

Gini co-efficient <sup>a</sup> by province and race, 2016					
Province	Black	Coloured	Indian/Asian	White	Total
Eastern Cape	0.58	0.54	0.50	0.44	0.61
Free State	0.57	0.55	0.50	0.44	0.62
Gauteng	0.57	0.54	0.46	0.43	0.59
KwaZulu-Natal	0.55	0.54	0.46	0.43	0.61
Limpopo	0.58	0.54	0.49	0.43	0.63
Mpumalanga	0.57	0.55	0.49	0.45	0.60
North West	0.59	0.55	0.48	0.42	0.63
Northern Cape	0.58	0.54	0.46	0.43	0.60
Western Cape	0.58	0.56	0.49	0.44	0.60
<b>South Africa</b>	<b>0.58</b>	<b>0.55</b>	<b>0.49</b>	<b>0.43</b>	<b>0.63</b>

Source: IHS Global Insight Southern Africa, *Regional Explorer*

Inequality trends on the Palma ratio					
Race	Year	Bottom 40%	Middle 50%	Top 10%	Ratio
Black African	2006	11.4%	43.7%	44.9%	4.0:1
	2009	10.0%	43.2%	46.8%	4.7:1
	2011	10.4%	44.7%	44.9%	4.3:1
	2015	9.6%	44.2%	46.2%	4.8:1
Coloured	2006	9.9%	45.9%	44.2%	4.5:1
	2009	10.1%	51.2%	38.7%	3.8:1
	2011	10.5%	49.2%	40.3%	3.8:1
	2015	9.2%	48.6%	42.2%	4.6:1
Indian/Asian	2006	11.2%	48.2%	40.6%	3.6:1
	2009	11.4%	50.2%	38.4%	3.4:1
	2011	12.9%	54.3%	32.8%	2.5:1
	2015	13.5%	53.8%	32.7%	2.4:1
White	2006	14.7%	53.8%	31.5%	2.1:1
	2009	16.3%	55.4%	28.3%	1.7:1
	2011	15.4%	54.2%	30.4%	2.0:1
	2015	15.4%	54.8%	29.8%	1.9:1
Total population	2006	6.6%	36.2%	57.2%	8.6:1
	2009	6.5%	40.2%	53.3%	8.1:1
	2011	6.8%	39.9%	53.3%	7.9:1
	2015	6.6%	40.8%	52.6%	7.9:1

Source: Stats SA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p34

The Palma ratio shows the ratio between the income of the top 10% of income earners in any given population, and that of the bottom 40% of income earners. The higher the ratio the higher the inequality. As can be seen from the table, and mirrored by the Gini co-efficient, the group with the highest rate of inequality (which also saw the biggest increase in inequality between 2006 and 2015) was black South Africans. This would seem to give further credence to the idea that policies which are ostensibly aimed at helping poor black South Africans have failed to do so.

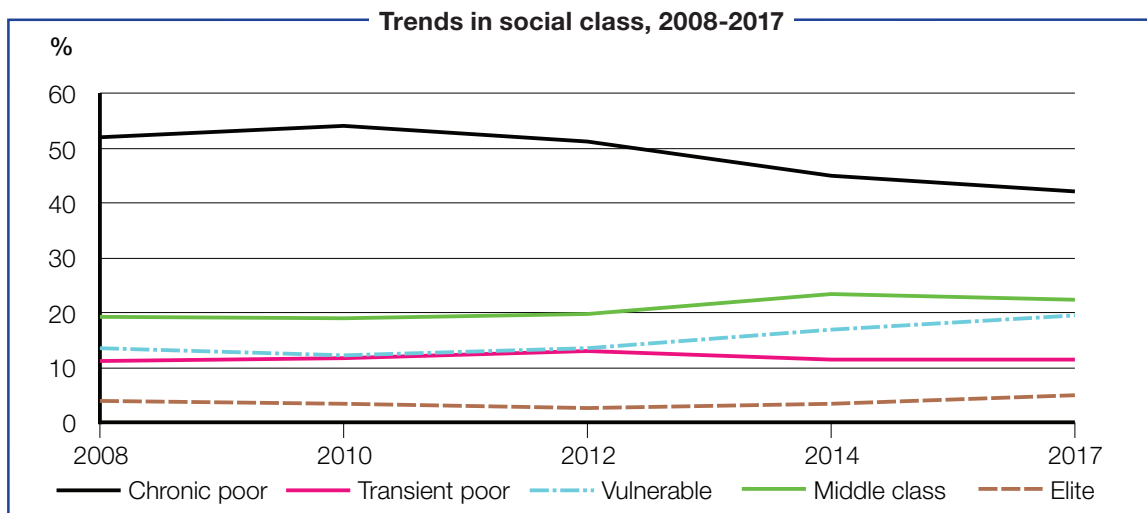
## Assets and Incomes

Trends in social class, 2008-2017					
Social class	2008	2010	2012	2014	2017
Chronic poor	52.0%	54.1%	51.3%	45.0%	42.0%
Transient poor	11.2%	11.6%	13.0%	11.5%	11.4%
Vulnerable	13.6%	12.1%	13.4%	16.8%	19.4%
Middle class	19.2%	19.0%	19.7%	23.4%	22.4%
Elite	4.0%	3.3%	2.7%	3.3%	4.9%

Source: Stats SA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p135

These figures indicate that there have been some changes in the fortunes of poor South Africans, although this has not affected large numbers of people. The proportion of South Africans who are chronically poor has fallen by a full ten percentage points in nine years with a small increase in the proportion of people who can be classified as 'elite'. There has been growth in both the vulnerable and more secure middle class. These figures indicate that there has been some progress in combating poverty, but at a rate which is not fast enough.

**Note:** The chronic poor are those who fall below the national poverty line as measured in terms of the cost of basic needs and have below average chances of getting out of poverty. The transient poor are those who fall below the national poverty line as measured in terms of the cost of basic needs and have above average chances of getting out of poverty. The vulnerable middle class are those whose basic needs are currently being met but who face above-average risks of slipping into poverty. The actual middle class are those who are in a position to maintain a non-poor standard of living even in the event of a negative shock. The elite are those who have a standard of living far above the average.



Social class	Level of education of head of household					
	None	Some primary school	Primary school completed	Some high school	High school completed	Tertiary
Chronic poor	25.1%	28.5%	11.0%	32.3%	2.8%	0.2%
Transient poor	3.1%	11.4%	5.2%	49.6%	18.9%	11.9%
Vulnerable	9.1%	18.9%	9.0%	49.2%	11.1%	2.8%
Middle class	0.5%	2.7%	2.4%	33.9%	23.8%	36.6%
Elite	0.4%	0.9%	1.4%	11.7%	18.1%	67.6%

Source: Stats SA, *Inequality Trends in South Africa: A multidimensional diagnostic of inequality*, Report No. 03-10-19, p139  
 a Totals should add up horizontally to 100.

This table indicates the importance of education. The level of education of the household is a great predictor of which social class a household will fall into. As the table shows, more than two-thirds of elite households have a head with tertiary education.