



## **Confronting inequalities in South Africa**

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In the Preface of the recently launched 25 Year Review of South Africa's democracy, President Ramaphosa says "we need a more informed basis to translate our vast resources into tangible socio-economic outcomes that change the lives of our people." It is important that government is informed by relevant up-to-date data. This was the main reason that resulted to the National Income Dynamics Study (NIDS) which started in the mid-2000s. Data from the NIDS has helped with the recent Statistics SA report on the inequality trends in SA. I wonder though whether the said report should have been named as 'Inequality Trends' as it is more about broader distribution of and access to resources, assets and income.

There have been numerous more recent published materials, including books, that systematically and comprehensively examine inequalities in post-apartheid SA. One would be forgiven to think that the Statistics SA Report was prepared a couple of years ago and suddenly it was decided that it must be made public. Most data/analysis in the Report ends in 2015. The Report does not add much value. Interestingly, the 25 Year Review has more recent data/analysis on many aspects that the Statistics SA Report deals with. It could be that the 25 Year Review could access administrative data that Statistics SA could not access. This might point to a challenge that government is not funding collection of useful data. South Africa last conducted a census in 2011, for instance.

Although the Statistics SA Report lists its limitations, there are some critical issues that any report on inequality should at least touch on. One of those is political inequality, especially in the context of a country like South Africa – political inequality has to do with whether all citizens have an equal in relation to government decision. Research has been done on this and the Statistics SA Report could have used existing analysis, at the very least. There is a link between political patronage, political inequality and power inequality.

Another critical issue – that the eminent Malawian Economist Thandika Mkandawire has been sensitising us about – is that both the functional and personal income distributions must be examined when studying inequality. Functional income distribution has to do with how income is divided among groups of people whereas personal income distribution refers to the share of incomes among individuals. Granted, the Statistics SA Report covers some of these important estimates except not systematically and not enough analysis.

The Report does make important points. It is good, for instance, that the Report highlights that “the labour market is vitally important for understanding [income] inequality in South Africa.” It is however strange that the Report does not say anything about the structure of the SA economy when research has indicated that SA is experiencing structural inequality. In other words, the structure of the economy could be benefiting some population groups more than it benefits others.

Overlooking this critical issue could be informed by the finding of the Report that the Gini coefficient for black Africans increased during 2006- 2015, while it remained constant for coloureds and decreased for Indians/Asians and whites. This needs interrogation because other estimates have shown that within-group inequality among Africans increased until 2011 but declined afterwards while within-group inequality for other races increased, albeit marginally. Dynamics in the labour market can account for this but it is possible that with high unemployment of late within-group inequality among Africans has increased, but there is no data to substantiate this hypothesis as latest numbers to estimate the Gini coefficient are for 2015.

Whatever the latest numbers could show, inequalities are dangerous for a country like South Africa. It is insightful that there were instances in the post-apartheid period when the inequality gap was closing in SA. There was a time when the number of Africans in managerial positions was increasing. There has been some progress in African academics in the higher education sector. There was a time when Africans were getting jobs. All this implies that it is possible to dent inequalities, even in the global context when capital holds governments ransom and even with the political history that South Africa has.

Latest or more recent data should give us a better understanding of inequalities, at least for income inequality. It is likely that more recent data would not change the proposals that have been made. In the main, we need to strengthen economic and social policies as well as deal with glitches in the labour market and improve implementation. The relationship between the private sector and government needs to be transformed so that it can be at the benefit of society as a whole.

Also, state-society relations need to be re-configured so that they can benefit society as a whole instead of only some sectors of society. Of course other interventions such as broadening the asset base of the majority Africans and redistributive policies/programmes, would also catalyse the reduction of inequalities.

Indeed, there are specific interventions that should be pursued for dealing with functional distribution of income than those dealing with personal distribution of income. Lastly, political inequality – given widespread patronage politics – needs to be confronted if we are serious about reducing inequalities in South Africa. All inequalities matter. There is an unfortunate tendency to only discuss economic inequalities.