

# Inequality in SA

## Of populism and revolts of the poor

The high levels of income inequality in South Africa threatens the democracy and social fabric that the country weaved after 1994. This is evident in the rise of populism and 'service delivery protests', write **Molifi Mohautse** and **Ntokozo Zulu**.

South Africa is regarded as one of the most unequal societies in the world. Apartheid engineered a population with vast inequalities across racial groups. The nature of this inequality was primarily racially based. The political and economic path of the last 20 years has somewhat changed the nature and composition of this kind of inequality but deep inequality still exists.

The post-apartheid distributional regime continues to divide South Africans into insiders and outsiders. Although the political pattern is still largely racially based, a new political landscape is beginning to emerge which is based on the complexity of class and race mix. The rising inequality within the black community is becoming a cause for concern. This has created a fertile ground for the rise of populist movements and demagogues (political leaders who seek support by appealing to popular desires and prejudices rather than sensible arguments) that will seek to take advantage of those neglected by the state machinery.

This article seeks to explore the links between inequality, economic growth and political conflict by tracing the origins of income inequality in South Africa,

its evolution after the democratic transition in 1994, and its economic and political implications.

### BACKGROUND

Inequality in South Africa is embedded in military conquest and political exclusion, which took a colonial and racial form, and was reinforced by continuing repression of political and social organisation. Conquest began in the 1650s at the southern tip of Africa, which developed into the city of Cape Town, and gradually expanded inland by the Dutch and then British settlers by defeating and displacing the indigenous populations. Consequently, conquest and political exclusion were the initial conditions shaping black peoples' unequal access to resources and their capacity for accumulating assets. This inequality was deepened by economic growth patterns and development after the discovery of minerals such as gold and diamonds in the late 19th century. The indigenous people were forced to work in the mines for low wages.

The forced labour regime in mining established the migrant system and provided the foundation for racial discrimination in the labour market and in the workplace as the secondary and tertiary sectors

developed. In 1913 the government promulgated the Native Land Act which restricted land ownership for Africans to certain specified areas, mostly in the north and east. Initially, the areas covered about 8% of the country's land area but were later extended to about 13% by the Native Land Act of 1936. The 'reserves', as they were commonly known, laid the foundation for the 'Bantustan' system in which the rights of political representation for Africans were attached to these areas although many Africans continued to live in rural areas reserved for whites, as tenants and labourers on white farms. From the 1960s, the government stepped up forced removals, moving nearly half a million people. In urban areas, the Group Areas Act of 1950 restricted property ownership rights to specified areas for Africans, as well as for coloureds and Indians.

### POST-APARTHEID CONTINUATION

Income inequality surveys conducted in South Africa since 1993, beginning with the Living Standards Measurement Survey of 1993, indicate that from the end of 1993 to 2000 the Gini Index of SA's per capita income increased by 8.1%. Based on its data, the South African Gini index was estimated to



*It's laundry time: Resident of Ramaphosa informal settlement does laundry outside her home.*

be 0.623 in 1993 and 0.673 in 2000. Despite the likelihood of problems, these statistics confirm, at least, that income inequality in South Africa is undeniably high. In addition to the high level of income inequality, there are also large disparities in the non-economic dimensions of human development.

According to the United Nations Development Programme, the Human Development Index (HDI) of South Africa was 0.658 in 2003, ranking it 120th among the 177 countries for which HDI was estimated. In addition to this generalised and multi-dimensional inequality, one should highlight the large component of intra-racial inequality among the African population. Many of the social indicators of the country have fared better than those related to income, particularly with regard to access to public services. This has been due mainly to reallocation of budgetary resources to promote education, health, social security and housing in poorer areas, where most African households dwell. The number of households with access to piped water, sanitation and electricity has increased substantially. However, such gains in well-being have not succeeded in mitigating the sharp differentials in income.

A brief literature review on income inequality in South Africa suggests that the changes in the labour market that occurred in the post-apartheid era were the major drivers of the dynamics of income distribution. This is not surprising since earnings are the major component of total income throughout the world and South Africa is no exception. Unsurprisingly, given the country's history, there is still a strong correlation between race and household income.

Statistics point out that nine out of ten households in the bottom six deciles (the poorest 60% of households) were non-white in 1993. By contrast, three-quarters of the top decile were white. This is an unambiguous evidence of interracial inequality. Rising income among better-off black households has widened intra-racial inequality as well. By 2004, the average household income in the richest tenth of the black households was over 250 times higher than the average income in the poorest tenth.

According to Statistics SA (2014) poverty levels have declined since 2006, reaching a low of 45.5% in 2011. This was driven by a number of factors such as a growing social safety net, income growth, above-

inflation wage increases, decelerating inflationary pressure and an expansion of credit. However, while the poverty situation is improving, inequality remains a serious concern. The Gini index is calculated to be approximately 0.65 based on expenditure data (per capita excluding taxes) and 0.69 based on income data (per capita including salaries, wages and social grants) in 2011. The share of consumption between the richest and poorest remains constant. The richest 20% of the population accounted for over 61% of consumption in 2011, down from a high of 64% in 2006. Meanwhile, the bottom 20% sees their share remain fairly constant at below 4.5%.

### **ECONOMIC PERFORMANCE**

South Africa has undergone a significant transformation since its democratic transition in 1994, but its economic growth and employment generation have been unsatisfactory. Most disturbingly, unemployment is currently among the highest in the world. The democratic transition created expectations of a dramatic turnaround in the economic performance. Trade and financial sanctions as well as internal opposition to the apartheid regime contributed to the poorest ten-year

growth performance (1984-1993) since the Second World War and the removal of these restrictions was widely expected to transform the country's economic performance. It could also be argued that rising prosperity was needed to sustain the political transition. However, the improvement was modest both by international and local standards.

South Africa has exceptionally high levels of inequality compared to other countries at similar levels of average per capita income. The high costs that inequality cause have been brought to public attention by the derailing of economic recovery in part as a consequence of social exclusion, and by the threats of social backlash as the distribution of benefits from growth is perceived to be disproportionately unfair.

Public sensitivity is worsened by the fact that serious losses in purchasing power during the years of economic crisis and adjustment have increased impatience in sharing the benefits of recovery, leaving little room for further postponement. Successful transitions to democracy or improvements in democratic representation have given the poor new channels of access to the political process, making their demands for participation in the gains from growth more difficult to ignore.

The strength of these demands has been profoundly enhanced by the proliferation of grassroots organisations and social movements which act as advocates for the poor. For example, there are organisations that represent squatters and landless people such as Abahlali Base Mjondolo and the Landless Peoples Movement.

### CONSEQUENCES

Inequality is commonly understood to lead to social pressure for redistributive fiscal policies, socio-economic instability, unsustainable policy choices and, possibly, a low rate of economic growth. Economic inequality is also associated with

tension between classes, educational and occupational levels, and linguistic, ethnic and communal groups. Therefore, it is reasonable to assume that any distribution of income within a society will tend to provoke opposition from groups that are unhappy with it.

SA is ripe for political strife. Every day there are reports of 'service delivery protests' and they usually take a violent form. The destruction of property such as public schools, clinics, road signs and municipal buildings usually accompanies such 'protests'. In some cases, the response from government is also violent. Areas that exhibit high income inequalities in the Western Cape, Eastern Cape and Gauteng are regularly afflicted by 'protests'.

According to Municipal IQ (2013), an independent local government data and intelligence service, the Western Cape was the most protest-afflicted province in 2012, followed by the Eastern Cape and Gauteng. Research from Municipal IQ's Hotspots Monitor shows clear evidence that most protests continue to occur in informal settlements in the largest metros.

Given the large number of protests that have occurred in recent years it is no surprise that there is a growing concern amongst the public as to why these protests are happening and where they will happen next. The social and economic conditions in South Africa are known to lead to the rise and formation of radical class-based political movements that seek fundamental changes in the structure of political authority and social system. The destruction and reconstruction of state power would be the reason why such 'revolutionary' movements exist. Such conditions are also known to have given rise to political demagogues and opportunists who utilise people's genuine grievances and needs to pursue their own narrow, selfish interests.

Will these protests in South Africa escalate into an overthrow of the

ruling elite by the marginalised? Are the events that occurred in Marikana consequences of societal outcry against huge disparities in income within South Africa? Is the formation of 'radical' political parties such as the Economic Freedom Fighters (EFF) a consequence and solution to the social and economic conditions in the country? These are pertinent questions that need careful analysis. The fact is, a number of 'service delivery protests' annually in South Africa has been increasing since 2004 and, since 2009, more and more of them have turned violent.

### CONCLUSION

More unequal societies tend to develop larger groups of people who are excluded from the opportunities others enjoy – be it they have better education, access to loans, or to insurance – and who therefore do not develop their full productive potentials. Income inequality affects economic growth through its impact on income redistribution and political power. A country could fall into a vicious circle because of the breakdown of social cohesion brought about by income inequality and this threatens democratic institutions. High inequality could lead to a lower level of democracy, high rent-seeking policies and a higher probability of political conflict. Inequality also reduces social capital – the degree of trust and mutual support among individuals. <sup>LB</sup>

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*This article is based on a presentation made at the South African Sociological Association Annual Congress at Nelson Mandela Metropolitan University in Port Elizabeth.*