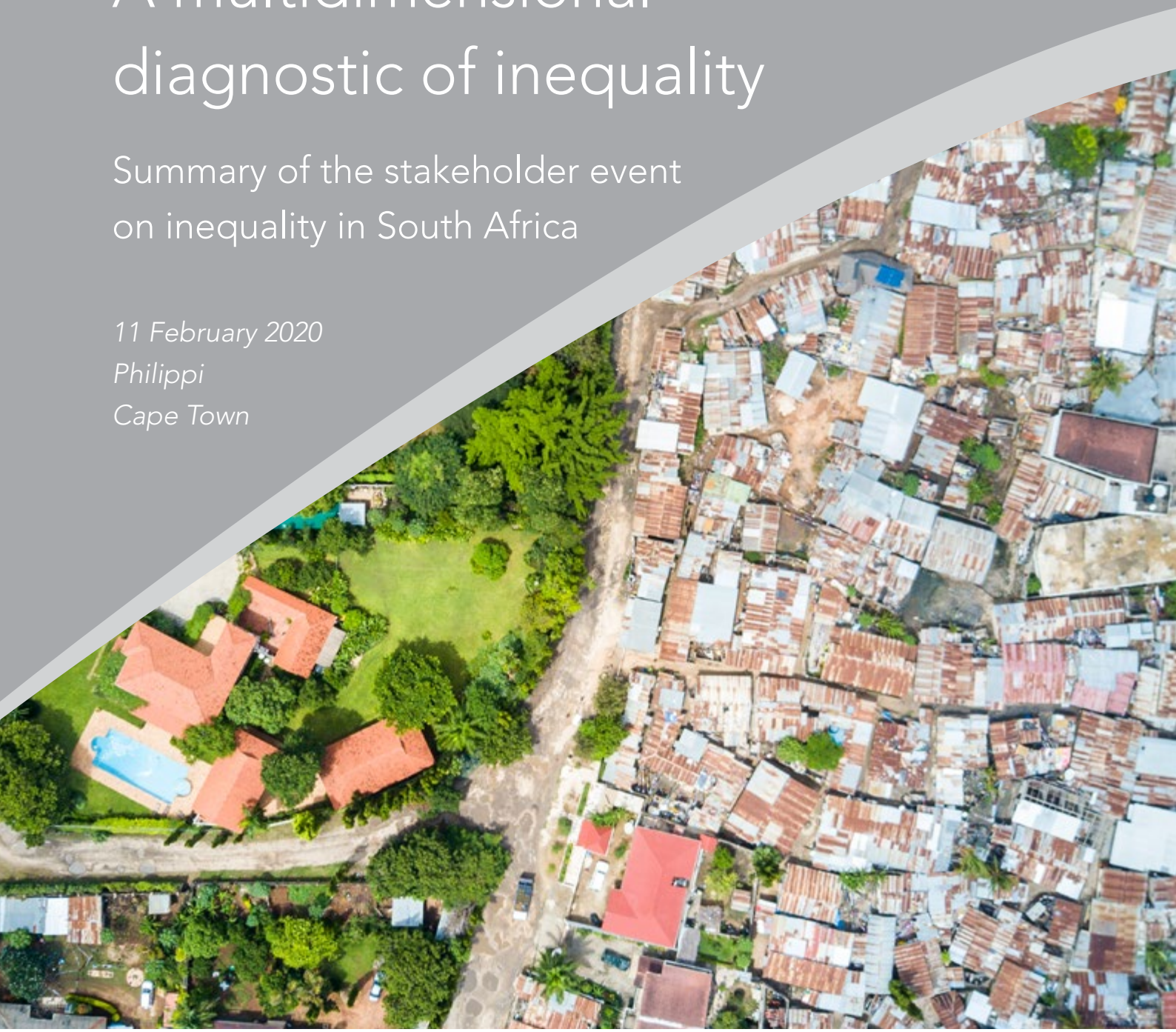
STAKEHOLDER ENGAGEMENT ON INEQUALITY TRENDS IN SOUTH AFRICA – A multidimensional diagnostic of inequality

ACEIR
African Centre of Excellence for Inequality Research

Summary of the stakeholder event on inequality in South Africa

11 February 2020
Philippi
Cape Town



AFD Agence Française de Développement

SALDRU Southern Africa Labour and Development Research Unit

stats sa
Department: Statistics South Africa
REPUBLIC OF SOUTH AFRICA

ABOUT THIS PUBLICATION

This summary relates to the publication of the report *Inequality Trends in South Africa – A multidimensional diagnostic of inequality* and captures the information presented and the discussions at a stakeholder engagement held on 11 February 2020 at Philippi, Cape Town.

The event was held in partnership with Statistics South Africa; the Southern Africa Labour and Development Research Unit, University of Cape Town; the Agence Française de Développement, and the European Union Research Facility on Inequalities; and was facilitated by the African Centre of Excellence for Inequality Research.

Photographs in the report are used with permission from Johnny Miller, Unequal Scenes: https://unequalscenes.com/

Contact details

Haajirah Esau
African Centre of Excellence for Inequality Research
c/o SALDRU
School of Economics
Middle Campus
Stanley Road
University of Cape Town
Rondebosch
Cape Town
7701

Tel: +27 (0)21 650 5715
Haajirah.Esau@uct.ac.za

www.aceir.org.za

CONTENTS

ABBREVIATIONS

ACEIR	African Centre of Excellence for Inequality Research
AFD	Agence Française de Développement
ARUA	African Research Universities Alliance
CEO	Chief Executive Officer
COCT	City of Cape Town
DBSA	Development Bank of Southern Africa
DDM	Distributed Development Model
EEA	Employment Equity Act
ESSA	Employment Services of South Africa
EU	European Union
GHS	General Household Survey
IES	Income and Expenditure Survey
INEP	Integrated National Electrification Programme
IPP	Independent Power Producer
LCS	Living Conditions Survey
LFP	Labour Force Participation (rate)
LINES	Low-Income Energy Services
NDP	National Development Plan
NEA	Not Economically Active
NIDS	National Income Dynamics Study
NPC	National Planning Commission
OECD	Organisation for Economic Co-operation and Development
PALMS	Post-Apartheid Labour Market Series
QLFS	Quarterly Labour Force Survey
SACN	South African Cities Network
SALDRU	Southern Africa Labour and Development Research Unit
SAMPI	South African Multidimensional Poverty Index
SARS	South African Revenue Services
SA-TIED	Southern Africa – Towards Inclusive Economic Development
SDGs	Sustainable Development Goals
SEM	Sustainable Energy Markets
Stats SA	Statistics South Africa
YES	Youth Employment Service

1. EXECUTIVE SUMMARY

It is widely accepted that South Africa's persistently high levels of inequality are not only a humanitarian crisis, they are also unsustainable and curb the country's growth potential. Yet, despite extensive research coupled with well-targeted government policies, efforts to reverse inequality over the past decades have failed to deliver meaningful progress.

Researchers and policymakers increasingly have to re-think their approaches to this intractable problem, taking into account the multidimensional nature of inequality and the importance of collaboration in addressing these.

To this end, on 11 February 2020 – symbolically as the 30th anniversary of Nelson Mandela's release from prison – stakeholders from across the country, and from all sectors, gathered in Philippi, Cape Town, to begin the process of forging a new agenda for action.

Hosted by the African Centre of Excellence for Inequality Research (ACEIR), the event sought first to present high-level research findings from a comprehensive new report on the multidimensional nature of poverty in South Africa; and invited stakeholder engagement to map out a way forward.

Believing that data is the foundation of informed national dialogue, ACEIR works with Statistics South Africa (Stats SA) to take stock of and collate the data and, crucially, to democratise this process by making the data publicly available for local research and discussion among stakeholders as well as for the policy community.

The report, titled *Inequality Trends in South Africa – A multidimensional diagnostic of inequality*, was the first of its kind in South Africa and presented a broad overview of various dimensions of inequality in the country including household income and expenditure, assets, earnings, employment, education, health, access to basic services, and social mobility.

Published in November 2019, it served as a baseline diagnostic to assist the country to track its performance in ensuring that all people in South Africa shared the same opportunities and have equal access in realising those opportunities.

The day started with welcome addresses from key stakeholders and sponsors including: the French Ambassador to South Africa, Aurélien Lechevallier; the European Union (EU) Ambassador to South Africa, Riina Kionka; and Ashwell Jenneker, Deputy Director-General: Marketing, Communication and Publishing, Stats SA. All three underlined the importance of the event and highlighted the magnitude of the problem of inequality.

Research findings

High-level presentations on selected research findings were made by the three institutions involved in the preparation of the diagnostic report.

1. Economic inequality (including expenditure and income inequality and asset inequality

   Updated figures on the Gini coefficient – the most commonly used inequality measure – were explored for per capita expenditure and income by gender, province and population group. The sources of income inequality were also introduced along with a snapshot of asset ownership. Assets were regarded as an important economic indicator to assess inequality in addition to the other money-based indicators. While the overall story remained negative, there was good news at lower levels of assessment, for example an increase in overall household ownership of assets for black Africans. The Palma ratio was also introduced as a more intuitive measure to complement the Gini coefficient. It was hoped that this relatively new measure – which offered a simple ratio of the income share of the top 10% versus the bottom 40% – was adopted by South Africa for its Sustainable Development Goals (SDGs) suite of indicators.

2. Labour market inequality, gender and social mobility

   Labour market income – defined here as earnings from wages, but excluding income from remittances, capital, grants and other sources – was by far the largest contributor to overall inequality in South Africa. South African unemployment levels were extremely high and have worsened: typically, between 25% and 30% (using the narrow decision). This rate was about twice as high for youth. This presentation looked at labour market trends over the period 2011 – 2017 including labour force participation, unemployment rates, and distribution of income by population group and gender. Overall findings were that while employment in the informal and agricultural sectors was relatively low, when compared to other countries, South Africa's agricultural sector was highly mechanised and the informal market, for unknown reasons, was very small. Groups that were disadvantaged in the labour market were black Africans relative to whites, females relative to males, and rural dwellers relative to urban dwellers.

And finally, groups who were more likely to find employment (higher education and higher earners), earned higher wages and were less likely to lose employment, thus contributing to a "vicious cycle" of inequality.

3. **Social inequality (access to services, education, health and the internet)**

   Looking beyond income, expenditure and labour market access to a number of other basic service indicators provides a more nuanced understanding of inequality. The indicators for which sufficiently reliable data was available, and which were covered in the diagnostics report, included access to services, education, health and the internet. Interestingly, while economic inequality has often not changed much, the indicators covered in this section have illustrated greater improvements. Key highlights included:

   - improvements in school attendance and class sizes;
   - more learners benefitting from no-fees policies;
   - greater book availability;
   - 90% of learners in all provinces, except the Western Cape and Gauteng, have benefitted from the government's nutrition programme;
   - improvement in access to basic services (electricity, sanitation, refuse removal) except water where, after initial increases, there has been a recent decline; and
   - an increase in access to the internet for all population groups.

   When it came to access to healthcare facilities and services, the picture was less rosy. There has been a decline in overall access to medical aid. In fact, inequality showed up vividly in health, with black Africans the least likely to have access to medical aid and the most likely to use public health facilities.

Towards an agenda for action

The morning was rounded off with a presentation from the event Chair, Murray Leibbrandt – Director of the Southern Africa Labour and Development Research Unit (SALDRU), University of Cape Town and ACEIR – on the uses and application of the diagnostic report in policy design.

Leibbrandt challenged participants to use the day as an opportunity to source ideas to "fight the data" in the report and find ways to use the evidence presented to make better policy decisions and curb inequality across its different dimensions. "We need to move from theory to action", he said.

He cautioned that the survey report in and of itself could not cover all aspects of inequality in South Africa and it was not offering solutions. It was a diagnostic tool. The hope was that it helped to inform the debate around the SDGs – specifically Goal 10, which deals with in-

equality. The role of stakeholders in taking this hope forward could not be overemphasised.

Accordingly, after lunch, a series of presentations from stakeholder participants deepened the conversation by providing fresh insights based on work being done on various facets of inequality, including:

- economic inequality;
- labour market inequality;
- gender inequality;
- education inequality;
- access to energy inequality; and
- spatial inequality.

These presentations were followed by robust question and answer sessions with participants who further interrogated the information in the diagnostic report.

Earlier, two panellists, Ayabonga Cawe, development economist and former Economic Justice Manager of Oxfam South Africa and a member of the Presidential Economic Advisory Council; and Mzukisi Qobo, Professor of International Business at the University of the Witwatersrand and a member of the Presidential Economic Advisory Council, set the scene by highlighting considerations for putting in place an effective policy framework to address inequality. Cawe particularly highlighted that policymakers needed to understand the historic drivers of inequality in the country – factors such as cheap electricity, cheap labour and social reproduction functions undertaken by many communities. Qobo pointed out that a weak and eroded public sector that had grown too large, and was exposed for pockets of corruption, was a potential obstacle to effective policymaking and implementation.

Rudi Dicks, Head of the Project Management Office in the Office of the President, The Presidency, and Murray Leibbrandt closed off the day by thanking the stakeholders who had taken the time to be there as well as sponsors who had made the day possible. They also summarised key outcomes and called for an ambitious agenda for action.

Dicks said that the morning's presentations provided the evidence to help stakeholders make informed decisions and emphasised that it was now about "taking the evidence and turning it into policy and implementation". Bringing together stakeholders, such as at this event, helped to ground the conversation in reality, he said. The big challenge was to find answers to the way forward in addressing South African inequalities.

Leibbrandt stressed the importance of improved collaboration and urged those present to log specific interventions so that the ACEIR team and its partners could leverage these appropriately. Six key questions were recorded:

- How is inequality framed in the public discourse and how to make connections be-

tween high-level data and what was happening on the ground to inform action?

- How could actuaries collaborate with researchers to jog top earners out of complacency over inequality?
- How could young people be helped to leverage social capital to find work?
- How could agency be returned to people to organise themselves to respond to inequality?
- How to build more coalitions and partnerships to tackle the gender pay gap?
- Can South Africa be benchmarked against other similar countries to get a better sense of where the leverage points were to bring about a shift?

2. INTRODUCTION

Inequality was a vital issue for South Africa to address. It destroys social cohesion and distorts economic and political power, as can be witnessed in the country's service delivery protests and by victims of xenophobic attacks. Poverty was also a trap, since being poor made it more difficult to change your circumstances. Inequality was a fight for freedom.

This document provides a summary of a stakeholder event that was held to present research findings and obtain input from society following the publication of a major research report on the multidimensional nature of inequality in South Africa.

Titled *Inequality Trends in South Africa – A multidimensional diagnostic of inequality,* the report was published in November 2019 and served as a baseline diagnostic to assist the country to track its performance in ensuring that all people in South Africa shared the same opportunities and have equal access in realising those opportunities.

The report, which can be downloaded via the Stats SA website, was the product of a partnership between Stats SA, SALDRU and the Agence Française de Développement (AFD) and facilitated by ACEIR. The project was funded through the EU's Research Facility on Inequalities. This report, which was based on national surveys over recent years, was the first of several similar inequality trend reports planned for different African countries, starting with Kenya and Ghana, where work has already begun.

Participating stakeholders included National Treasury, the National Labour and Economic Development Institute, the Development Bank of Southern Africa (DBSA), the South African Cities Network (SACN), Oxfam South Africa and other non-governmental organisations and individuals active in this sector.

The event's objectives were to:

- Present an overview of the findings of the report along with an in-depth focus on select sections that best illustrated the key inequality challenges facing South Africa;
- Hold a structured engagement with a wide range of key stakeholders who had the opportunity to present their ideas and proposed actions and strategies for confronting inequality; and
- Do a stocktake of individual and collective ways forward, including discussions on further research gaps that needed to be filled to enable the country to understand and reduce inequality better.

The key points that emerged from the day's presentations and discussions are captured in this report. This includes, most importantly, recommendations to improve future inequality reports and to tackle South Africa's inequality problem across its various facets: household income and expenditure, assets, earnings, employment, education, health, access to basic services, gender and social mobility.

This stakeholder event was the first step towards further engagements planned for 2020 with government and other stakeholders that were committed to finding new ways of tackling inequality and to realising the economic potential of South Africa.

3. EVENT PROGRAMME

The detailed programme is specified below.

Part one

During the first half of the day, the research report's key findings, as well as its uses and applications in policy design, were presented:

- Welcome by the French Ambassador to South Africa, Aurélien Lechevallier.
- Welcome by the EU Ambassador to South Africa, Riina Kionka.
- Welcome and the context of the diagnostic report in the work of Stats SA by Ashwell Jenneker, Deputy Director-General: Marketing, Communication and Publishing, Stats SA.
- Research findings by theme:
  The three institutions involved in the preparation of the diagnostic each summarised selected key findings highlighted in the report.
  - *Expenditure, income and assets*: presented by Werner Ruch, Director: Research and Product Development, Stats SA.
  - *Labour markets, gender and social mobility*: presented by Vimal Ranchhod, Deputy-Director, SALDRU, School of Economics, University of Cape Town.
  - *Access to services, education and health:* presented by Anda David, Research Officer, AFD.

- *The diagnostic as a tool:* Murray Leibbrandt (Director, SALDRU, School of Economics, University of Cape Town and Director of ACEIR).

Part two

In the second half of the day, an in-depth engagement with stakeholders was held with the aim of exploring the general policy framework for inequality and translating the diagnostic's findings into actions, both for better data gathering and reporting, as well as for ideas and actions to address inequality individually and as a collective. Short thematic presentations were given by specialist stakeholders to set the scene for more detailed suggestions, questions and discussions.

- Session 1: Policy framework to address inequality
  - The session was facilitated by Busani Ngcaweni (Deputy Director-General in The Presidency).
  - Presentations were made by Ayabonga Cawe (development economist, columnist, radio presenter, photographer, activist and member of the Presidential Economic Advisory Council) and Mzukisi Qobo (Presidential Economic Advisory Council and Wits Business School, University of the Witwatersrand).
- Session 2: Specific key areas
  - Economic inequality: presented by Sibusiso Gumbi (Director: Socio-economic Policy, National Treasury) and Basani Baloyi (Oxfam SA Fellow on Research and Policy).
  - Labour market inequality: presented by Rudi Dicks (Head of the Project Management Office in the President's office, The Presidency).
  - Gender inequality: presented by Ayanda Mvimbi (Women's Economic Empowerment Programme Specialist, Head of UN Women Flagship Programme on Women's Entrepreneurship in Gender Response Procurement) and Colleen Lowe Morna (Chief Executive Office, Gender Links).
  - Energy access inequality: presented by Adrian Stone (Manager: Climate Change and Integration Platforms, City of Cape Town) and Lungile Mashele (Energy Specialist, Development Bank of Southern Africa).
  - Spatial inequality: presented by Stacey-Leigh Joseph (Executive Manager: Programmes, South African Cities Network).
  - The session was facilitated by Rudi Dicks (Head of the Project Management Office in the President's office, The Presidency).

4. SETTING THE SCENE

The event date was chosen to fall on the 30th anniversary of Nelson Mandela's release from prison. Mandela was of course one of the great champions of the poor and committed to reducing inequality. The selection of the venue, the Solutions Space in Philippi Village, was also deliberate. Set up in 2017 by the Bertha Centre for Entrepreneurship and Innovation, based at the University of Cape Town Graduate School of Business, the Solutions Space seeks, in part, to address the spatial inequalities of South African society, which were a legacy of the apartheid era. It was the first community hub to be established by the university in its 180-year existence. While the university has been active in local communities, with field research sites, mobile health services and education programmes for decades, it had not, until now, established a presence with the long-term purpose of getting students and stakeholders to engage and interact beyond the traditional spaces of the university.

The event host, Murray Leibbrandt, challenged participants to use the day as an opportunity to source ideas to "fight the data" in the report and find ways to use the evidence presented to help make better policy decisions and curb inequality across its different dimensions. **"We need to move from theory to action"**, he said.

He cautioned that the report in and of itself could not cover all aspects of inequality in South Africa and it was not offering solutions. It was a diagnostic tool. The hope was that it could help inform debates on the Sustainable Development Goals (SDGs) – specifically Goal 10 which deals with inequality. **Data was the foundation for informed national dialogue on this critical issue of inequality.** By bringing together stakeholders who were very active in this space, it was hoped that the discussions would generate practical insights that could be applied in tackling inequality.

Three welcome presentations set the scene for the day:

Aurèlien Lechevallier, The French Ambassador to South Africa

Lechevallier emphasised the importance of this work for South Africa, given that it was one of the most unequal countries globally. He highlighted some key survey findings to illustrate the point:

- The richest 10% of people in South Africa accounted for almost 54% of all income in 2015. When other assets such as property, savings and investments were included, other external research has indicated that the richest 10% may own up to 95% of total wealth.
- According to the latest data from 2015, while the average white household had an annual income of a little over R163 000, the average black African household, often larger in size, survived on just over R25 000. It was noted, though, that black African households saw an increase in real terms in their annual income, up from R17 000 in 2006, whereas a decrease in real terms took place in white households from a 2006 figure of R183 000.
- In terms of gender, average earnings for women were about 30% less compared to their male counterparts.

The ambassador felt that the cliché that "a rising tide raises all boats" needed modification. While the average income for black African households showed a clear increase in real terms between 2006 and 2015, the benefits of this rising average have been spread unevenly. Within-group inequality amongst the black African population has worsened since 2006.

Lechevallier emphasised that inequality was not just an issue for South Africa, it was globally a growing economic phenomenon with serious consequences.

Addressing inequality was deeply rooted in South African policy, starting with the Reconstruction & Development Programme from 1994 and continuing through to the current National Development Plan (NDP), which listed inequality reduction as one of its two fundamental objectives alongside poverty eradication. At a global level, the fight against inequality was best articulated in the United Nations SDGs, specifically Goal 10.

Riina Kionka, The EU Ambassador to South Africa

Following her welcome and congratulating the survey team, Riina Kionka posed three questions and made comments on each of these:

1. *What was the best way to approach and study inequality to address it?* She noted that the report demonstrated that hard evidence and cooperation could yield robust and well-presented results, and that the multidimensional nature of these survey results was essential for good policymaking. She also reflected on the

global challenges of inequality and that the level of inequality was often worse between nations than within nations.

2. *What could one learn from one another in taking the EU perspective?*
   She reflected on the fact that the EU also struggled with income inequality and noted that the gap has been widening between rich and poor. This was of particular concern, not only because income was not distributed more fairly, but it also threatened social and political stability. Addressing this, in the spirit of "equality for all and equality in all its sense", was a priority. For this reason, the EU was involved in and co-funded this initiative.

3. *What can be learnt from South Africa and how to apply this research to the current situation?*
   She noted that inequality in South Africa remained stubbornly racialised, genderised and spatialised, and that there were pockets of deprivation that the report could help to identify and help policymakers to target.

In conclusion, Kionka welcomed the opportunity that the report provided to help understand the multiple and complex realities of inequality better; and advised that the EU would remain involved as a partner in working with South Africa to address the issue.

Ashwell Jenneker, Deputy Director-General: Marketing, Communication and Publishing, Stats SA

Jenneker reflected on some of his personal experiences of inequality. He grew up with the stark reality of inequality in South Africa in a coloured area in Jeffreys Bay in the Eastern Cape. About 100 metres away, in the white suburb, everyone had access to flush toilets and electricity. Yet he had neither of these. A challenge for Stats SA was how to best capture these kinds of disparities across South Africa in its data, and then how to best explain and communicate these findings.

Stats SA started its work in this area with the basic poverty line measure, where a specific income per day was taken and people falling below this line were deemed poor. But the reality was of course far more nuanced. For this reason, the South African Multidimensional Poverty Index (SAMPI) was developed; and this was essential to better understand and visualise the dynamics of poverty across a range of measures and geographies, and design interventions.

5. RESEARCH FINDINGS AND DISCUSSIONS

Research staff from the three participating institutions presented high-level summaries of findings from the diagnostic report by theme, namely economic inequality (expenditure, income, assets); labour market and gender inequality; and social inequality (access to services, education, health and the internet). Later in the afternoon, further presentations from stakeholders on these same themes were shared. The discussions that followed each presentation on the way forward were also recorded here.

5.1 Economic inequality

Research findings

Presented by *Werner Ruch, Director: Research and Product Development, Stats SA*

Expenditure and income inequality

The report primarily drew on the Gini coefficient, the most-commonly used inequality measure. It was a measure from 0 to 1, where 0 represents perfect equality (all individuals receive the same income) and 1 indicates perfect inequality (one person receives all the income). The problem is that this measurement was not intuitive. For this reason, the Palma ratio was also included in the report to supplement the Gini coefficient in the hope that this new measure would be adopted in South Africa in its SDG suite of indicators, specifically Goal 10.

Many other countries have started using this more intuitive measure. The Palma ratio was

defined as the ratio of national income/expenditure shares of the top 10% of the population relative to the bottom 40%.

Key findings for the 2005 – 2016 period:

- Looking at **per capita expenditure**, the Gini coefficient has dropped marginally from 0.67 to 0.65 between 2006 and 2009 but has stayed constant since then. A Gini coefficient of about 0.65 places South Africa among the world's most unequal societies. [Figure 1][1]
- Using **income per capita**, the Gini coefficient declined from 0.72 in 2006 to 0.67 in 2015. And, in fact, a target Gini of 0.6 by 2030 based on income was mentioned in the NDP. But with the flatness that has been observed, achieving this target would be a challenge.
- **By gender** it was found that men, within their sub-group, have a higher Gini coefficient than women. In both cases the Gini has declined somewhat over the assessment period. [Figure 2]
- **By province**, the Gini coefficient has decreased for all provinces except for the Limpopo and Eastern Cape (two of the country's poorest provinces) and the Northern Cape where it remained unchanged. [Figure 3]
- **Real annual median expenditure per population group** indicates a big and problematic disparity. White individuals increased expenditure from about R77 000 to R100 000, Indians/Asians increased from about R23 000 to R38 000, coloureds from about R10 000 to R17 000 and black Africans from about R6 000 to R9 000. For black Africans this meant a significant increase of about 50%, whereas the increase for whites was only about 25%. The key challenge was that the gains for black Africans were off a very low base, so even with high rates of change, there was a long way to go. [Figure 4]
- Exploring the different **sources of income inequality**, labour market income was the biggest driver and this explained about 75% of economic inequality with other income (including income from capital – stocks, bonds, dividends, etc.). Remittances, social grants and in-kind income had a much smaller impact. [Figure 5]
- Data for **per capita income from labour markets** across the ten deciles revealed that for the lower two deciles (the bottom 20%), the share of income from labour markets has declined between 2006 and 2015, thus placing increased pressure on this source of income (in relation to other sources) – and this was probably because tough labour market conditions and high unemployment rates have resulted in higher skilled workers pushing out lower skilled workers. [Figure 6]

1 Information in brackets refers to the source data or graph from the speaker's presentation or the diagnostic report, *Inequality Trends in South Africa – A multidimensional diagnostic of inequality*. Click on each [Figure] mention to jump to the data at the end of this report, from where you can return by clicking on the [Return to discussion] below each figure.

- Exploring the **proportional impact of social grants**, it was important to note that the mechanism worked well. This was the case particularly for the bottom 40% or 50% of income earners, where social grants have contributed a much greater proportional source of income than for the higher deciles. [Figure 7]

Key Palma ratio notes and findings:

- While in 2006, the top 10% spent about 8.6 times more than the bottom 40%, in 2015 this has declined to 7.9 in the Palma ratio. Although still very high, this indicated **that financial resources have shifted from the top earners towards the middle and the bottom 40%**. Nonetheless, among national Palma ratios publicly available, South Africa has one of the highest globally, which could be expected given the country's high Gini coefficient. [Figure 8]
- Looking at the Palma ratio **for different population groups**, it was apparent that the ratio within the black African group got worse – the expenditure for the top 10% being 4.8 that of the bottom 40%. For coloureds it has stayed the same at 4.6, for Indian/Asians it has seen a healthy decrease to a ratio of 2.4, and for whites it decreased somewhat to about 1.9. This indicated that there was a lot more equity within these latter two groups. But their relative high earnings drove the inequality in the first two groups when the Palma ratio was assessed for all South Africans. [Figure 9]
- For **urban dwellers**, the Palma ratio improved to about 7 over the period, while for **rural dwellers** it worsened to about 4, meaning that just 10% were spending about four times as much as the bottom 40%. [Figure 10]

Other key findings for the 2005 – 2016 period:

- Assessing **household expenditure** was invaluable for observing how inequality changed over time. Household expenditure contributed about 60% to the measure of GDP and for this reason the health of household economies had a strong bearing on the country's overall economy. What is apparent was that white household contribution has declined significantly from about 45% to 36% of all household expenditure, whereas the black African contribution has improved from about 42% to about 49%. This means that 50c out of ever rand spent was spent by a black household. [Figure 11]
- However, if the relative population group sizes are compared, it can be seen that **household expenditure by group** was still very distorted. While whites only made up about 8% of the country's population, they accounted for about 36% of household expenditure in 2015, and whereas black Africans made up about 80% of the population in 2015, they only accounted for about 49% of household expenditure. [Figure 12]

- Another distortion was apparent when looking at the difference in **gender-related household expenditures**. While about 58% of households were headed by men (versus 42% for women), male households accounted for a massive 74% of household expenditure (versus just 24% for women) – which quite likely reflected South Africa's patriarchal society. [Figure 13]

Asset inequality

Assets were an important economic indicator for assessing inequality in addition to the other money-based indicators illustrated above. In fact, economic literature indicated that assets could be a more reliable indicator of economic well-being over the longer term.

Eighteen assets were selected, three of which were publicly provided assets (piped water, electricity connection and toilet facilities) and 15 of which were regarded as private assets.

Key findings for the 2009 – 2015 period:

- There was a **significant increase in most assets**. The only three assets that declined were DVD players, radios and cameras. [Figure 14]
- The data indicated that **overall household ownership of assets** has increased during the research period. [Figure 15] White households had almost universal asset ownership (about 15 out of 18) and there was little change over the 2009 to 2015 period. However, black Africans households in 2009 on average owned about 7.5 assets out of 15, whereas for 2015 this had increased to 9.0. While this represented a solid gain, it was off a low base and there continued to be a significant gap that needed to be closed. [Figure 16]
- When measuring **asset inequality**, so correlating asset ownership to the Gini coefficient, by population group, it was noted that within the black African group asset inequality had increased from 0.54 to 0.56, whereas all the other groups experienced declines. [Figure 17]
- Taking a **gender-based** view, bigger gains were made by female than male-headed households in **average assets scores**, but even over the assessment period, male-headed households in 2009 still had more assets on average than female-headed households in 2015. [Figure 18]
- Slicing the data **by province**, some big gains were apparent for the Eastern Cape, KwaZulu-Natal and Limpopo, the poorest provinces South Africa. [Figure 19]
- In the **rural versus urban context**, rural household asset ownership increased significantly from 6.1 to 7.8 on average, whereas urban average asset ownership only increased from 10.3 to 10.9. [Figure 20]

In conclusion to expenditure, income and asset inequality, while the overall story remains negative, there was good news at lower levels of assessment. The questions were how this transition could be accelerated; how to build better on the gains that have been made; and how to overcome the problem of some population groups starting off a very low base.

Question and answer session – Economic inequality

The following questions were raised, with corresponding answers included:

- **Why is homeownership not included as an asset class?**
  - Homeownership and landownership were important asset classes, particularly because they could be rented out or borrowed against. The intention was to include some of this data, but the quality was not sufficiently robust. A recommendation has been made to improve future data gathering in this area.

- **What about the black middle class that drove much of consumption and underpinned the growth in these assets? And many black Africans were state employed – what was the risk of government's intended salary freezes and downsizing of the public service?**
  - One of the trends explored in the survey was to assess in what percentile the real wage growth was taking place. For the period 2015 to 2017, there was no real wage growth across race groups, except for individuals in the top 1 or 2%, where there is significant growth. So, the wage freezes might not have much of an impact on consumption, as this was not where most of the growth was coming from.

- **Why was the level of household indebtedness not measured, as debt was often used to acquire assets? And what about assessing the value that different assets created or had the potential of creating?**
  - Indebtedness was an enormous issue that should ideally be taken into account. For example, during the 2008 – 2011 economic crisis, a large increase in secured and unsecured lending took place as households struggled to get by – and those ramifications were probably still playing out. The inequality survey did include information about household debt and savings. However, households sometimes did not report all income and debt, or provided inaccurate information. The reasons may be that households feared that the survey data will be shared with the South African Revenue Services (SARS), or the income from capital information was not readily available or top of mind, or there were household dynamics at play where one member has not told another about a debt facility. For example, household income data correlated closely (about 85%) to income from work or labour, but there was only about a 10% correlation when debt survey data was compared to debt data from other sources. So, the debt data was not referred to extensively and it was recommended to use the debt data offered by other institutions.

- **What was the GDP per capita or other targets that South Africa was aiming for to reduce economic inequality?**
  - In terms of GDP, the country's economy and labour market needed to grow – that was the best way of strengthening inclusive growth that resulted in greater equality. The task of Stats SA was not to propose targets, but to provide government and other South African stakeholders with reliable, useful and easy-to-understand data so that informed decisions could be made. It is the responsibility of a broader set of stakeholders to encourage government policy and other decision makers to set appropriate targets relevant to South Africa. The NDP has indicated a target Gini coefficient of 0.6 by 2030, but the limitations of using only the Gini coefficient were highlighted and, as a minimum, the Palma ratio should also be used.

- **What about a situation where a family might earn all income living in a shack in the Western Cape, but much of their expenditure takes place in the Eastern Cape where they have a larger property – how was that scenario taken into consideration?**
  - Double counting was prevented by the way in which the data was gathered. For a particular sample household (e.g. in the Eastern Cape) the expenditures and sources of income, including remittances, were captured. For a household in the Western Cape that may be supporting a household in the Eastern Cape, that remittance was captured as expenditure.

- **The diagnostic report's level of data disaggregation (particularly by geography, gender and population groups) and that Stats SA is taking into consideration the SDG perspectives, particularly SDG Goal 10, was appreciated. But how to report on progress for people living with disabilities, who are central to the "leave no one behind" principle of Agenda 2030? Would future surveys report on people with disabilities?**
  - Greater disaggregation of data was the number one issue raised by stakeholders to better understand inequality nuances, but data gathering was an expensive activity. Stakeholders needed to lobby Treasury for a greater data-gathering budget.
  - The challenge with disabilities was that the numbers were fairly low relative to the overall population, which meant that sample sizes needed to be much larger to achieve data robustness, but this made it more costly. What was being explored was setting up a continuous survey that would allow more regular data gathering at lower levels of disaggregation geographically. And Census 2021 was being field-tested, which will offer another rich source of data to analyse.

- The South African Multidimensional Poverty Index, which will be part of Census 2021, will allow deeper insights into disability as a form of poverty.

- **Was a female-headed household not usually a single-parent household and a male-headed household a two-parent household?**
  - While this, on average, was often the case, it would not always be the case. Survey respondents had the choice to indicate the gender heading their household, which meant there would be a certain percentage of female-headed households that included two parents.

5.2 Labour market inequality

Research findings

Presented by *Vimal Ranchhod, Deputy-Director, SALDRU, School of Economics, University of Cape Town*

Labour market income – defined as earnings from wages, but excluding income from remittances, capital, grants and other sources – was by far the largest contributor to overall inequality in South Africa. South African unemployment levels were extremely high and have worsened: typically, between 25% and 30% (using the narrow decision). This rate was about twice as high for youth.

The following key findings were highlighted:

- **Labour market trends** over the period 2011 – 2017 highlight that:
  - The **employment rate** (the percentage employed) was fairly stable; between about 42% and 44%.
  - The **not economically active** (NEA) proportion had declined. These were students, retirees, caregivers, etc. that were not looking for employment.
  - The labour force participation rate (LFP), which was the proportion not NEA, has thus increased correspondingly. With a relatively stable absorption rate, and increasing LFP, the unemployment rate has thus increased considerably from an already high level of 24.8% to 27.5%. Jobseekers were entering the market faster than new jobs were created.
  - This pointed to the fact that current **economic growth** was not adequate for absorbing the increasing number of work seekers. And the economic growth that has been experienced was accruing to the top income earners. [Figure 21]

- The **Gini coefficient for real monthly earnings** in South Africa in 2015 was about 0.68, which was very high. As a comparison, the US has a Gini of about 0.5, which was considered the most unequal among the Organisation for Economic Co-operation and Development (OECD) countries. The **Palma ratio** in terms of earnings is currently at about 10, which was also very high and which meant the top 10% of income earners earned almost 11 times as much as the bottom 40%. And to make matters worse, both the Gini coefficient and Palma ratio indicated an upward trend over the 2011 – 2015 period. [Figure 22]
- Black Africans had the highest **unemployment rates**, followed by coloureds, then at a much lower rate for Indian/Asians and then whites – about 4 or 5 times lower than for black Africans. And labour wages were the major driver of expenditure, income and asset inequality presented earlier. [Figure 23]
- Looking at the weight of the **distribution of income** for those that were employed, the left side of the graph indicates lower and the right higher wages. This distribution mirrored earlier data that indicated there was a much lower mass in the black distribution versus a much higher mass in the white distribution. [Figure 24]
- Assessing **income distribution by gender** – a horizontal assessment – it was evident that males earned more on aggregate, as they were more likely to be employed and, when they were employed, they earned more. [Figure 25]
- Assessing how **differences in real earnings** contributed to overall inequality over a five-year period, it was evident that for the 10th, 50th and 90th percentiles there had been almost no real growth in earnings, whereas for the 98th and 99th percentiles there had been rapid growth. This indicated that inequality was exacerbated by the growth in earnings of a small fraction of people. [Figure 26]

- **Labour market dynamics and informality**
  - **Job stability was considered to be an important welfare factor** and for this reason "employment churning" was measured over time (in two-year increments over the 2008 – 2017 period) to assess at what rate people found or lost employment. Horizontal columns indicate where someone was at the time of the survey and vertical columns indicate where someone would be two years later.
  - Looking at the **searching group** (the row), it can be seen that 27.1% were still searching two years later, 31.2% had found regular employment, 6.8% had become self-employed (a proxy for informal sector employment) and 35% had become NEA and dropped out of the labour market. [Figure 27]
  - Similarly, of **those who are employed**, 75.6% were still employed two years later, while almost 20% (one out of five) had lost their employment, which indicated a high level of churn. [Figure 27]

In conclusion to labour market inequality, employment in the informal and agricultural sector was relatively low when compared to other countries. South Africa's agricultural sector was highly mechanised and the informal market, for unknown reasons, was very small. Groups that were disadvantaged in the labour market were black Africans relative to whites, females relative to males, and rural dwellers relative to urban dwellers. And finally, groups who were more likely to find employment (higher education and higher earners) earned higher wages and were less likely to lose that employment, thus exacerbating inequality.

Question and answer session – Labour market inequality

- Was there data on the top 98 and 99 percentile earners to explore the type of work they did; why they had a lower churn and greater increase in earnings (was it because of skills scarcity); and what could be done about it (for example, capping salaries in certain sectors)?
  - This sector was not assessed specifically as it wasn't the focus of this survey. What is known from research by other organisations was that a significant reason for the disparity was due to skills. In South Africa, the returns on higher education were exceptionally high, and were getting higher. Capping salaries was a difficult and delicate topic that needed to be discussed sensitively.

- Has the informal sector been studied in more detail to explore how it could be expanded to absorb more unemployed people?
  - South African economists have for some time been studying why the informal sector was so small, but nobody had provided a good answer so far. What has been done with more success was to profile people in this sector: who they were, what they did, what their education, etc. And what was found was that the informal sector was not just small, but profit levels were also very low, which meant most participants were engaging in this sector at a subsistence level. And, while it had a significant impact on poverty rates as a livelihood strategy, it was unlikely to have a big impact on inequality.

- Why was the situation of the youth not been addressed in more detail? The NDP talked about 60% of youth in 2012 having never worked.
  - While there will be striking differences by age group, such disaggregation was not done in this survey. There were some life-cycle assessments (people across different ages), but it was complicated because age, unlike gender, did not stay constant. The youth question was recognised as an important aspect and ongoing research on the youth sector was being undertaken by other institutions.

- South Africa has massive spatial inequalities, so why was the significance of rural to urban migration not considered, because this movement was quite successful

for many individuals? And should urbanisation be taken more seriously to assist people better in this regard, for example through better accommodation and infrastructure?

- Migration was an important factor for finding jobs and for survival. If a job was lost, a person could move back to their rural place of origin where it was less expensive to live. It should be studied in more detail.

5.3 Social inequality

Research findings

Presented by *Anda David, Research Officer, AFD*

Obtaining a nuanced understanding of inequality required one to look beyond income, expenditure and labour market access to a number of other basic service indicators. The ones for which sufficiently reliable data was available, and which were covered in the survey report, included access to services, education, health and the internet.

It was important to note that, while economic inequality has not changed much, the indicators covered in this section were illustrating greater improvements.

For the period 2002 to 2017, unless noted otherwise, the following findings were highlighted:

Education

- **Education indicators:** over the 2002 to 2017 period, all the education indicators that were measured had improved, including school attendance, learners benefitting from no-fees policies, book availability and class sizes. [Figure 28]
- **School nutrition programme:** more than 90% of learners in all provinces, except the Western Cape and Gauteng, have benefitted from the government's nutrition programme. [Figure 29]
- **No-fee policy:** learners from Limpopo, the Eastern Cape and the Free State, among the poorest of the country's provinces, were the major beneficiaries of the no-fee policy. [Figure 30]

Health

- **Access to medical aid:** following an initial increase, the past few data points have indicated a levelling off and then a decline in overall access to medical aid. [Figure 31]

- **Access to medical aid by population group:** black Africans were amongst the most vulnerable and had the lowest access to medical aid coverage. Coloureds were the second lowest. Inequality showed up vividly in this area, with a growing gap between access to medical aid for whites and Indians/Asians at the top and coloureds and black Africans at the bottom. Only about 10% of black Africans had access to medical aid, when compared to 72% for whites and 49% for Indians/Asians. [Figure 32]

- **Use of health facilities:** this has revealed South Africa's dual healthcare system where, in 2017, more than 80% of black Africans used public health facilities, whereas more than 85% of whites used private facilities. And between 2009 and 2017, the situation did not change significantly for any population group. [Figure 33]

Basic services

- **Access to basic services overall:** this has seen an improvement in most areas (electricity, sanitation, refuse removal) except for water, where after initial increases, there has been a recent decline. [Figure 34]

- **Access to electricity:** high levels of access to electricity were reached, with rural electricity access recently exceeding that in urban areas. [Figure 35]

- **Access to electricity by province:** KwaZulu-Natal and the Eastern Cape showed the lowest level of access to electricity in 2011, with significant disparities apparent by district. [Figure 36]

- **Access to electricity by municipality:** at this level specific municipalities could be identified that have the lowest access to electricity (in 2011) within specific districts. It was apparent that different municipalities within a district could have divergent levels of access to electricity. [Figure 37]

- **Access to electricity by population group:** compared to other groups, black Africans had much lower levels of access, but also showed the largest increase between 2002 and 2016. [Figure 38]

- **Access to water – rural versus urban:** a large difference remained in the access to water (by tap on site or within a dwelling) between rural and urban dwellers, with urban households showing about 90% of access when compared to just 40% for rural households. [Figure 39]

- **Access to water by population group:** black African-headed households reported the lowest proportion of households with access to improved sanitation. [Figure 40]

Internet access

This indicator was included because it offered such an important means to access to other social domains, such as education and the labour market.

- **Access to internet by population group:** between 2009 and 2017, access has increased for all groups, but mostly so for black Africans households (off a very low base) who have now reached about 58% access. [Figure 41]

Question and answer session – Social inequality

- **To what extent was electricity access affordable, particularly assessing electricity expenditure as a percentage of income?**
  - The survey team did think about including assessments on affordability, as well as on quality of access and what the electricity was used for. Unfortunately, the annual general household surveys only recently included questions on electricity access and affordability. So only limited data was available, and this was complicated further because many households also received some free electricity. That said, future surveys might address these indicators.

- **How was access to electricity determined, given the surprising findings that rural was now ahead of urban access? How were households connected, was it an illegal or informal sector connection? And what about multiple uses of fuels in the determination of broader energy inequality?**
  - Not answered

- **Why was access to transport not covered as an indicator? And what role did transport (and access to other infrastructures) play across different population groups to enhance income and as a measure for broader economic participation in the labour market and beyond?**
  - Transport was undoubtedly an important inequality indicator because it has the potential to impact several other indicators, such as education, job access and access to health services. Extensive discussions were held within the project team on what transport indicators would be relevant for inequality and it was hoped that some of these would be included in future surveys.
  - Stats SA, in partnership with the Department of Transport, was about to conduct the 2020 National Household Travel Survey, which was last done in 2013. The results of this survey, which will offer interesting insights into the question of transport, will probably be available towards the end of 2020.

- **In the education assessments, why was no data included on spend per pupil and disaggregated by province, race and school? What probably would be seen is that the per pupil spend in provinces like the Western Cape and Gauteng would be higher and that their educational performance would similarly also be higher.**
  - There was, regretfully, no single data set that could provide all the answers, and

more work had to be done on integrating different data sources. In this case, to include spend per learner and its different disaggregation would have required the integration of administrative data sourced from the Department of Basic Education. Stats SA, on the other hand, only worked with household information and what they were benefiting from. This integration of various administrative data sets into a larger data ecosystem was a large and complex project that was being tackled by a department within Stats SA.

- **Given the fact that South Africa was increasingly moving towards a service economy, why was there not more effort to assess the value contribution of different assets, because some were disproportionately important assets – such as access to computers and the internet – in helping people, particularly younger people, access the labour market and education? And how could this inform decisions that needed to be made in relation to education and skills policies?**

  - Not answered.

- **Thinking of the high youth unemployment, which industries could be looked at as the best hope for young people to secure formal employment?**

  - Stats SA was not in a position to identify sunrise versus sunset industries. What was known and which was highlighted earlier was that the South African economy rewarded high skills. So, skills – particularly base skills such as mathematics, science (and good language abilities) – were critical for job-seeking success, particularly as the global economy transitioned into the Fourth Industrial Revolution. It was felt that the emphasis should rather be to strengthen the education base and produce people with the right skills.

- **In terms of the access to public versus private health facilities, how could this be related to employment data, given that some jobs will have more fringe benefits and thus access to medical aid, whereas others don't; and how does this vary by population group or gender?**

  - This linking of type of employment with the type of healthcare access has probably been done or will be assessed as part of the South African government's Universal Health Coverage initiative. There was no reason that this shouldn't be possible, but it required the integration of different data sources, which came back to the Stats SA initiative mentioned earlier to develop larger data ecosystems.

6. STAKEHOLDER PERSPECTIVES AND DISCUSSIONS

6.1 Policy framework

The intent of this session, which included two panellists, was to take participants beyond the evidence to explore how to improve the data and to address inequality through policy. The session was chaired by *Busani Ngcaweni, Deputy Director-General in The Presidency.*

Suggestions for more effective inequality reducing policies

Ayabonga Cawe (development economist, columnist, radio presenter, photographer and activist and a member of the Presidential Economic Advisory Council)

Cawe said that, to understand South Africa's inequality situation required an understanding of how historic advantages – factors such as cheap electricity, cheap labour and social reproduction functions undertaken by many communities – have shaped the country's economic structure. And these must be considered in future inequality reducing policy initiatives.

He made the following observations:

- To effectively address inequality from different angles required a series of self-reinforcing policy mechanisms. Such initiatives have included the National Minimum Wage process, the Employment Equity Act and Section 27 initiatives, and the Job Summit Framework Agreement.

- Policy interventions should also look at **lowering the cost drivers of poorer households**, so that their precious income went further.
- **Conditional wage gaps** in the labour market, such as also experienced across genders, needed to be an area of focus.
- The country needed to explore how **unfair market structures** within certain industries are **affecting key cost drivers** for poorer households. The Competition Commission, for example, has done extensive work looking at areas such as transport, health care, cost of connectivity and other services, and how these could entrench inequality. More such work needed to be done.

Public institution capability to overcome inequality was limited

Mzukisi Qobo (Professor of International Business at the University of the Witwatersrand and a member of the Presidential Economic Advisory Council)

Qobo said that public service institutions were key to driving social change, but South Africa's public sector was weak and only had limited capabilities to address inequality. To address inequality effectively also meant that state capacity problems must be addressed. He highlighted the following:

- While South Africa had pockets of public service excellence, such as among others in the South African Revenue Services, **the country's public sector has doubled in size but was less efficient and exposed for corruption** – these were largely as a result of the 2008/2009 financial crisis and the then change of administration.
- **Skill sets within the public sector** were low and they were also not organised to respond to the socio-economic challenges presented by society. This meant that the array of tools and capabilities to address inequality and other challenges were weak.
- Addressing inequality required **a coordinated approach at local, provincial and central level**. Yet many departments and levels were at cross-purposes, where ministers made pronouncements that were not coherent.
- The Auditor-General's Annual Reports have supported these observations – they indicated marginal improvements in some areas, but in most areas the news was not positive. **Lack of skills and capabilities, and fruitless expenditure and corruption** were a reality.
- Central government has started considering **new district-based governance models** but, again, implementing these was a challenge if the necessary local capabilities were not in place. **Restructuring and cutting head counts** were also under discussion.
- What this meant was that inequality could not be addressed without addressing the

capacity deficits in the public service. The country was in crisis and things could not change using a business-as-usual approach.

6.2 Economic inequality

A perspective from Treasury

Sibusiso Gumbi (Director: Socio-economic Policy, National Treasury)

Gumbi started by complimenting the writers of the diagnostic report on the multi-dimensional nature of their work on inequality and that the report also addressed the role the country's history had in shaping the marked inequalities relating to income, assets and opportunities. He highlighted that a number of facts from the diagnostic report and elsewhere underscored the urgent need to do far more to right the country's inequality wrongs. He raised the following key points:

- Economic inequality was clearly delineated along gender, race and urban–rural lines. And it was worrying that inequality within the black African group was rising rapidly.
- Given that labour market income was by far the dominant contributor to income inequality (about 75%), much more needs to be done to craft more effective labour market demand strategies that also addressed the structural challenges of the labour market.
- And given the importance of labour market income, it was particularly worrying to see, in new labour market statistics, that the unemployment rate was 29.1% (or about 40% in the new expanded definition) in the last fourth quarter of 2019. And for people under 35 years of age, the unemployment numbers were twice as high as for those over 35, which indicated that the market seemed to be placing a premium on older people.
- Also, in the 2019 fourth quarter, 145 000 more people were added to the labour force, of which only about 45 000 found employment. And, confusingly, South Africa reported a record number of 16.4 million people currently employed, while also recording a record number of unemployed people – this seems to be conflicting information.
- It seems that youth unemployment was high irrespective of education level. And for graduates of 24 years or younger, unemployment was at about 25% (under the strict definition), while this number halved for graduates between 24 and 35, and then dropped to 4% for people over 35 years of age.
- One in three young people were not in employment, education, or training.

- Social grants and remittances have helped reduce income inequality, but more needed to be done to close the asset inequality gap, given the large benefit that higher income earners derived from earnings from capital.
- There was strong inter-generational income immobility: if a child's parents were poor, there was a 95% chance that the child would also be poor in adulthood. Children whose father was a top 5% earner, had a 70% chance of also becoming a top earner themselves. But if a child's mother was a top 5% earner, the child only has a 55% chance of achieving the same – this reflects gender bias.
- The comprehensive data presented in the diagnostic report must inform better targeting of fiscal policy. Fortunately, some of South Africa's progressive fiscal policies have resulted in lowering the Gini coefficient to below 0.7, but this needed to drop much further. Regretfully unemployment and weak economic growth have frustrated efforts to lower the Gini coefficient.
- Given that there was clear gender bias across many indicators, more effort needed to go into taking gender into account in fiscal decisions and budgets. Women, across the board, have had unemployment rates in excess of 35% (using the narrow definition).

The speaker also confirmed that the Palma ratio was a far more intuitive metric, which required no explanation. It was easy to visualise that South Africa's top 10% (5 million people), have nine times the spending power of the country's bottom 40% (23 million people).

He mentioned that Treasury has received an anonymised dataset from SARS which has integrated data from value-added tax, personal income tax and corporate investment tax returns. This data was made available through the Southern Africa – Towards Inclusive Economic Development (SA-TIED) programme to Treasury and should prove useful to plug the gap relating to the underreporting of income data. Researchers and policymakers were encouraged to get in touch with the SA-TIED programme to get access to this data.

Gumbi concluded by saying that South Africa had a wealth of top-notch data at its disposal and it was everyone's duty to use this information to improve the lives of those that needed it most.

Oxfam's approach to fighting inequality

Basani Baloyi (Oxfam SA Fellow on Research and Policy)

Basani Baloyi said that it was Oxfam's opinion that working-class solidarity was central to a free, fair and equal society but that this had been systematically undermined in South Africa. As a result, permanent workers were pitted against outsourced and casualised workers, unionised against non-unionised workers, migrant against citizen, employed youth against unemployed youth, men against women. This was further exacerbated by the implosion of

the radical trade union movement, which was achieved through demobilisation and co-option by the ruling elite.

To fight inequality, Oxfam has developed four strategic goals, two of which she mentioned:

- Oxfam's first goal was to contribute to **changing the terms of the debate by changing how inequality was framed**. In South Africa inequality was often referred to as a consequence of labour market rigidities or inflexibilities to hire and fire workers, and this has led to the mainstream view that the labour market should be deregulated. Further, inequality was perpetuated by a highly capital-intensive industrial structure, de-industrialisation, high concentration of the economy, financialisation of the economy, macro-economic policy frameworks that supported the rich, so that growth was based on speculation rather than long-term investment.
  - In support of this goal Oxfam was planning the following:

    A **report on inequality that will be exploring the role of women** in the context of work and how economic structures reinforce labour market and gender inequalities, across race, class and gender. The Stats SA report was found to be extremely important in the production of this report; however, limitations included a lack of intersectional analysis to allow the disaggregation of class, race and gender data, without which it was difficult to understand the particularities of what women at the margins of society faced (a key focus area for Oxfam).

- Oxfam's second goal was to **support collective action, movement building and effective alliances within civil society** (including academia) through political education and campaigns that were aimed at fighting inequality and influencing and shaping policy towards progressive outcomes.
  - Oxfam's activities that were supporting this goal included:

    The development of the above report, and a resulting campaign design workshop, were used as a movement-building exercise involving a wide range of stakeholders. One of these is a **pay-gap campaign** aimed at reducing workplace wage inequality – provided for in section 27 of the Employment Equity Act (EEA). Of particular concern was that wages among the 98th and 99th percentile have increased. It would be useful if Stats SA were able to provide more information on pay ratios at company level.

    Another initiative was a part of the International Labour Organisation's **Recommendation 204**, which encouraged a **transition of informal workers and sectors to the formal economy**. The diagnostic report has revealed the high levels of churn and how difficult it was to hold on to formal sector employment. They proposed that the informal sector could become a better shock absorber for losses in formal employment in South Africa. Academics have identified a number of internal dynamics for why the informal sector has not been bigger and

more robust. These included space to trade and space to trade in lucrative locations, permit fees, police oppression, lack of storage and ablution facilities, lack of market size, lack of safety (particularly for women). External dynamics included a highly concentrated formal economy "crowding out" informal activity (e.g. expansion of supermarkets was done with little consideration for informal traders), and the fact that many large firms were behind cash investments that drove the development of shopping malls, again at the detriment of informal traders.

Recommendation 204 was a policy that would hopefully be legislated to ensure informal workers' rights were protected and that they had freedom of association and were included in decision-making over developments. They needed to be recognised as normal workers that have a voice and bargaining power, legal identity, economic rights and other social protections.

Presidential Youth Employment Intervention

Rudi Dicks (Head of the Project Management Office in the President's office, The Presidency)

The President has launched a youth employment intervention with the goal of getting three million young people into economic opportunities within five years.

This initiative was built on five pillars:

- First was the establishment of a National Pathway Management Network that has brought together several different existing initiatives, such as the Employment Services System of South Africa (ESSA) and Harambee, among others. Instead of being confronted by multiple organisations to interact with, this network would allow young people, irrespective of where they are or move to, to use a single online platform where they can register and log their profile, and which would offer a range of online support services. A number of prototype National Pathway Management sites were being launched for testing purposes across the country in various labour centres.
- Second was to help unemployed people to get into the market through what was called agile skills development, which is non-accredited training. These were skills that could be acquired in a matter of months (if the basic aptitude was there) to give access to some fast-growing sectors. These, among others, included the global business services (call centre) sector, tourism, and the installation, maintenance and repair sector and some areas within agriculture. The call centre sector, as an example, has seen a phenomenal 27% compound growth rate and it was hoped that 100 000 – 500 000 jobs could be created within five years.
- Third was a focus on what was referred to as township and rural economies. There were a number of initiatives that were being developed, but which were not expanded on here.

- The fourth pillar was to strengthen the experiential component in what was referred to as workplace-integrated learning. There were two aspects to this: the one is the Youth Employment Service (YES) programme which, two years in, has not been very successful; the other component is the N6 programme. This is meant to help bridge the gap that students experienced between finishing their theoretical diploma component and then completing their experiential component, which many do not succeed in doing. And surprisingly this data was not available, which needed to change.
- The fifth pillar was the development of a true National Youth Service programme. For youth not finding formal employment, this was a youth-in-service opportunity to earn a basic income "while contributing to nation building".

6.3 Gender inequality

Gender Links

Colleen Lowe Morna (Chief Executive Office, Gender Links)

Colleen Lowe Morna evoked the spirit of Mandela in her presentation, reminding participants of what he said at the opening of the first post-apartheid opening of parliament: "None of us can claim to be free unless women in this country are not free."

She pointed out that the diagnostic report has offered little in terms of gender. Gender issues were mentioned in many places in the report, but this was often patchy. Gender needed to be established as a basic, crosscutting demographic factor and the intersection between genders, age, disability and other indicators needed to be enhanced.

A positive finding from the report was that the gender gap has narrowed in terms of access to services, such as internet, electricity, sanitation and water – possibly as a result of the good work that was being done by various organisations on gender and local government.

The most alarming finding was the large income differential between women and men. Overall women earn about 30% less than men, and in the lowest income category this gap has increased to about 55%. That means these women are earning about R2 000 a month, with men earning about R4 000. And this gap persists even when men and women have the same tertiary education and performance abilities.

To right these wrongs, two key areas needed to be focused on:

- The first was the gender division of labour within the wider work force (the horizontal perspective).
- Women predominated in certain areas, which were lower paid and undervalued, not because they contributed less to society but because society didn't value them in the same way.

- The second was the **income gap within places of employment** (the vertical perspective).
- There still existed a **tangible glass ceiling for women**. Women were just not reaching the top levels, and this was not for a lack of women employed in the public and private sectors. There were policy reasons for this and they related to approaches to work, flexibility within the work place, how information technology could be used to balance the dual roles that women played in societies, gender violence and sexual harassment, and many other barriers that women were facing in the work environment.

Looking at issue of male versus female-headed households, the statistics were also stark: female-headed households had a much lower earnings potential. And while social security grants played a role in cushioning some of these disparities, South Africa needed to move beyond social security as a crutch.

How women could be **more meaningfully engaged, particularly in the more entrepreneurial side of the economy**, needed to be explored. Additionally, the **value of unpaid care work** done by women was often not recognised. It needed to be captured and reported, because without it, society could not function. This work often should be done by the state; but, for example, the home-based care that occurred with the advent of HIV/Aids was largely carried out by women because the state abdicated its responsibilities in this regard.

The speaker challenged stakeholders to move beyond a binary approach to gender and start looking at identity forms other than male and female. She also encouraged the team that puts together future diagnostic reports to keep SDG 5 – Gender Equality – top of mind along with the many crosscutting gender-related indicators.

United Nations Women Flagship Programme

Ayanda Mvimbi (Women's Economic Empowerment Programme Specialist, Head of UN Women Flagship Programme on Women's Entrepreneurship in Gender Response Procurement)

Ayanda Mvimbi highlighted the role of the SDGs in addressing the root causes of poverty and the universal need for development that works for all people. UN Women was responsible for SDG 5 – Gender Equality. Gender equality and women's empowerment were indispensable to achieving the SDGs – thus setting a deadline to end gender inequality by 2030.

The SDGs were critical because, in an era of unprecedented global wealth, millions of women were still trapped in low-paid, poor-quality jobs, and denied even basic levels of health care, water and sanitation. Women still carried the burden of unpaid care work and, in some instances, low economic growth and government cutbacks have intensified economic inequality. Mvimbi emphasised that:

- SDG 5 couldn't be realised without addressing **gender gaps in wealth and income**.
- This included fostering women's **labour force participation** and access to decent jobs, as well as enabling women's **entrepreneurship** – the latter will also support **SDG 8** (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all).
- Target 8.3 of SDG 8 calls for the promotion of *"development-oriented policies that support productive activities, **decent job creation**, **entrepreneurship**, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through **access to financial services**"*.

Around the world, too many women were locked out of economies: from holding better-paid jobs to even opening a bank account. The UN Secretary-General High-Level Panel Report on Women's Economic Empowerment has looked at the best ways to unlock the power of women to work and achieve their financial independence. It made action-oriented recommendations on how to improve economic outcomes for women in the context of the SDGs, promote women's leadership in driving economic growth, and galvanise political willpower, and has identified seven drivers of change.

The High-Level Panel Report also interrogated **what an economy that truly worked for women would look like.** If the economy worked for women:

- they would have **equal access to opportunities and resources** – a good job with equal pay, or access to land – and social protection which, collectively, would enable women to be economically independent, and provide enough income to support a decent standard of living for their children from birth to older age.
- their life choices would be unconstrained by **gender stereotypes, stigma and violence**; women could carry out their work without fear of sexual harassment or violence; and the paid and unpaid work that they do would be respected and valued for.
- they would have an **equal say in economic decision-making**: from having a voice in how time and money were spent in their households; to the ways in which resources were raised and allocated in their national economies; to the broader economic policies set by global institutions.

This is UN Women's vision: for women to have **equal resources, equal respect and equal voice**. This vision requires **identifying the economic opportunities** that can be unlocked for women.

The diagnostic report highlighted issues of economic marginalisation. Several key points were raised by Mvimbi in terms of gender inequality as they related to economics:

- Firstly, **women's contribution to the economy through unpaid care work** in their households and communities. While many women are at the frontline of the care economy they do not receive any financial remuneration. There had been a call for more research on women's care contributions through a time use survey.
- Secondly, UN Women was promoting **gender-responsive procurement** because the agency believed such an approach has a transformational impact on domestic and international markets and will contribute to women's **economic empowerment** . Based on the size of the public procurement pie and the lack and limited participation of women-owned enterprises in both public and private sector procurement, the question arose as to why this trend (of women's underrepresentation) existed globally, and what initiatives should be implemented to even the playing field?
- It was a fact that society could do more to get **better economic models** to address these gender issues, even if economic models were not always perfect tools.
- One needed to look at **enabling policy** regarding the discriminatory gender norms within the economy and society. This touches on the issue of unequal pay: why were men and women with the same job descriptions in the same positions still paid differently?

Discussions relating to above themes

Public sector capacity

The suggestion that there was a lack of capacity in the public service sector (and the need for reorganisation) was questioned as there were highly skilled people working in the sector. It was proposed that, instead, it may be more important to inspire state employees to become more patriotic and thus improve their level of effectiveness. The session's facilitator added that it might be a matter of values and how state employees don't see a bigger vision or reason for what they do and are often on a go-slow.

It was also suggested that it wasn't just about looking at reducing the number of public servants, but also to consider other government spending, such as rental of buildings, working from home, among other ideas. The lack of income from public services, such as illegal electricity connections, affected not only the viability of Eskom but also reduced the ability of all levels of government to do their job, Basani Baloyi pointed out.

Sibusiso Gumbi acknowledged that, while there were pockets and people of excellence, there was a systemic problem with lack of skills in the public service. This fact had been noted by various parties: the Auditor-General's reports, by external consultants, and also the National Planning Commission's (NPC) report, which referred to the lack of skills and the need to build a capable state. He clarified that it was not just about taking an axe to the public service. An assessment needed to be done of the shape and structure and skills composition, and to improve frontline delivery.

Public sector size

It was pointed out that many black Africans were employed in the public service sector and many of these salaries were subsidising, on average, more households and family members than was the case for other races. This meant state employment was an important means of subsidising the poor and addressing inequality in the black African group.

Sibusiso Gumbi explained that, while state employment played an important subsidisation role, it couldn't be denied that the public service was very bloated. The current wage bill was about R584 billion, whereas it was pegged at just R185 billion in 2008. An assessment of where exactly the bloating was in the public service, and who was best suited for which tasks, was suggested by Ayabonga Cawe. For example, with an increase of 150 000 staff in the police services over the past five years, was it an effective use of police time to certify documentation, or could this administrative task be done by other frontline service delivery staff? The same goes for teachers and nurses: how could their administrative burden be alleviated so they could do best what they were trained to do?

He also proposed that one cannot take a blanket view of bloating in the public services. For example, Limpopo, in the period from 2006 to 2018, saw a decline in state employment, whereas at national level, over the same period, there was a significant jump in public service employment from 350 000 to about 426 000. He suggested that it would be best to focus energies on capacitating the frontline of service delivery at a local and even provincial levels.

The role of state employment as a significant contributor to social stability, with about 77% of state employees being black African and about 43% being women, was acknowledged by Gumbi. Hence, a big cut in public sector employment would have significant and multiple repercussions. Responding to the sector's role in society therefore depended on whether the public service was perceived as an entity that provided critical and productive services to society, or seen as a means of social welfare.

Income inequality

The potential of the National Minimum Wage Commission to address the large vertical pay gap in South Africa was questioned, since section 27 of the Employment Equity Act (EEA) has not been very effective. Ayabonga Cawe pointed out the problem of a lack of information on income differentials, which was supposed to be captured by employers on EEA4 forms; the number of which was getting smaller every year. This data didn't seem to be publicly disseminated either so it could be scrutinised and debated. This was not about naming and shaming, or self-regulation (as per a Department of Labour recommendation); instead, leadership was needed from the private sector to take a stand against the untenable payment gap, and to take action. The country also required more activist shareholders to hold the investment community to account in terms of the income gap. It was crucial to create a type of compact involving the institutional investment community, the companies they invest in and the South African society to reduce general and gender-related wage gaps. Such a compact required public disclosure and scrutiny of data on income differentials.

Basani Baloyi added that, in terms of macro-economics, society seemed all too happy to set targets and try to stick to those, for example inflation targeting and the country's debt-to-GDP ratio, which were often in the public discourse. Yet, when it came to capping the re-numeration of Chief Executive Officers (CEOs), there seemed to be a hesitancy. CEOs' high levels of earnings could not be excused by the country's history or market outcomes. This issue must not only be debated publicly but must also be moved beyond simple disclosure of income levels. Payment caps that were enforced by government were needed.

Rural development

There were no incentives to encourage rural people to stay and build the local economy; instead people were moving from the countryside to the cities and then use the money they earn there to build big houses on the farms where they came from, thus destroying valuable farmland. However, if local infrastructure and services were provided (water, electricity, internet access, etc.), more people would likely stay there, which could contribute to local economies. There was a definite urban bias in the discourse, Sibusiso Gumbi pointed out, and a focus on urban infrastructure needed to be expanded to cater to the influx of people from rural settings. More needed to be done to solve labour and other issues at source, particularly in the peri-urban setting. Subsistence farming as a source of employment was not productive, and commercial farming needed the necessary infrastructure, such as roads to markets, irrigation, silos, and mechanisms for improving technical skills and standards. Improving rural development would also alleviate urban development challenges. Rural crime and agricultural stock theft were raised as other issues that needed to be addressed.

Policy relevance

In terms of the diagnostic report's findings, participants were challenged by Rudi Dicks to consider the nexus between the evidence, policy and implementation. He emphasised that there was not so much a lack of evidence to develop suitable policy, but the real challenge was a lack of implementation. The data was clear – more than 10 million people were unemployed (in the expanded definition); but how did that translate into more effective policy? He stressed that research for informed policymaking interactions like the stakeholder engagement was important to help decision makers with appropriate choices. Busani Ngcaweni also noted that many public servants did not read dense research reports such as the diagnostic. It was recommended that researchers and other stakeholders rather presented government officials with succinct and timely policy briefs. These would have a much higher chance of being read and evidence taken into consideration in policymaking.

6.4 Energy access inequality

A Development Bank of South Africa perspective

Lungile Mashele (Energy Specialist, Development Bank of Southern Africa)

Lungile Mashele raised a number of points that should be considered when talking about energy inequality and providing affordable energy at scale:

- South Africa has reached household electrification levels of about 85%, which was pretty good, but more work remained. Mere access to electricity was not sufficient; it also needed to be affordable. In South Africa many poorer households with electricity access only used a miniscule 50 kWh per month. To put that annual figure into perspective, many middle-income households will use 50 kWh in half a day. In the US, the average per household consumption was about 12 000 kWh per annum. In Ghana the average was only about 350 kWh per annum. In Nigeria, Africa's most populous country with about 190 million people, the average dropped to 150 kWh per annum. Nigeria had a total electricity generation capacity of about 16 000 MW (official installed capacity of 4 000 MW and unofficial, generator-based capacity of 12 000 MW) versus South Africa's 50 000 or so MW. Yet the Nigerian economy was larger than South Africa's.
- Access to electricity was essential for development. Ghana, for example, following some crippling load-shedding, put in place an emergency power procurement strategy. Within a short period of time, through an independent power producer (IPP) approach, they managed to solve the problem. Now Ghana has excess capacity, which in theory means it would need to pay suppliers a capacity charge, but they cleverly built in a review mechanism, unlike South Africa.
- By thinking small in terms of energy and electricity access, millions of people were condemned to continued poverty. It was not possible to massively ramp up power supply and thus grow a large economy on small-scale renewables, micro-grids, solar lighting or solar refrigeration. These had their application, but not for large-scale economic growth.
- It was important to reduce the carbon intensity of generating technologies, but the technologies also needed to make sense in terms of their application and the desired outcomes.
- For energy planning, resilience was important. Issues such as electricity theft, cable theft, climate change, water shortages and droughts (for hydro-electric plants), and disposal of solar panels (which cannot be recycled) needed to be considered.
- The suitability or limiting factors of some technologies needed to also be considered. For example, things like bioethanol, solar cookers or hot boxes (or "wonder

bags"), were often impractical because they were difficult to get, or expensive or impractical to use. Think of a woman coming home after work, how was she going to use a solar cooker?

- There was also the case of **private, and sometimes unscrupulous, developers** that came in with micro-grid, solar lighting, generator or other technologies, resulting in electricity supply costing R8 kWh, whereas most people on the national grid paid between R 0.8 and R 1.40 per kWh.
- It was important to not make energy unaffordable or limit development because of **technological limitations**.

A City of Cape Town perspective

Adrian Stone (Manager: Climate Change and Integration Platforms, City of Cape Town)

Adrian Stone was with the Low-Income Energy Services (LINES) Programme, which was run from the Sustainable Energy Markets (SEM) Department in the Energy and Climate Change Directorate of the City of Cape Town (COCT). SEM was a small unit undertaking strategic projects in the areas of renewable procurement, energy planning, electric vehicles, climate change mitigation and energy access. LINES has been investigating the problem of energy poverty in both electrified and un-electrified communities for a number of years.

The following observations were offered:

- The COCT has achieved a very high **electrification rate** (97%) and for this reason a focus area has been on "access to electricity" rather than "grid access". The electrification programme has been a great national achievement, but electrification did not completely solve the problem of **energy poverty**. City customers that were on a subsidised tariff have extremely low electricity usage. The COCT used a benchmark for energy poverty of 250 kWh per month, which, in practice, was basic lighting, a small fridge, some cooking, some media and kettle water heating – but no geyser or space heating. Sales data for 50 000 Lifeline (indigent tariff) customers showed that about 80% used less than 250 kWh per month and around 40% used less than 150 kWh a month, which was considered to be far below the poverty benchmark. **So even though many households were connected, many were too poor to really make use of the service**.
- The COCT was exploring approaches that could be used to assist these customers, but **financial resources** were limited, particularly given that the revenue model of cities was under pressure. The City was highly dependent on electricity and that revenue source was shrinking, as energy was used more efficiently and as people installed more small-scale embedded generation. At the same time the **demand for subsidised energy was growing**. And some planners reckoned that, by 2030 or 2040, the COCT will be a majority informal city, which means that demand for free

or subsidised electricity was likely to grow further.

- Irrespective of whether a household used electricity or not, it was costing R400 per month to keep a household connected. This posed challenges to and questions about the City's business model and its appetite to provide service subsidies. In most countries, commercial customers were given subsidies, in South Africa it was the other way around. As it turns out: the 250kWh energy poverty benchmark hasn't been popular throughout the City and it probably needed to be restructured.
- One idea that was being explored was the bundling of electricity at a preferential rate, similar to mobile data models. Also, alternative energy sources were being investigated, such as gas, specifically for cooking. While gas was not good for climate change, it helped to reduce peak-demand load, which was costly. And these savings could then be passed on to the customer.
- Looking at the diagnostic report and the growth of household assets, particularly for things like washing machines, the City did not observe a growth in electricity usage that would indicate the use of such products. This question needed some more research.
- It would be beneficial for municipal decision-making to include consumption data, such as for electricity and water, in future diagnostic reports.
- In summary, there were many challenges to putting in place structures that allowed city customers to use electricity, but as a colleague reflected: "to come up with creative solutions one has to believe that poor people deserve to have access to electricity".

Discussions relating to energy inequality

Research

There was a need for future surveys to expand on energy access to include consumption data – and that such data was disaggregated by gender – as well as data on illegal connections.

Renewable energy

The increase in households going off the electricity grid, and consuming less energy through more energy-efficient appliances, has likely implications for municipalities and how they collect revenue. There was a danger that this could create perverse incentives, for example pressure on local governments to collect higher rates and taxes, or to develop high-income residences, which in turn further entrenched inequality. On the other hand, wealthier households, through their water and electricity usage, were subsidising services to poorer local government customers.

The affordability of renewable energy, and whether policy should make it more accessible to poor households, was also questioned. Lungile Mashele explained that solar energy equipment wasn't that expensive, but the intermediary and installer fees increased the cost to as high as R8 per kWh, as was seen in places around Africa.

Adrian Stone clarified that the debate on the pros and cons of small-scale embedded generation was a heated one, and a moral quagmire. From an environmental and financial cost perspective, it was far cheaper to build large-scale solar plants in the North Cape and transmit that power to urban centres. But, given the current failures of Eskom – a lack of power reliability and high per kWh costs – it made increasing financial sense for businesses and households to go off the grid. And this could be a curse for municipalities, but it seemed to be an unstoppable trend. For this reason, municipalities were, despite their fear of the customer, responding with implementing fixed connection tariffs and gradually raising these. He proposed that the best way out was for municipalities, or the country as a whole, to be bold and aggressive at utility scale, which was the best way to drive down the costs. Also, more transparency and better communication were required. Customers needed to know there was a subsidy in their tariff (call it a social tariff) – and it was quite likely that most customers would be happy if they knew that they were subsidising services access for poorer people. This aspect needed to be reframed, because it could be a progressive, close-to-source tax or social good. The internal discussions on this matter were ongoing.

A participant suggested that it was a misconception that going off the electricity grid was bad for the poor. Firstly, it was highly inefficient to produce energy from coal, even before transmission, which also had its losses. Secondly, the status quo concentrated economic power within a few big companies. Going off grid has been shown in many countries in Africa to empower people in remote areas to start running small business and to educate themselves. Giving poor people access through renewable sources should be encouraged.

Rural development

Given the cost of transmission losses and setting up transmission infrastructure over vast distances, the financial viability of the Integrated National Electrification Programme (INEP) was questioned. Lungile Mashele clarified that the fund, which the DBSA has been managing, could be accessed by municipalities through an application process. However, many applications were late or incorrect. Applications also needed to make financial sense by putting forward a business case which guaranteed an anchor client/s to ensure that the investment will have a positive return. It costed Eskom about R1 million per kilometre to set up local transmission lines. Where this was too costly, it made sense for communities to go off grid, using solar or other technologies.

6.5 Spatial inequality

A South African Cities Network perspective

Stacey-Leigh Joseph (Executive Manager: Programmes, South African Cities Network)

Stacey-Leigh Joseph explained that the SA Cities Network (SACN) was a network of some of the largest cities in South Africa, and its main goal was to do analysis and intelligence gathering that can inform policy, practice and processes towards spatial transformation and creating a transformative future.

The SACN have been analysing how inclusive, how economically productive and resource efficient cities were, how they transformed their spaces, and how they were being governed and financed. A periodic "State of Cities" report was published. The last report, in 2016, had a spatial transformation lens and key report findings included that **spatial transformation was a non-negotiable, but that it required certain capacities and skills to understand what was happening and to take informed interventions; and these were often not sufficient**.

Suitable governance and finance systems were also needed. It was important to recognise that urban governance was not just about local government, but that it was a **multi-stakeholder process** involving, among others, civil society, the private sector and academic and other research institutions.

She further pointed out that **despite significant investments in the built environment, equitable, inclusive and integrated spaces were not being achieved. There were three factors at play here**:

1. Where investments have taken place in housing projects;
2. The fact that the high unemployment rates continued; and
3. The locational disadvantage that has not been addressed through sufficient transport system investments, thus resulting in costly and time-consuming travel which further entrenched inequality.

Spatial development was **unaligned, uncoordinated and inefficien**t. While gains were made, cities and private investments were not aligned and continued to often favour outdated and energy inefficient buildings and infrastructure that further entrenched inequality.

Where private sector investments have taken place in shopping centres, for example, these developments often were decimating local small and medium enterprises. Pedestrian access was generally not taken into consideration, making it difficult to get into malls on foot, for example. Issues of security, especially for women, were also often not considered. The cost of fragmentation was high for all involved: for households, for government, for the environment, and the consequences were most detrimental to women and poorer people who lived on the margins of society.

A key question was why not more transformative spatial outcomes were achieved? A key reason was **insufficient collaboration**, both across and within institutions. One reason for this was that institutions did not incentivise working in a collaborative manner. Instead, there seemed to be a focus on compliance and conformity and clean outcomes. This stifled innovation and thinking outside the box. Work on the Spatial Planning and Land Use Management Act was an example for the lack of collaboration and the presence of power dynamics among partners. The skills and cultures to facilitate these dynamics needed to be developed.

Two concluding points were made:

- Firstly, how could one **govern more effectively for transformation**, in terms of inequality, spaces, etc.? It was very difficult to determine what the required roles and responsibilities should be if there was not a vision of what this transform would look like in the future. The state could not and should not have to play all the necessary roles; also, it didn't have all the required skills, and those needed to be put in place. Other stakeholders needed to step forward and contribute. Further, in terms of the Distributed Development Model (DDM), there was an opportunity for alignment, but there was the risk that this only remained a plan or a goal if the relevant institutions were not sufficiently capacitated. One project that the SACN was working on is how to capacitate public service employees to translate the data presented in the diagnostic report (and in other sources) for evidence-based decision-making.
- Secondly, to address cities' the challenges better, it was important not to only look to the past, but also to ask what the **desired future city** looked like. How could the necessary trust, creativity and willingness to experiment with the design of future cities be developed? How could young creatives be encouraged to use data on inequality to develop problem-solving apps? How were skills developed to use data to think about the future cities and city innovations that were needed?

Discussions on spatial inequality

Transformation of cities

Local governments were unique in the sense that they could generate their own revenues, raise their own debt, and could put in place levies to get residents to help pay for services. But what did cities most critically need for the transformation that was talked about? Joseph outlined a few suggestions: First, the need for a different way of thinking about challenges. This related to identifying the skill sets that were needed to address these challenges, and for higher education institutions to ensure graduates who could think creatively about the innovations that were required. Second, cities need to address institutional challenges, such as how they were financed (and how those finances were reported) and how plans were developed (and their lack of integration). These were some of the things that bedevilled a city's ability to do things differently. Third, the lack of integrated planning was a challenge. For example, a housing development required financing for the necessary transport links

or engaging the provincial government to build a school near the development. Integrated planning could help prevent that cities have with fragmented outcomes. Lastly, visionary leadership was required to hold and push through required interventions.

Cities were products of multiple actors or stakeholders and for this reason it was strange that government was always called on to provide solutions, while frameworks for partnership and collective contribution and action were needed to help find solutions. But South African cities have not entered into social compacts or contracts with their citizens, as has happened elsewhere. Addressing this need required thinking about inequality also as a product of society's emotional, spiritual and cultural dimensions. Joseph agreed that a mind shift was key; it was the only way to get multiple perspectives, skills and ideas from different stakeholders. But partnerships didn't happen overnight. Relationships were complex and took time and work and a particular skill set. It was important to consider what was required for the relationship. The reality, a participant pointed out, was that the elite were very protective of their way of life and wanted to remain removed from poorer sections of society.

The design of transport systems and their financial viability in relation to how cities were laid out were very problematic and solutions were needed Joseph suggested that it was financially unsustainable to develop transport systems along non-productive routes where there were no schools or other prospective destinations for travellers. For example, the Rea Vaya to Soweto passed through industrial areas and other non-productive areas that didn't contribute passengers. Another pitfall was poor planning for long-term operational and maintenance issues, as were unavailable or unreliable timetables. Additionally, designing a "for-the-poor-only" transport system was problematic because that wouldn't get the middle class out of their cars and into the public transport system to help cross-subsidise the systems. There was also a lack of integration between different systems – routes by different transport modes were not often aligned, which made it a long and challenging journey for passengers, and especially posed safety risks for women after hours.

7. CONCLUSION AND WAY FORWARD

Rudi Dicks, Murray Leibbrandt and Carl Bernadac closed off by thanking those stakeholders who had taken the time to be there as well as sponsors who had made the day possible. They also summarised key outcomes and called for an ambitious agenda for action going forward.

7.1 Where do we go from here?

Rudi Dicks (Head of the Project Office in the President's office, The Presidency).

Dicks said that the morning presentations had provided the evidence to help stakeholders make informed decisions. What remained was to be "taking the evidence and turning it into policy and implementation". There were a number of initiatives over the past few years that are seeking to address inequality, he said. And bringing together stakeholders, such as this event has done, has been helping to ground the conversation in reality. The big challenge was to find ways forward.

He proposed that this work was somehow cascaded – maybe through the establishment of a learning platform. Brainstorming what this might look like may needed to happen in a smaller group. He also asked how the day's conversion could be cascaded into other existing areas, such as into the youth intervention projects in the Projects Management Office in The Presidency?

On spatial inequality, Dicks suggested that places of work and low-income households needed to be brought closer together. And, places for social interaction for low-income earners needed to be enhanced.

He concluded by thanking AFD for their support to this work.

7.2 Logging ideas for action

Stakeholders participating in this event were collectively trying to shift the dial on inequality. This was an opportunity for them to support one another. In wrapping up, Leibbrandt urged those present to log specific interventions so that the ACEIR team and partners could take these and build on them. For example, the idea around developing social compacts may be synergistic with the government's highly ambitious District Development Model in that it can improve community and broader stakeholder collaboration and support.

Ideas (and questions) that were logged:

- **How could inequality be framed better in the public discourse, and with connections between high-level data and what was happening on the ground to inform action? Logged by Ayabonga Cawe.**
  - How inequality was discussed (or framed) in the public discourse left a lot to be desired. How could this group create bilateral discussions – perhaps making use of the public broadcaster – on how to frame this issue better? Key messages could be taken from the diagnostic report to include in the discussion with broadcasters – for example relating to the job churn statistics.
  - How could this work inform political action and how can it inform reflection among community-based organisations and civil society? Making the connections between the technical, high-level data and what was really happening on the ground, and building popular awareness and support around these ideas, were essential.

- **How could actuaries collaborate with researchers to jog top earners out of complacency over inequality? Logged by Lusani Mulaudzi, the President of Actuarial Society of SA (and public interest actuary):**
  - There seemed to be a worrying complacency about inequality – it was almost as if society (the middle class) was becoming comfortable with the inequality. Deeper questions must be asked about this.
  - There needed to be a realisation among the top income earners that they have to do more to help address inequality. The value that actuaries can bring to the table was not only to analyse data, but also to explore how it could be translated into the future. The Society could walk this road together with ACEIR and others to help make a difference to the country.

- **How could young people be helped to leverage social capital to find work? Logged by Sonwabo Ngcelwane, University of Cape Town, with input from Rudi Dicks and Ayabonga Cawe.**
  - To what extent did young people leverage their individual social capital, i.e. their networks and contacts, to find a job? Has any research been done on this?
  - Rudi Dicks responded: This ability to find jobs through networking was highly geographically and context specific.
  - Ayabonga Cawe: There was some research in this area, although not necessarily about social capital, but more about the benefits of having a reference letter from a reputable person.

- **How could agency be returned to people to organise themselves to respond to inequality? Logged by Rudi Dicks.**
  - One of the problems with inequality was that it is weakening the agency of people living in poverty. How could people be enabled to organise themselves around issues of inequality? This was not about policymakers and government having to deliver, but to create an environment for many people to organise themselves. Maybe something can be learnt from the Community Works Programme which was designed around agency? So, this may be related to income inequality, but other forms of social inequality.

- **How could more coalitions and partnerships be built to tackle the gender pay gap? Logged by Basani Baloyi.**
  - Oxfam was embarking on a campaign related to gender pay gaps – and this was a collaborative effort among different stakeholders, and it was good to see the synergy and overlap between the work presented in the diagnostic report and Oxfam's work. And talking about it at this gathering had yielded more potential partnerships with other interested parties. More coalitions and partnerships were needed.

- **Could South Africa be benchmarked with other similar countries to get a better sense of where the leverage points were to bring about a shift? Logged by David Martin.**
  - In spite of all the evidence on inequality presented and discussed during the day, it was still not clear where the shift needed to happen. It would be useful, for example, to be able to say "it's the heads of corporates, or the top 1%, and this needs to move to there, etc." – of course the solution was not as simple as that, but it was more likely to involve the top 10% (or maybe its 15%, but that quite likely moves into the realm of teachers and police people). It would

be useful in future research or stakeholder events to benchmark South Africa against similar other countries (by GDP per capita, but with a lower inequality), to see where the bulge was and to get a sense what redistributions were required to make the inequality situation look better, even if this wasn't always politically feasible. And then these different possible interventions could be modelled to show what an intervention meant in terms of Rands and cents in people's pockets? There was a fear that, with this research, some people would get away with easy, but inaccurate, truisms when in fact the numbers didn't back those up.

7.3 Closing remarks

Carl Bernadac (Deputy Regional Director of AFD in South Africa)

Bernadac congratulated participants for their contributions to better understand the complexities and multi-dimensional nature of inequality, and to explore data-enhanced improvements and solutions to address inequality.

He emphasised the AFD's continued financial and other support for research and stakeholder efforts related to inequality.

8. ADDENDUM

8.4 About the diagnostics report

The survey team accessed a wide range of data sources to present a broad overview of various dimensions of inequality including on household income and expenditure, assets, employment, education, health, access to basic services, and social mobility.

Survey data obtained from tens of thousands of local households from every province in the country and across every social cohort was analysed. Many of these data sets are publicly available. In addition, the report also utilised other statistics generated by various government departments, including SARS.

The picture presented by the report's findings was complex, so much so that the research team is arguing that the standard Gini coefficient should in future be complemented by deploying another statistical tool, the Palma ratio. This addition would enhance the country's reporting on inequality for the SDGs and make South Africa the first country in sub-Saharan Africa to adopt the Palma ratio formally as a standard indicator in the measurement of inequality.

South Africa was fortunate in that it had better data recording, sampling and statistical rigour than any country on the continent, which in turn was an advantage in finding solutions.

8.5 About ACEIR (event host)

The African Centre of Excellence for Inequality Research (ACEIR) is part of the African Research Universities Alliance (ARUA), which is a group of the continent's leading universities. ARUA's mandate is to "develop local research excellence through collaboration to find solutions to the development problems of Africa".

The existence of ACEIR helps to ensure that Africa has a clearer voice and a stronger stake in global inequality discussions and efforts to find solutions to the continent's problems. It seeks to bring together research excellence (such as the diagnostic report) and process engagements (such as the stakeholder event reported on here) in a bid to enrich discussions on the state of inequality and potential policy and other solutions.

ACEIR has three nodes:

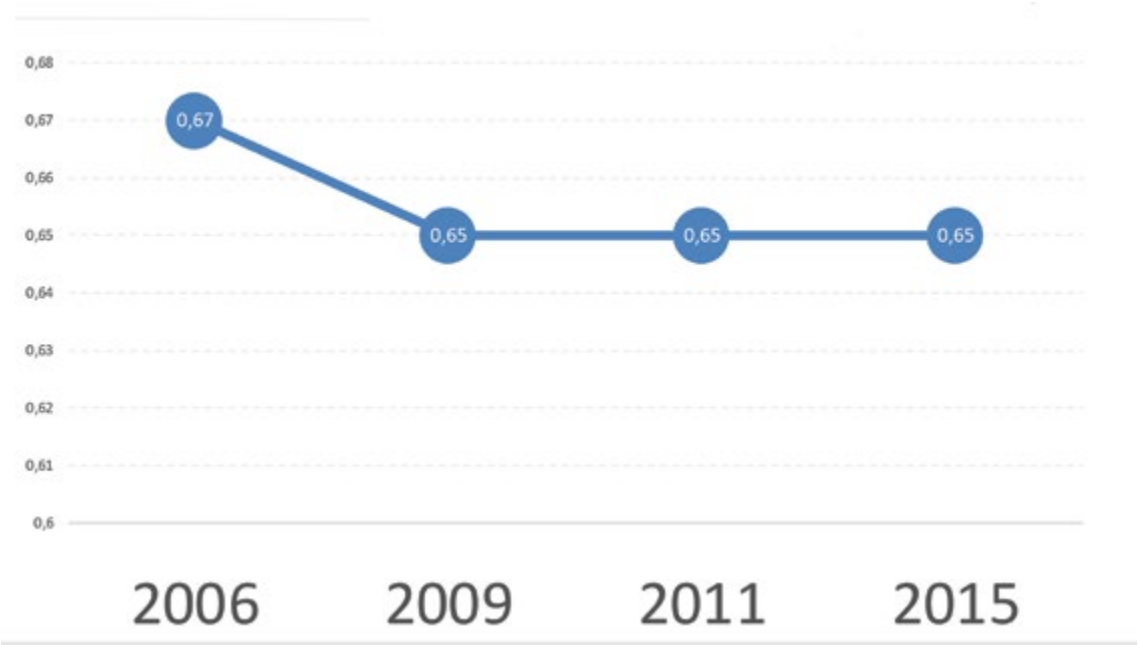
- The South African node is centred at the University of Cape Town along with a data centre of ACEIR's technical partner, Data First;
- The Ghanaian node is based at the University of Ghana, Legon;
- The Kenyan node is based at the University of Nairobi.

Believing that data is the foundation of informed national dialogue, ACEIR nodes work with their country's statistical agency to take stock of and collate data on inequality and, crucially, to democratise the data by making it publicly available for local research, for discussion among stakeholders and for the policy community. This was not the norm in Africa.

By working with national statistical agencies, ACEIR nodes are working on expanding and integrating data and improving the breadth and depth of the data collection and analysis processes.

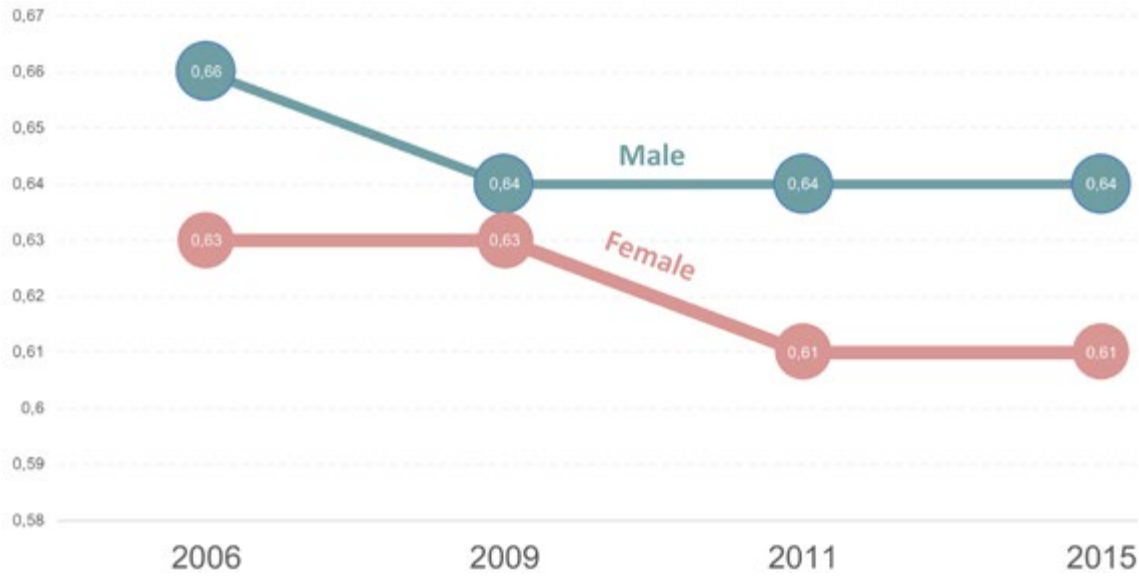
9. FIGURES

FIGURE 1: Inequality measures based on per capita expenditure (IES 2006 & 2011 and LCS 2009 & 2015)



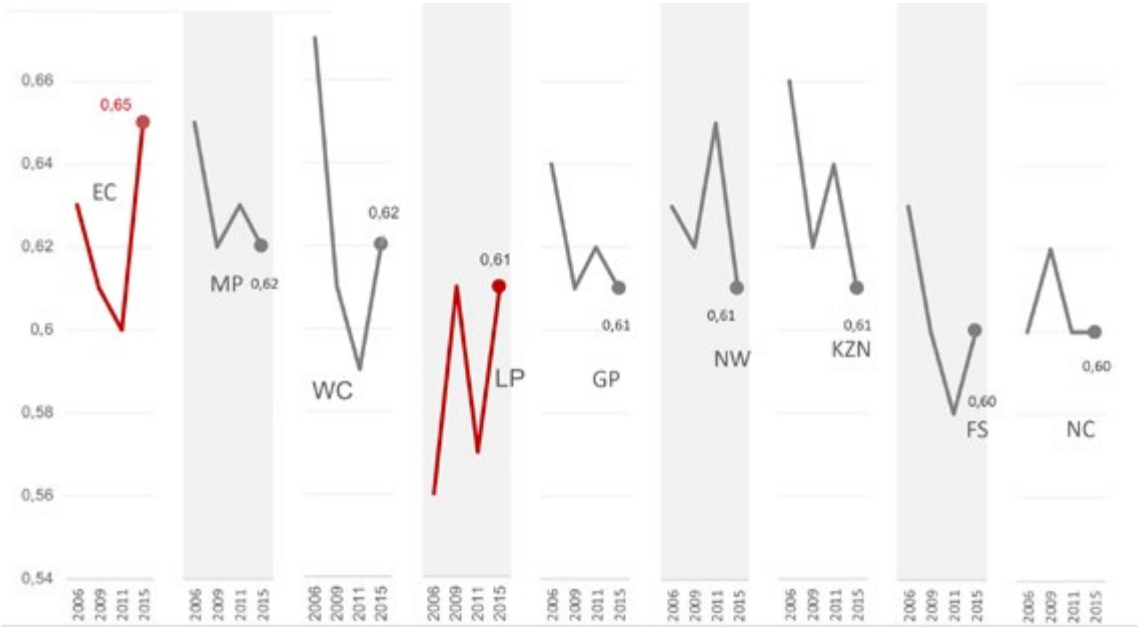
RETURN TO DISCUSSION

FIGURE 2: Inequality measures based on per capita expenditure by sex of household head (IES 2006 & 2011 and LCS 2009 & 2015)



RETURN TO DISCUSSION

FIGURE 3: Gini coefficient based on per capita expenditure by province (IES 2006 & 2011 and LCS 2009 & 2015)

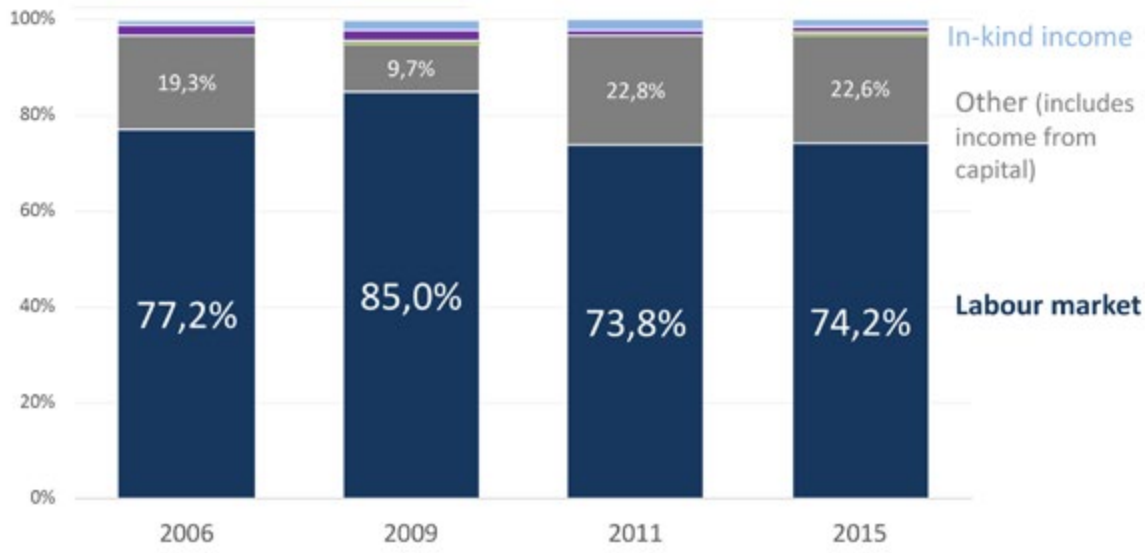


RETURN TO DISCUSSION

FIGURE 4: Distribution of real annual median expenditure by population group (IES 2006 & 2011 and LCS 2009 & 2015)

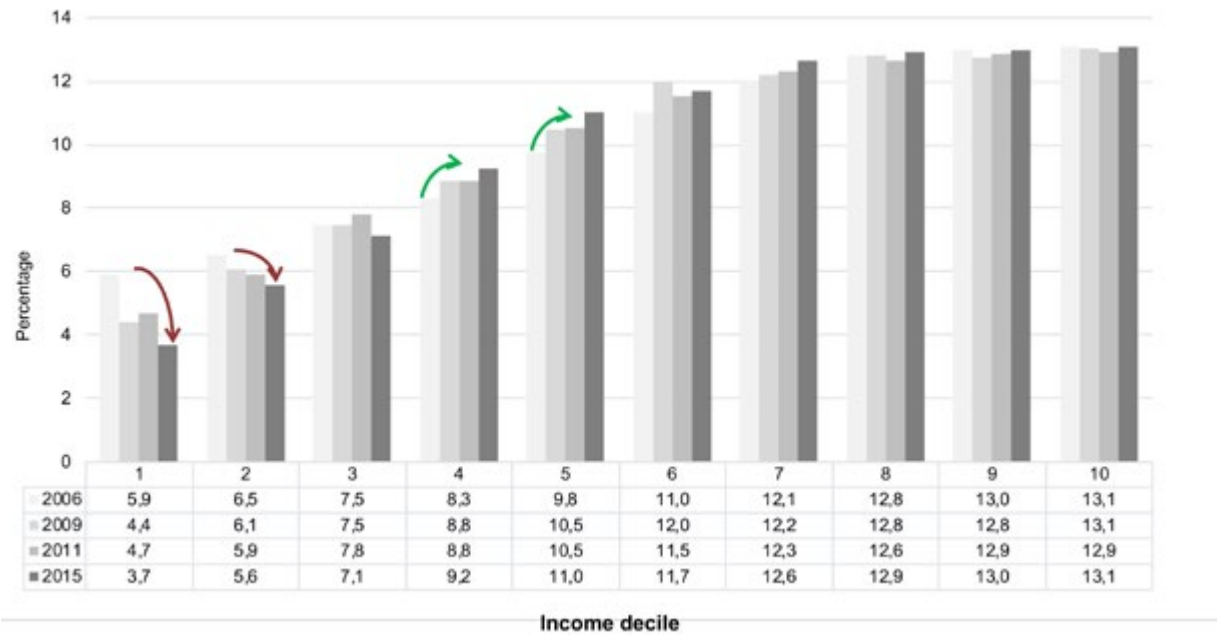
RETURN TO DISCUSSION

FIGURE 5: Relative contribution to inequality by income sources based on the Gini coefficient (IES 2006 & 2011 and LCS 2009 & 2015)



RETURN TO DISCUSSION

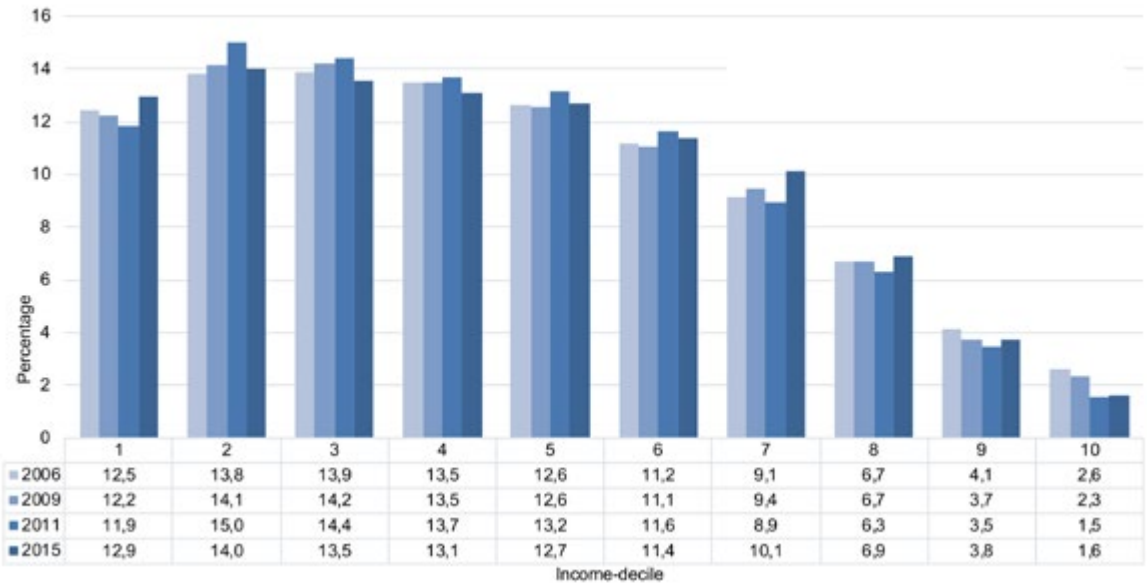
FIGURE 6: Distribution of per capita income from labour market by income-decile (IES 2006 & 2011 and LCS 2009 & 2015)



	1	2	3	4	5	6	7	8	9	10
2006	5,9	6,5	7,5	8,3	9,8	11,0	12,1	12,8	13,0	13,1
2009	4,4	6,1	7,5	8,8	10,5	12,0	12,2	12,8	12,8	13,1
2011	4,7	5,9	7,8	8,8	10,5	11,5	12,3	12,6	12,9	12,9
2015	3,7	5,6	7,1	9,2	11,0	11,7	12,6	12,9	13,0	13,1

RETURN TO DISCUSSION

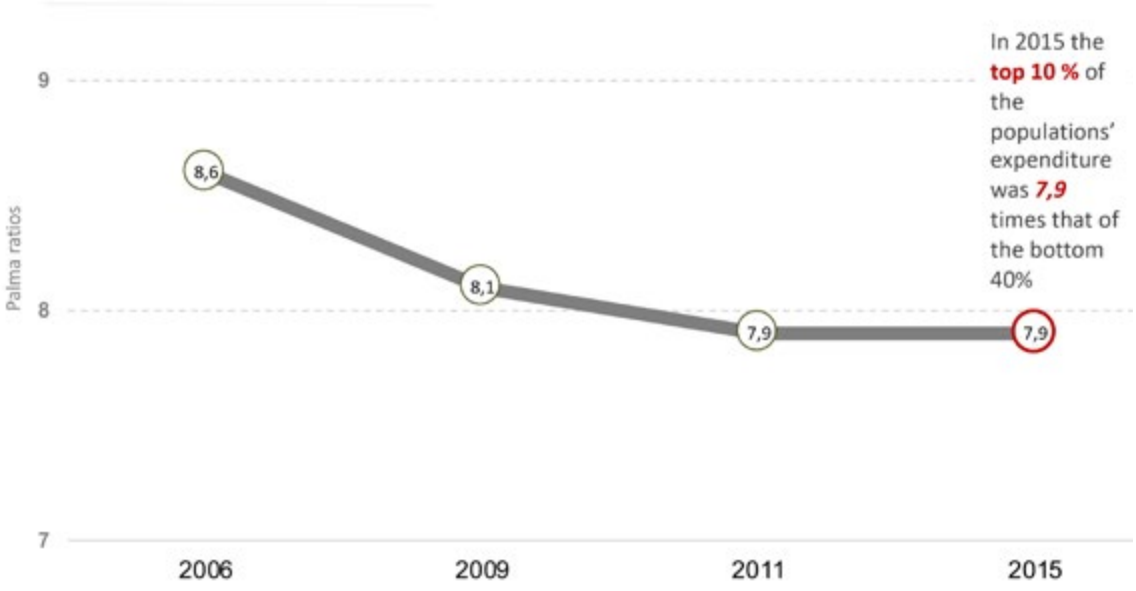
FIGURE 7: Distribution of per capita income from social grants by income-decile (IES 2006 & 2011 and LCS 2009 & 2015)



	1	2	3	4	5	6	7	8	9	10
2006	12,5	13,8	13,9	13,5	12,6	11,2	9,1	6,7	4,1	2,6
2009	12,2	14,1	14,2	13,5	12,6	11,1	9,4	6,7	3,7	2,3
2011	11,9	15,0	14,4	13,7	13,2	11,6	8,9	6,3	3,5	1,5
2015	12,9	14,0	13,5	13,1	12,7	11,4	10,1	6,9	3,8	1,6

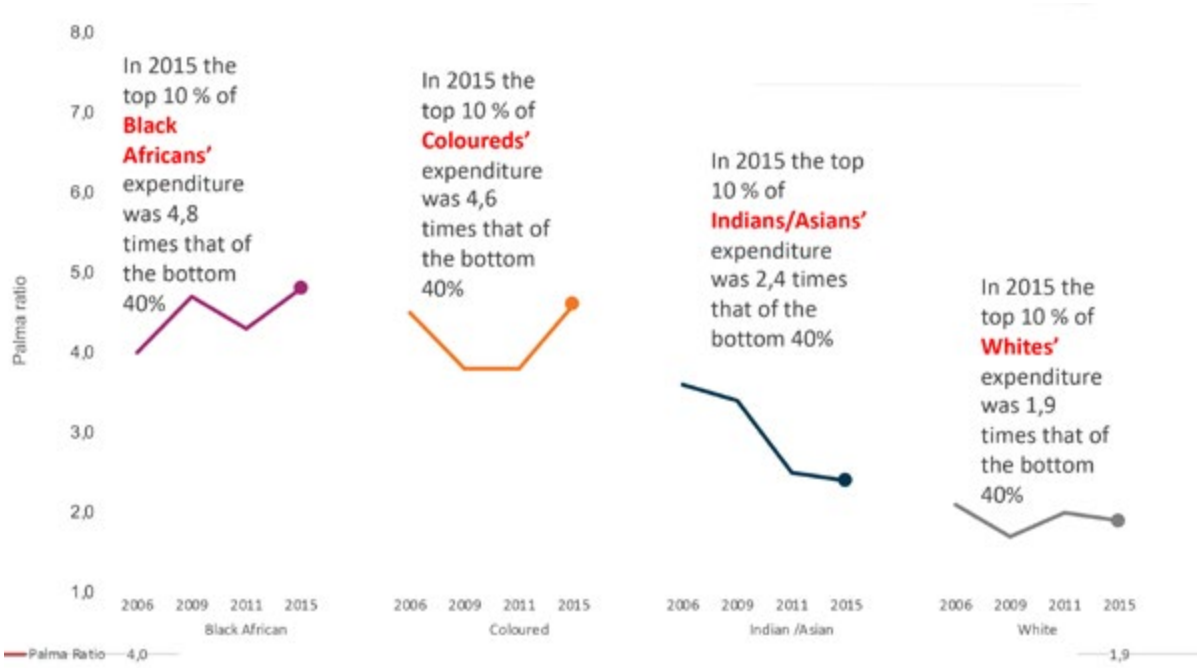
RETURN TO DISCUSSION

FIGURE 8: Inequality measures based on per capita expenditure (IES 2006 & 2011 and LCS 2009 & 2015)



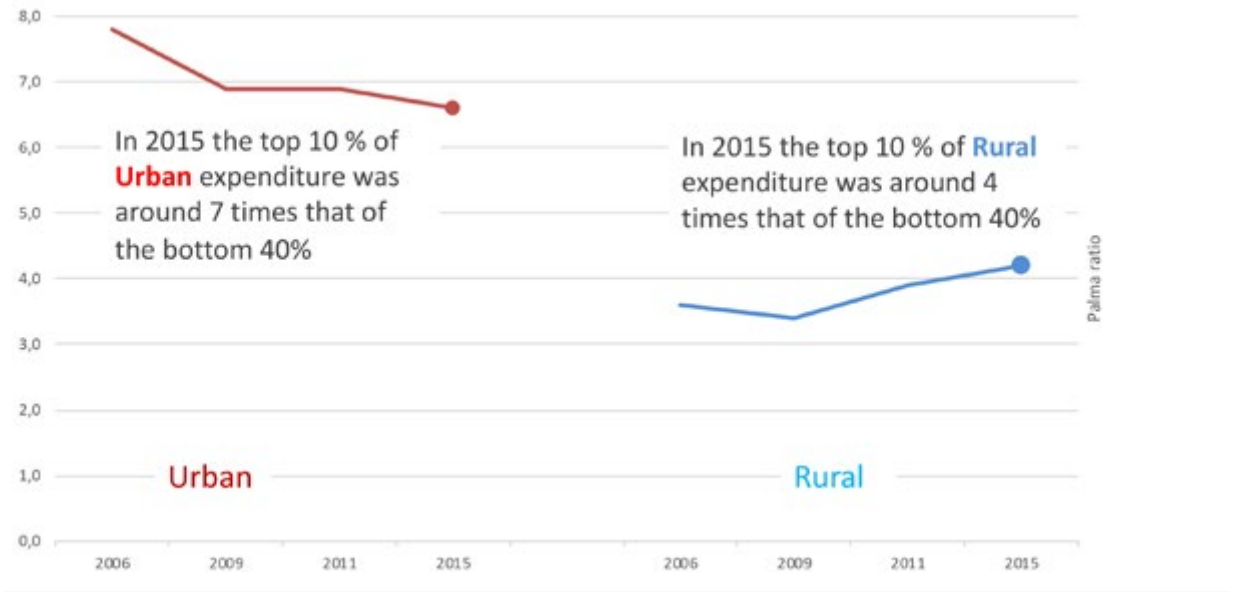
RETURN TO DISCUSSION

FIGURE 9: Inequality measures based on per capita expenditure by population group (IES 2006 & 2011 and LCS 2009 & 2015)



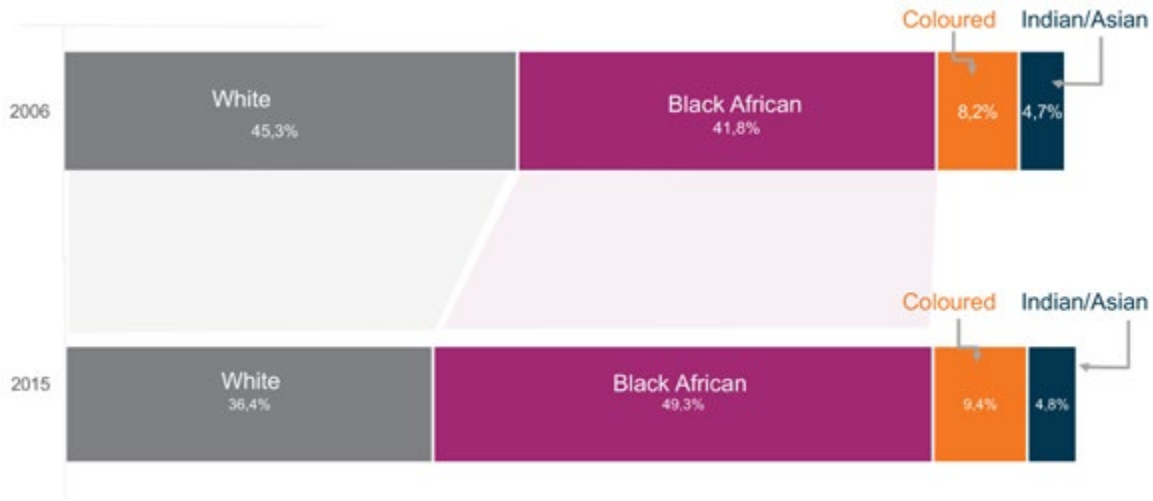
RETURN TO DISCUSSION

FIGURE 10: Inequality measures based on per capita expenditure by geographic location (IES 2006 & 2011 and LCS 2009 & 2015)



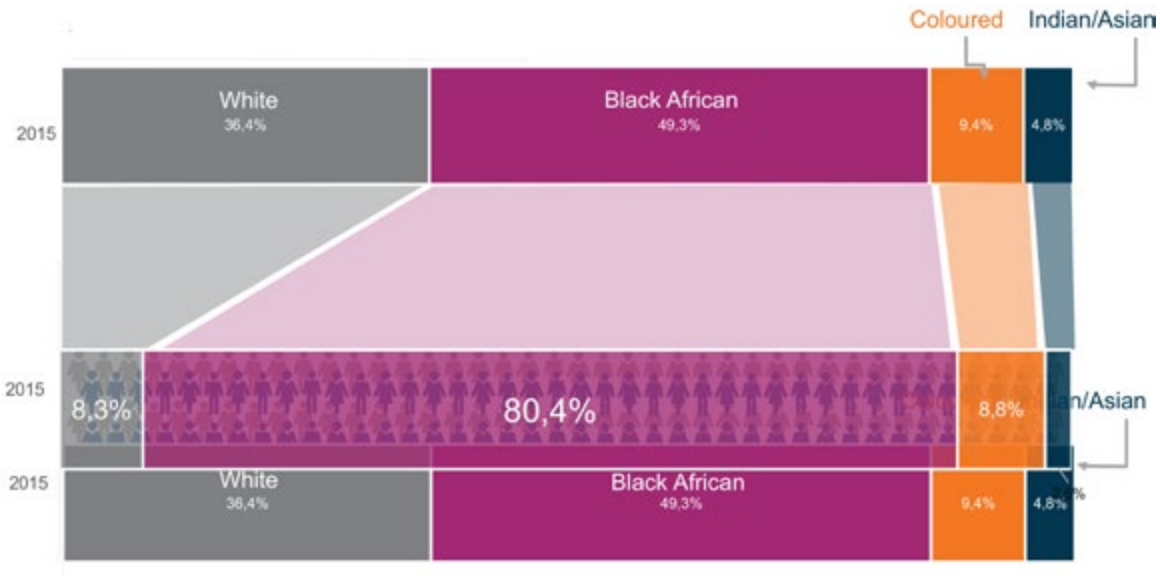
RETURN TO DISCUSSION

FIGURE 11: Distribution of expenditure shares by household population group (IES 2006 and LCS 2015)



RETURN TO DISCUSSION

FIGURE 12: Distribution of expenditure shares by household population group (LCS 2015) compared to population group share (LCS 2015)

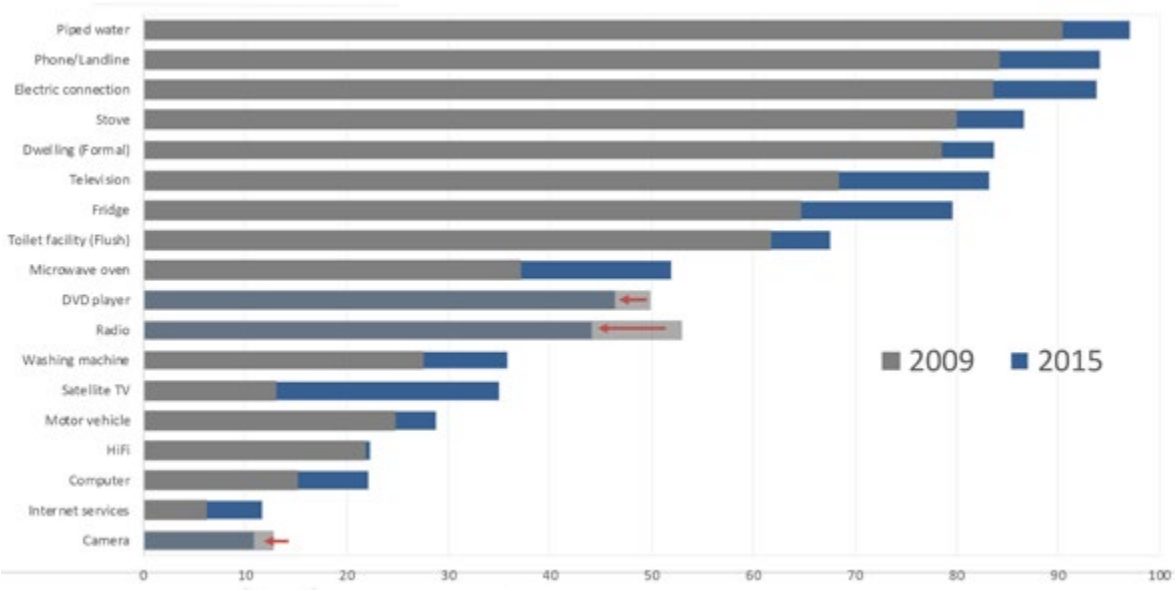


RETURN TO DISCUSSION

FIGURE 13: Distribution of expenditure shares by sex of household head (LCS 2015) compared to population and household head by sex

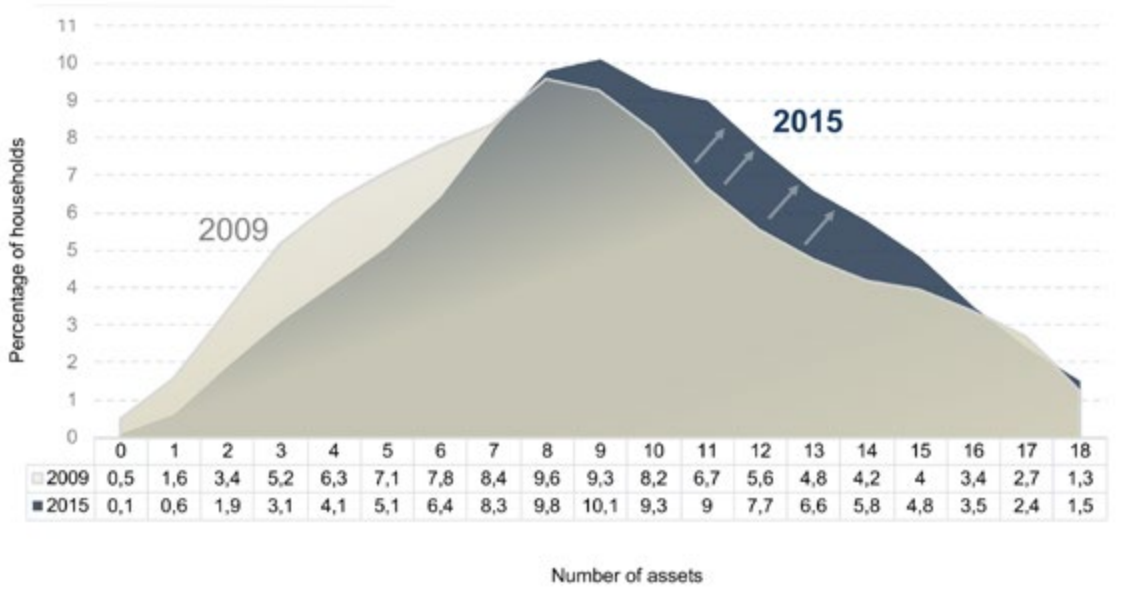
RETURN TO DISCUSSION

FIGURE 14: Trends of household asset ownership (LCS 2009 & 2015 and IES 2011)



RETURN TO DISCUSSION

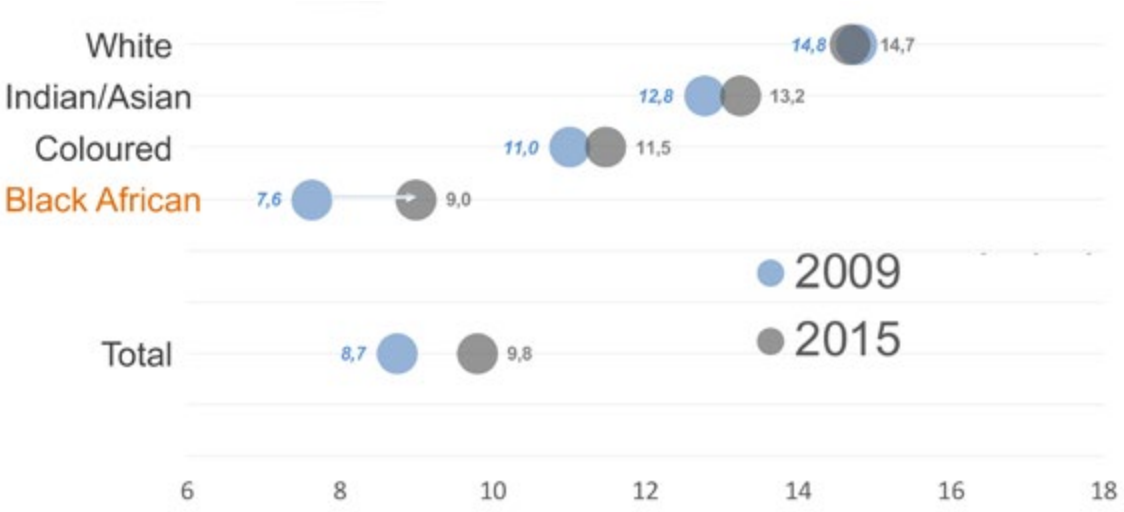
FIGURE 15: Distribution of households by number of assets they own (LCS 2009 & 2015 and IES 2011)



	0	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
2009	0,5	1,6	3,4	5,2	6,3	7,1	7,8	8,4	9,6	9,3	8,2	6,7	5,6	4,8	4,2	4	3,4	2,7	1,3
2015	0,1	0,6	1,9	3,1	4,1	5,1	6,4	8,3	9,8	10,1	9,3	9	7,7	6,6	5,8	4,8	3,5	2,4	1,5

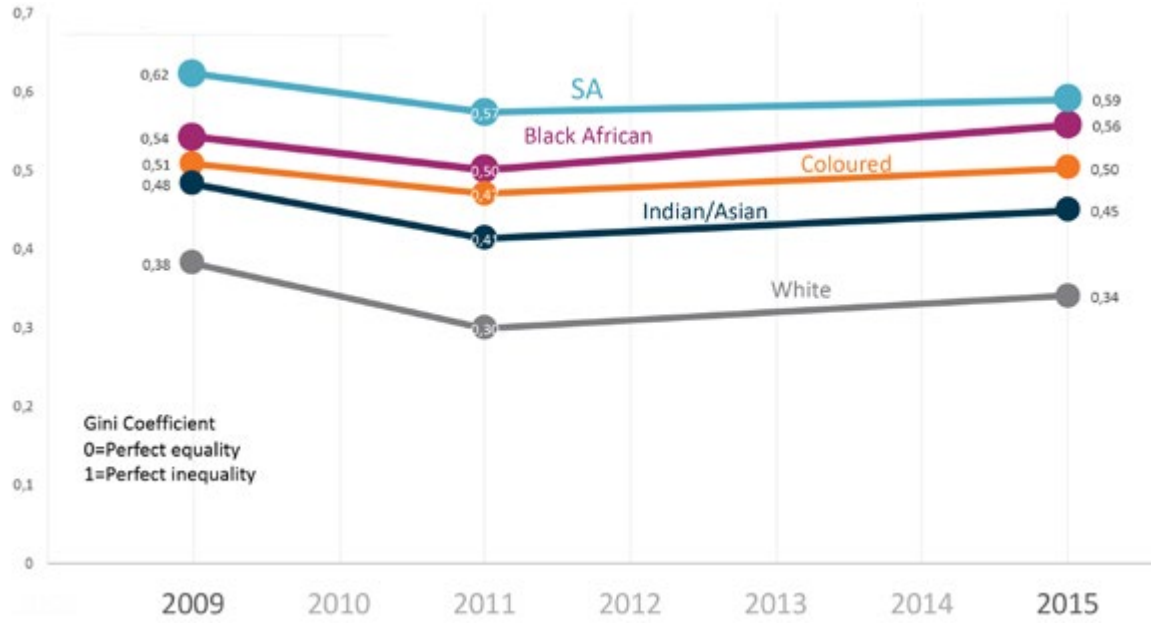
RETURN TO DISCUSSION

FIGURE 16: Average asset scores by population group of household head (LCS 2009 & 2015 and IES 2011)



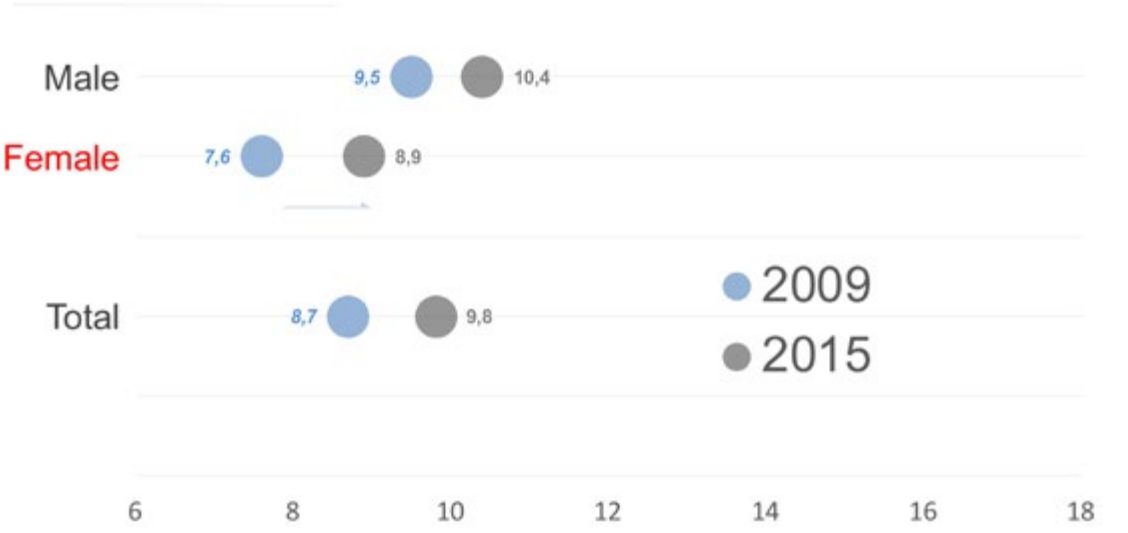
RETURN TO DISCUSSION

FIGURE 17: Asset Gini coefficients by population group of household head (LCS 2009 & 2015 and IES 2011)



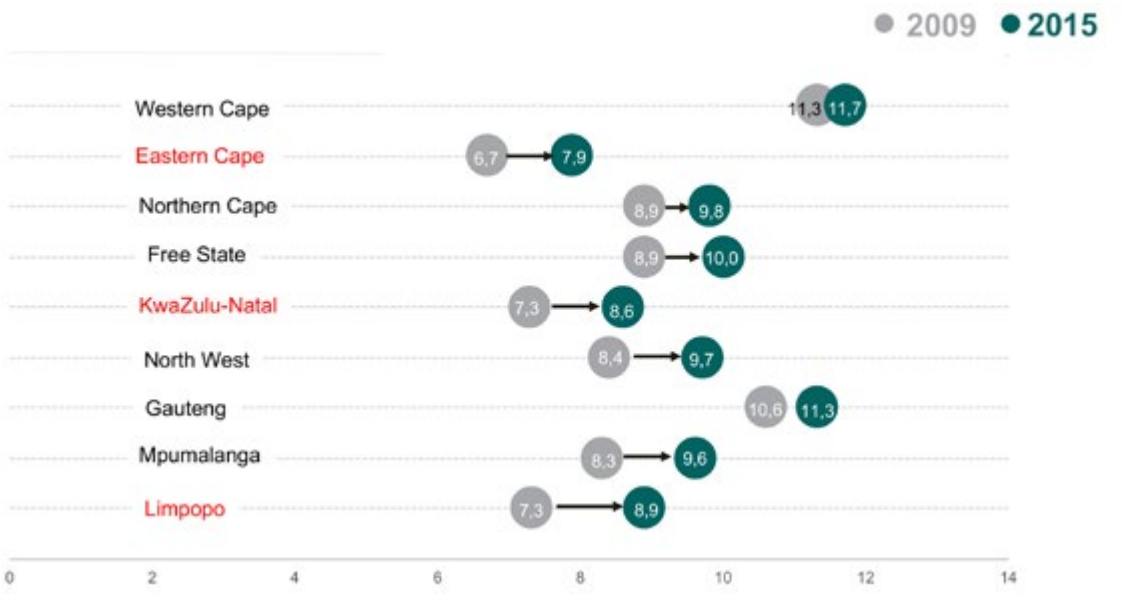
RETURN TO DISCUSSION

FIGURE 18: Average asset scores be sex of household head (LCS 2009 & 2015 and IES 2011)



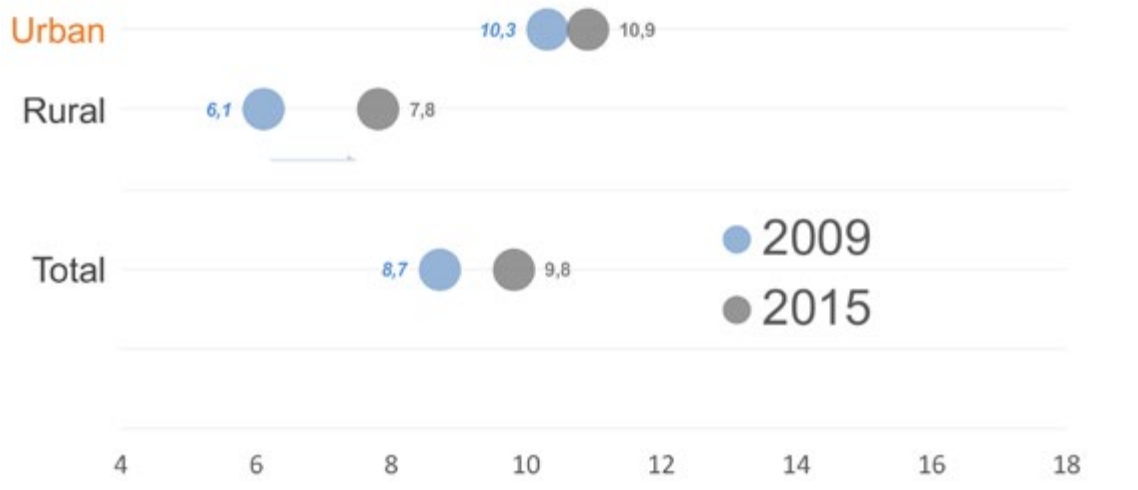
RETURN TO DISCUSSION

FIGURE 19: Average asset score (LCS 2009 & 2015)



RETURN TO DISCUSSION

FIGURE 20: Average asset scores by geographic location of household head (LCS 2009 & 2015 and IES 2011)



RETURN TO DISCUSSION

Figure 21: Labour market trends (QLFS 2011-2017)

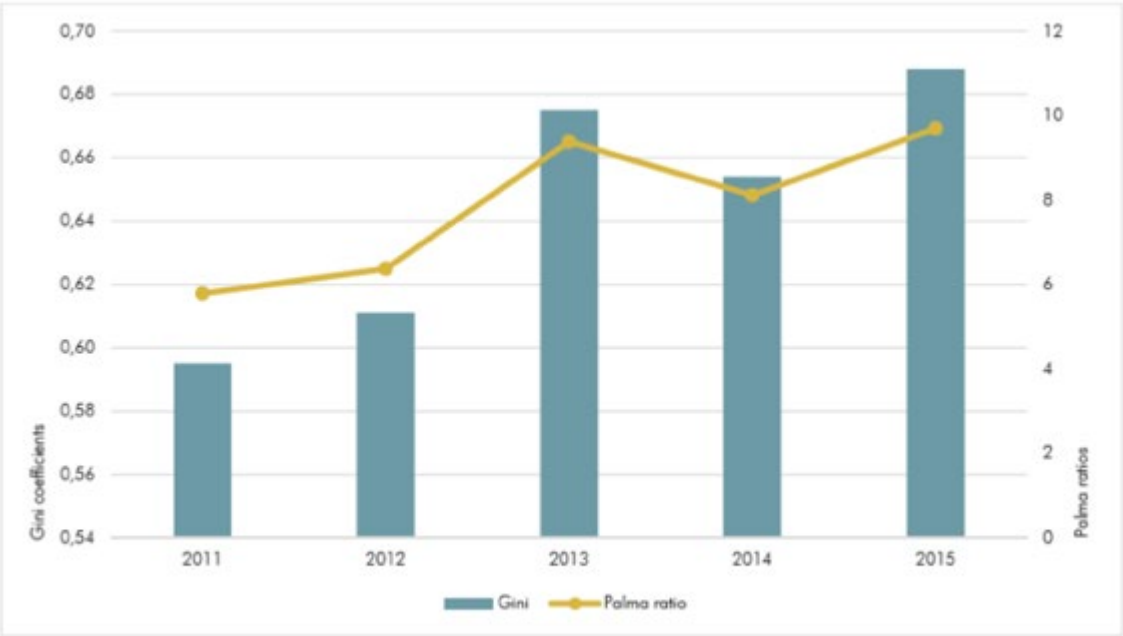
Year	NEA	Employed	Unemployed	Total	Unemployment rate
2011	44,3	41,9	13,8	100,0	24,8
2012	43,8	42,2	14,0	100,0	24,9
2013	43,2	42,7	14,0	100,0	24,7
2014	42,9	42,8	14,3	100,0	25,1
2015	41,5	43,7	14,8	100,0	25,3
2016	41,3	43,0	15,7	100,0	26,7
2017	40,2	43,4	16,4	100,0	27,5

Source: QLFS (2011–2017)

Notes: 1. All entries are reported in percentages. 2. The unemployment rate is calculated as the ratio of % unemployed/(100% – NEA).

RETURN TO DISCUSSION

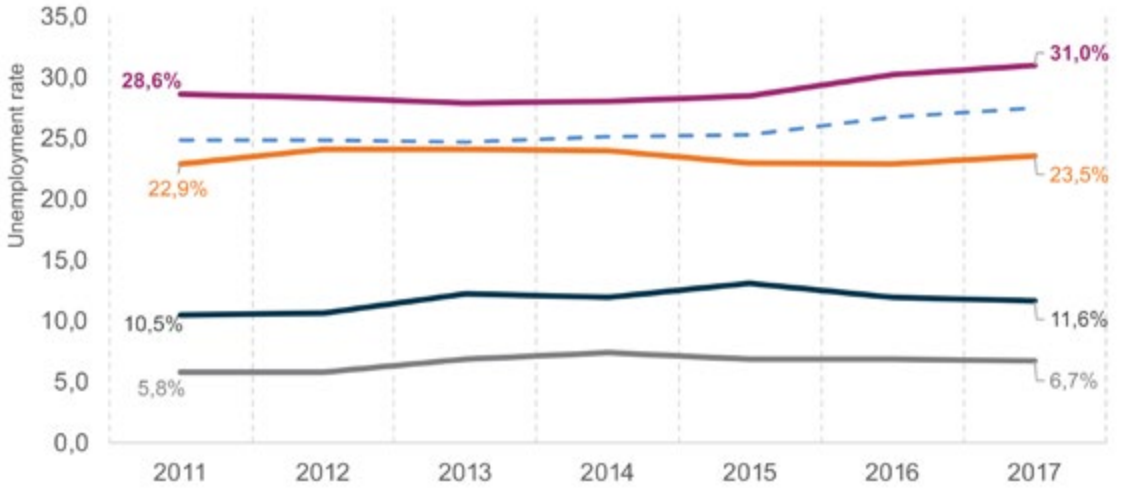
Figure 22: Gini coefficients and Palma ratios of real monthly earnings (PALMS 2011-2015)



Source: PALMS (2011–2015); own calculations

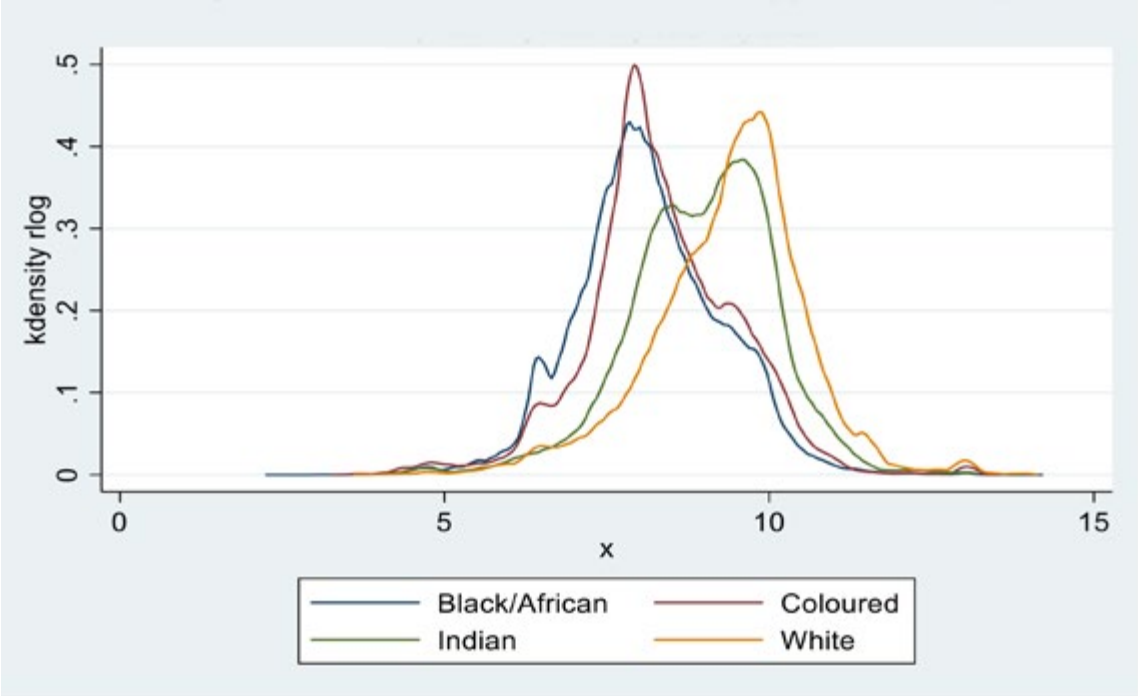
RETURN TO DISCUSSION

FIGURE 23: Trends of unemployment rates by population group (QLFS 2011-2017)



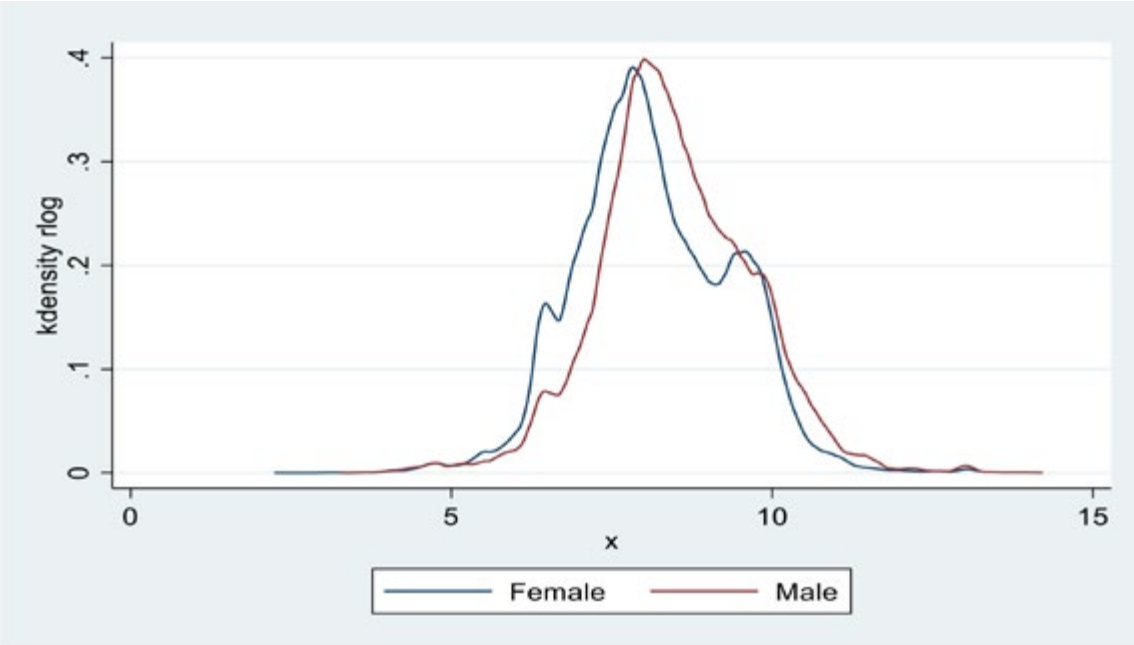
RETURN TO DISCUSSION

Figure 24: Kernel density plot of log (real earnings), by race (PALMS 2011-2015 combined)



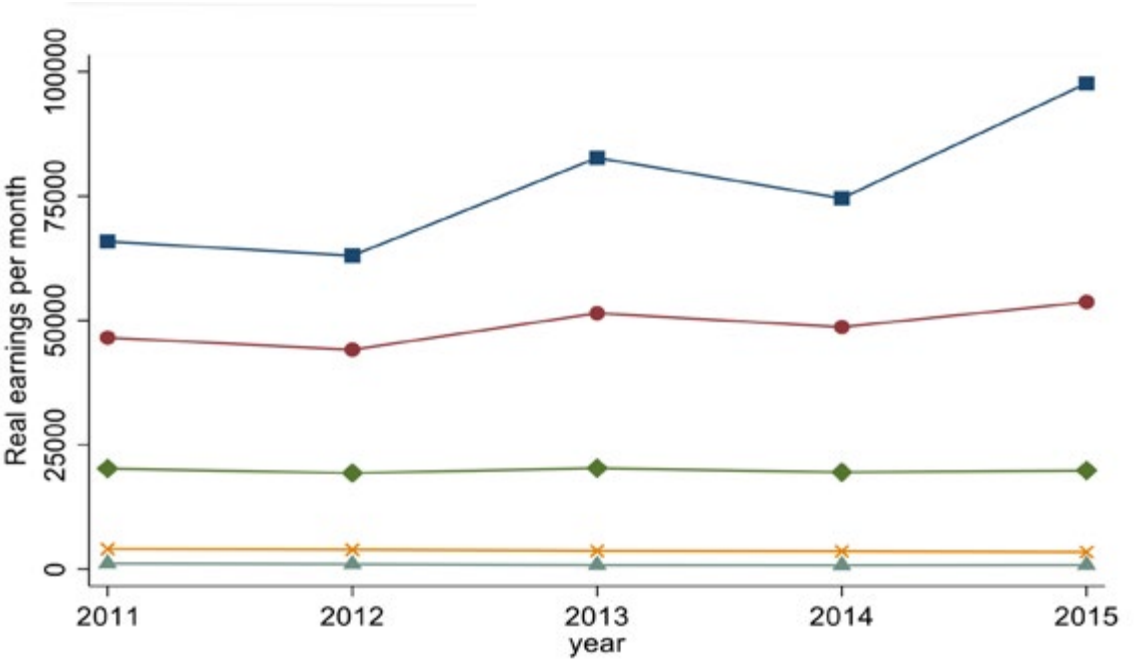
RETURN TO DISCUSSION

Figure 25: Kernel density plot of log (real earnings), by race (PALMS 2011-2015 combined)



RETURN TO DISCUSSION

FIGURE 26: Percentiles of real earnings per month (PALMS 2011-2015)



RETURN TO DISCUSSION

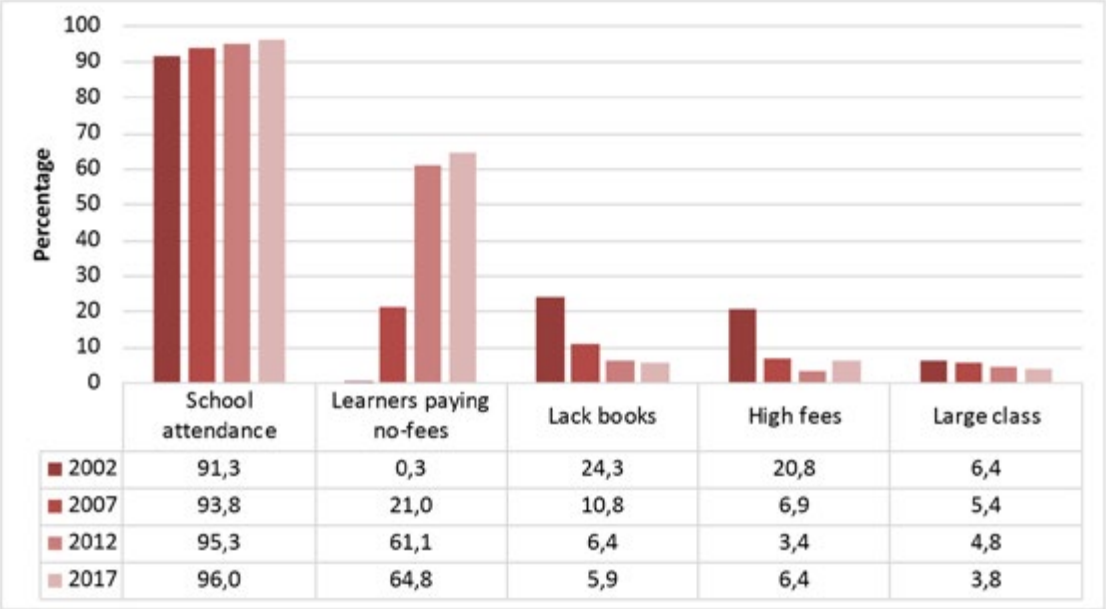
Figure 27: Transition matrices (overall) (NIDS 2008-2017)

	NEA	Searching	Employed regular	Self employed	Total
NEA	51,5	21,0	22,4	5,2	100,0
Searching	34,9	27,1	31,2	6,8	100,0
Employed regular	11,7	8,3	75,6	4,5	100,0
Self employed	23,0	10,5	27,1	39,5	100,0
Total	27,1	15,3	49,9	7,7	100,0

Source: NIDS (2008–2017); own calculations

RETURN TO DISCUSSION

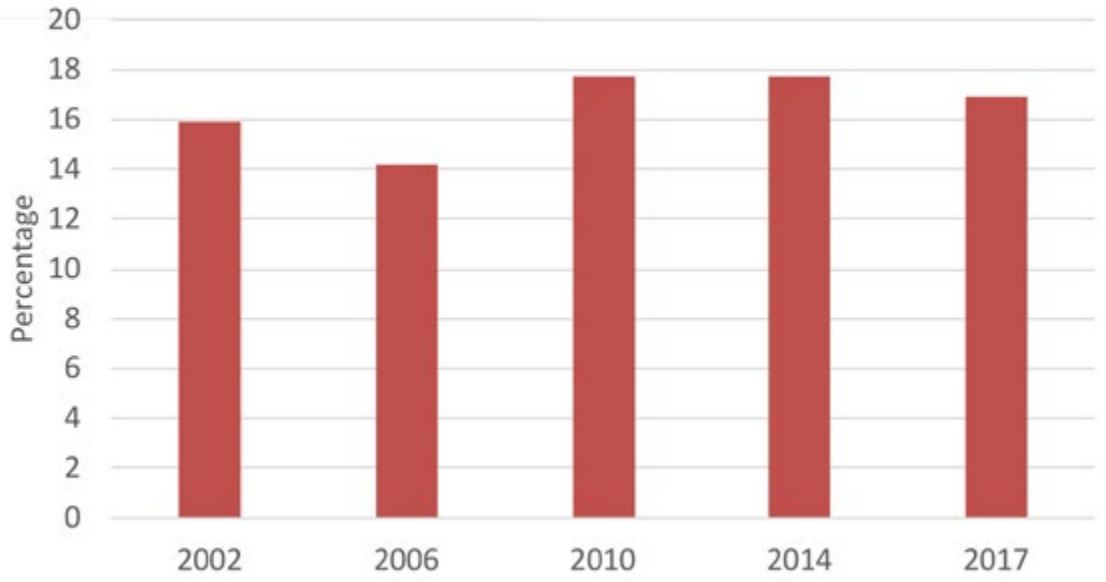
FIGURE 28: Proportion of learners (GHS 2002-2017)



	School attendance	Learners paying no-fees	Lack books	High fees	Large class
2002	91,3	0,3	24,3	20,8	6,4
2007	93,8	21,0	10,8	6,9	5,4
2012	95,3	61,1	6,4	3,4	4,8
2017	96,0	64,8	5,9	6,4	3,8

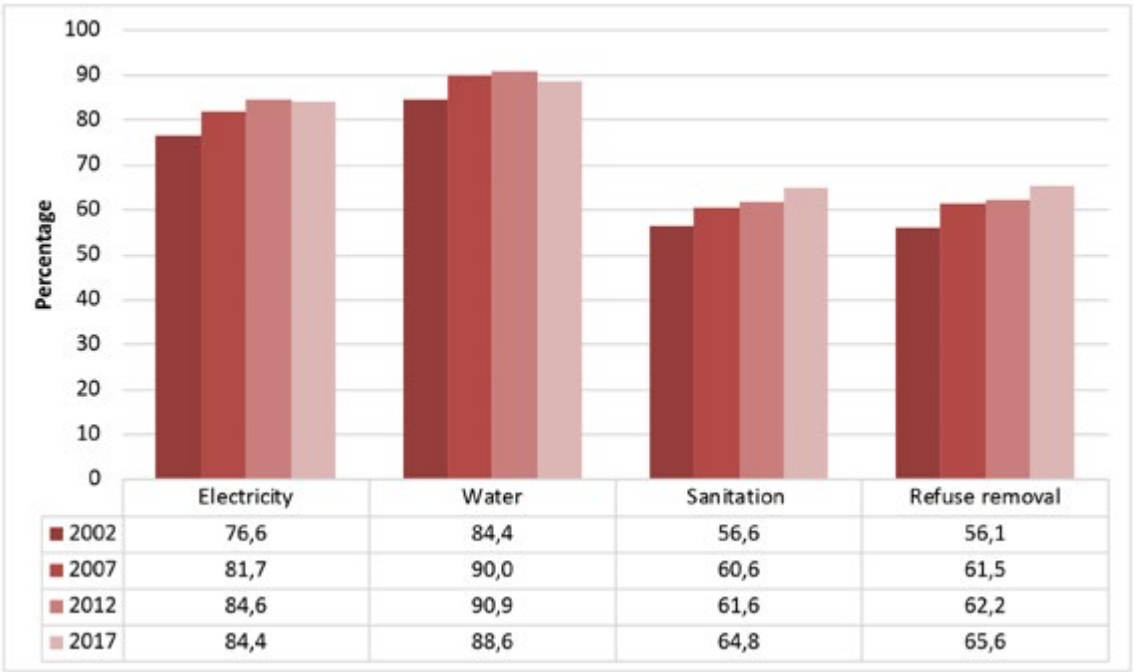
RETURN TO DISCUSSION

FIGURE 29: Proportion of households having access to medical aid at the national level (GHS 2002-2017)



RETURN TO DISCUSSION

Figure 30: Share of households having access to basic services (GHS 2002-2017)



	Electricity	Water	Sanitation	Refuse removal
2002	76,6	84,4	56,6	56,1
2007	81,7	90,0	60,6	61,5
2012	84,6	90,9	61,6	62,2
2017	84,4	88,6	64,8	65,6

RETURN TO DISCUSSION

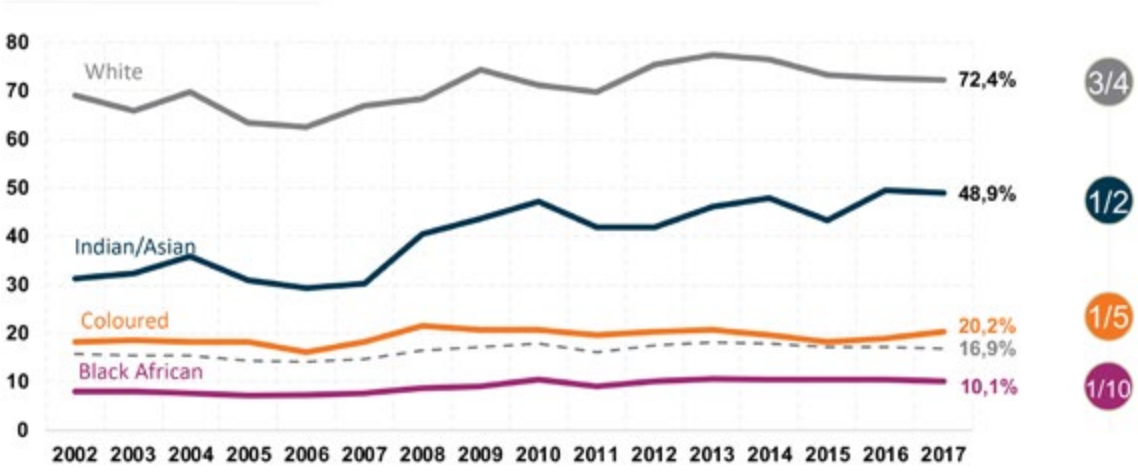
FIGURE 31: Proportion of learners aged 6-18 years who benefited from the government's nutrition programmes, by province (GHS 2010-2017)

RETURN TO DISCUSSION

FIGURE 32: Proportion of learners aged 6-18 years who attended public educational institutions and benefited from no-fee policy, by province (GHS 2002-2017)

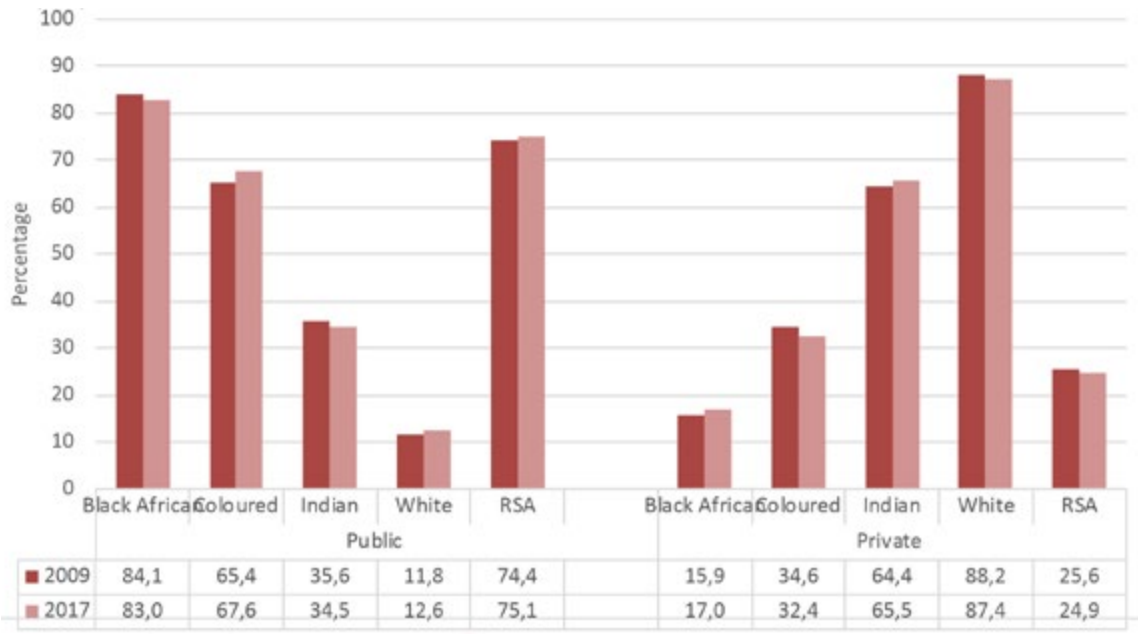
RETURN TO DISCUSSION

FIGURE 33: Proportion of individuals with access to medical aid, by population group (GHS 2002-2017)



RETURN TO DISCUSSION

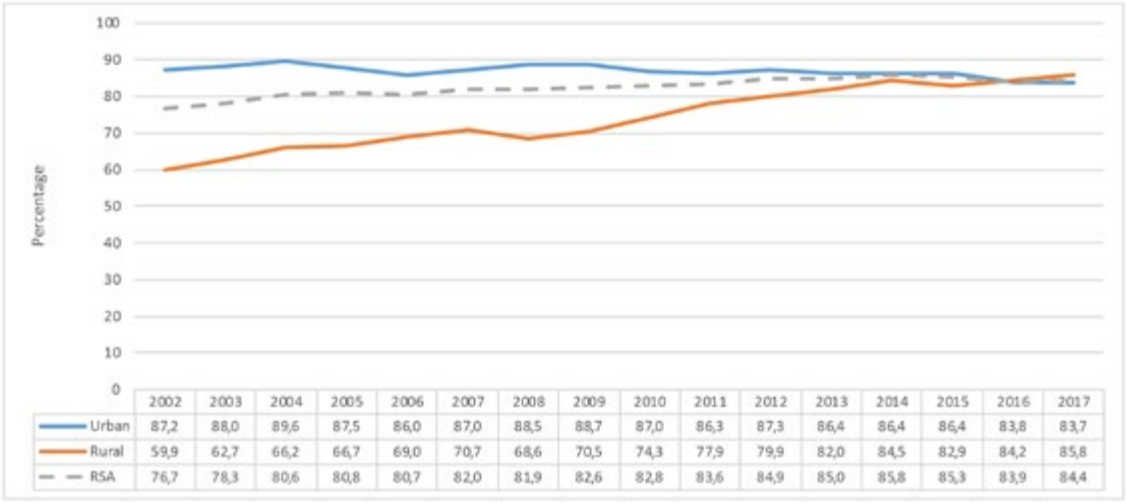
FIGURE 34: Proportion of households that use health facility, by type of health facility and population group (GHS 2009-2017)



	Public					Private				
	Black African	Coloured	Indian	White	RSA	Black African	Coloured	Indian	White	RSA
2009	84,1	65,4	35,6	11,8	74,4	15,9	34,6	64,4	88,2	25,6
2017	83,0	67,6	34,5	12,6	75,1	17,0	32,4	65,5	87,4	24,9

RETURN TO DISCUSSION

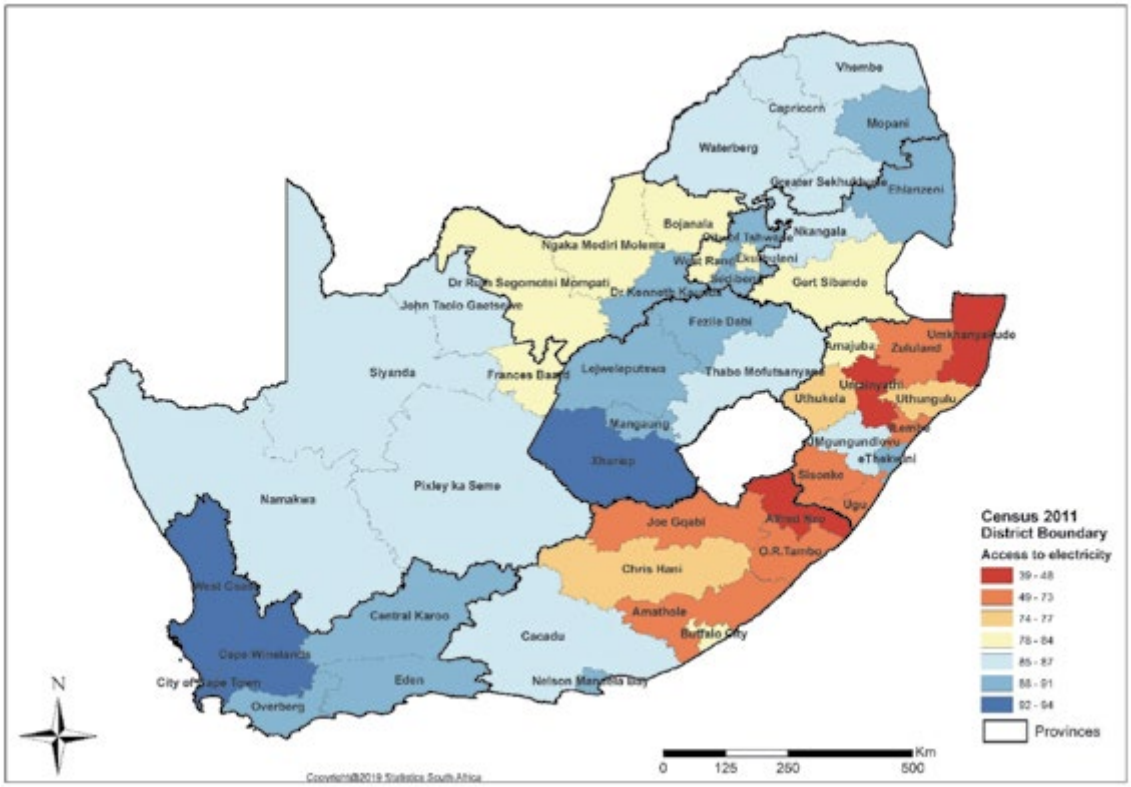
FIGURE 35: Proportion of households with access to electricity from the main electricity supply, by settlement type (GHS 2009-2017)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Urban	87,2	88,0	89,6	87,5	86,0	87,0	88,5	88,7	87,0	86,3	87,3	86,4	86,4	86,4	83,8	83,7
Rural	59,9	62,7	66,2	66,7	69,0	70,7	68,6	70,5	74,3	77,9	79,9	82,0	84,5	82,9	84,2	85,8
RSA	76,7	78,3	80,6	80,8	80,7	82,0	81,9	82,6	82,8	83,6	84,9	85,0	85,8	85,3	83,9	84,4

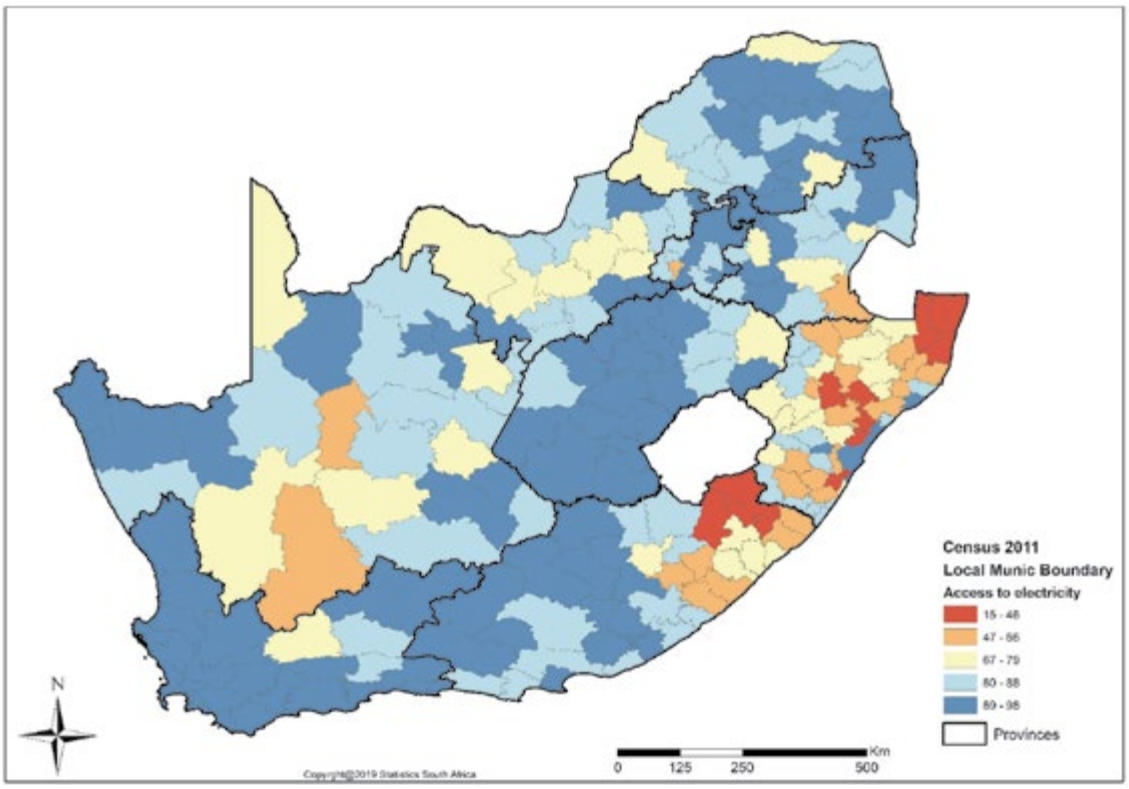
RETURN TO DISCUSSION

FIGURE 36: Proportion of households with access to electricity, by district municipality (Census 2011)



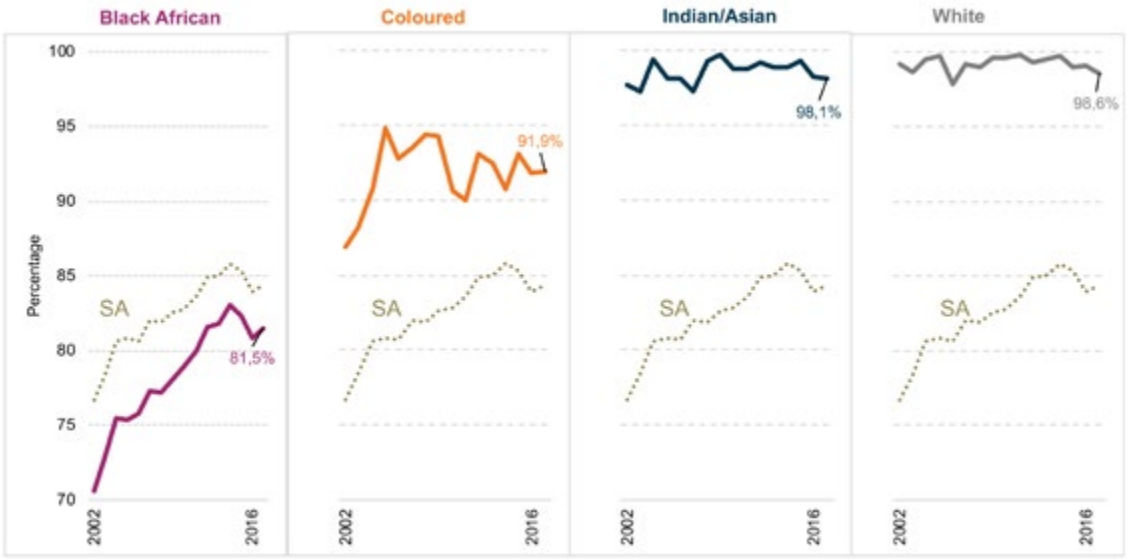
RETURN TO DISCUSSION

FIGURE 37: Proportion of households with access to electricity, by local municipality (Census 2011)



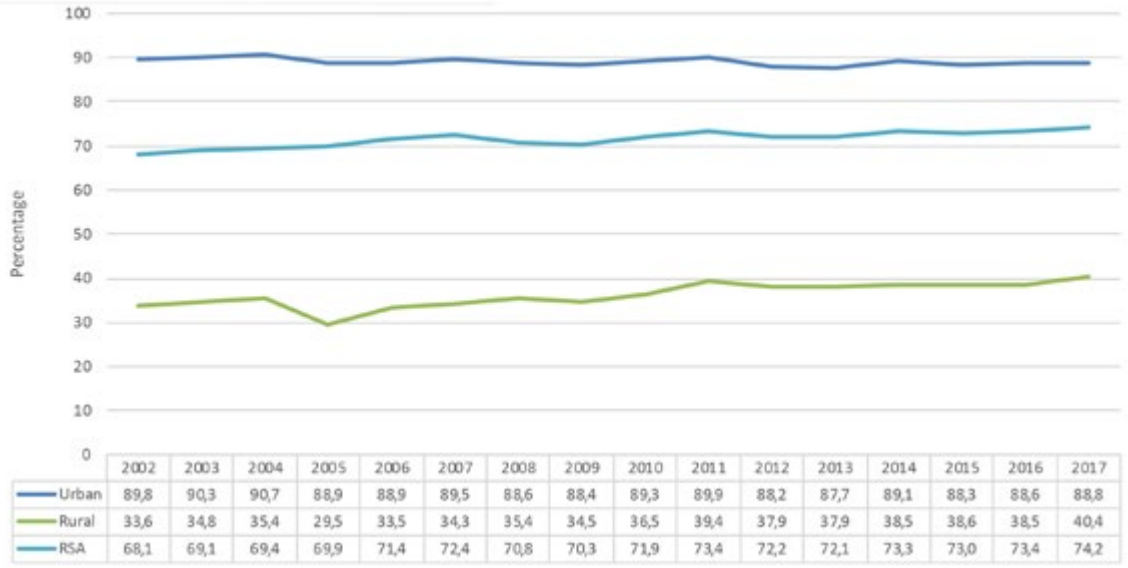
RETURN TO DISCUSSION

FIGURE 38: Proportion of households with access to electricity from the mains electricity supply, by population group of household head (GHS 2002-2017)



RETURN TO DISCUSSION

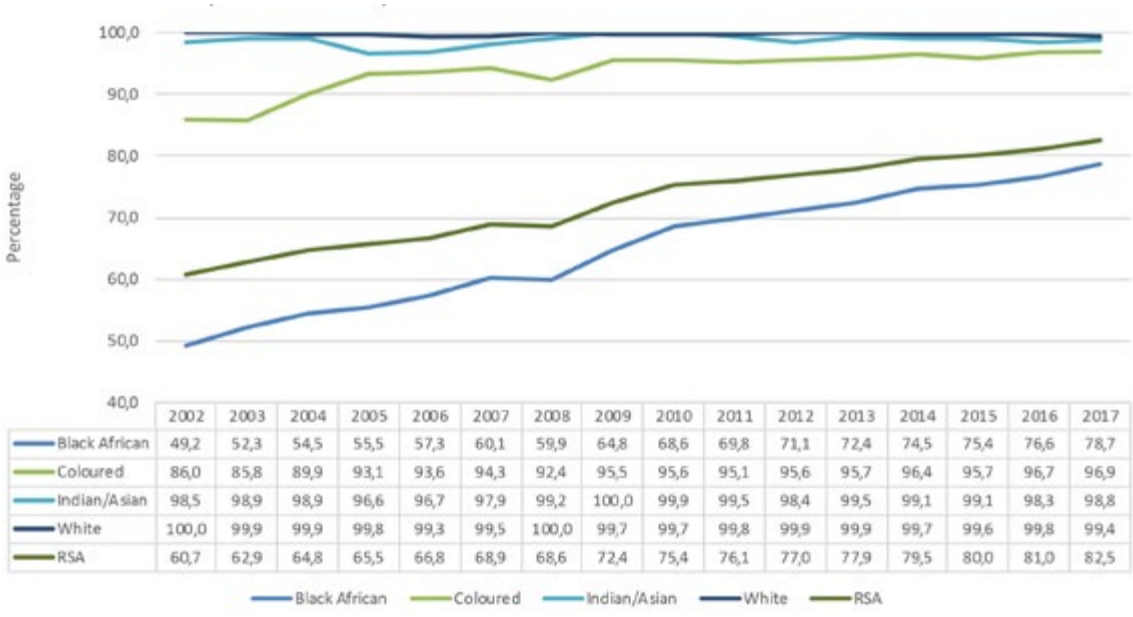
FIGURE 39: Proportion of households with access to piped or tap water inside a dwelling or on-site, by settlement type (GHS 2009-2017)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Urban	89,8	90,3	90,7	88,9	88,9	89,5	88,6	88,4	89,3	89,9	88,2	87,7	89,1	88,3	88,6	88,8
Rural	33,6	34,8	35,4	29,5	33,5	34,3	35,4	34,5	36,5	39,4	37,9	37,9	38,5	38,6	38,5	40,4
RSA	68,1	69,1	69,4	69,9	71,4	72,4	70,8	70,3	71,9	73,4	72,2	72,1	73,3	73,0	73,4	74,2

RETURN TO DISCUSSION

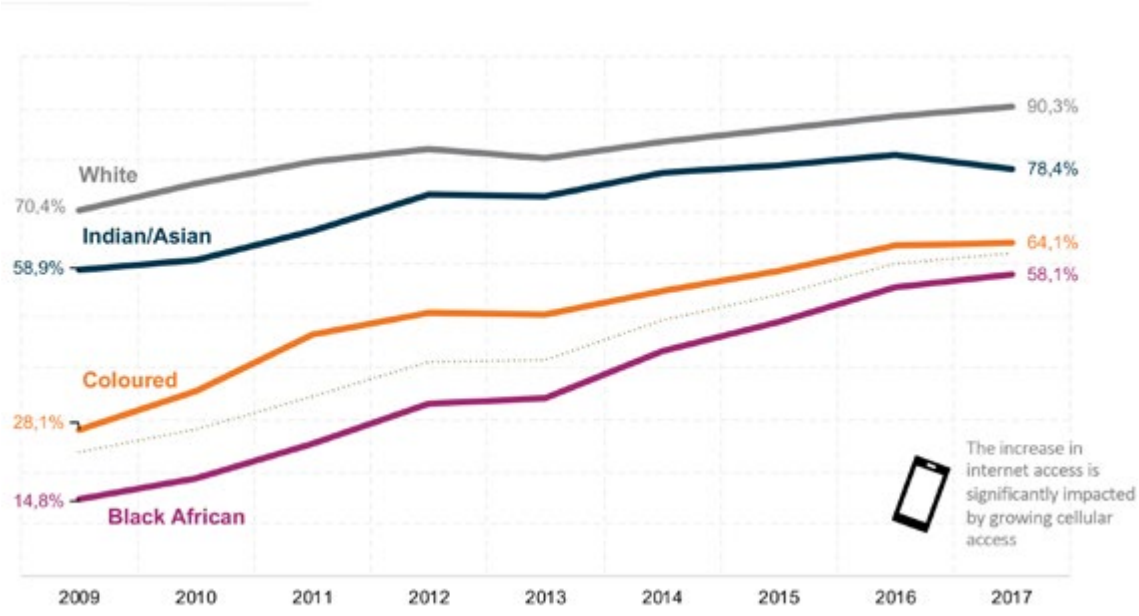
FIGURE 40: Proportion of households with access to improved sanitation, by population group of the household head (GHS 2002-2017)



	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Black African	49,2	52,3	54,5	55,5	57,3	60,1	59,9	64,8	68,6	69,8	71,1	72,4	74,5	75,4	76,6	78,7
Coloured	86,0	85,8	89,9	93,1	93,6	94,3	92,4	95,5	95,6	95,1	95,6	95,7	96,4	95,7	96,7	96,9
Indian/Asian	98,5	98,9	98,9	96,6	96,7	97,9	99,2	100,0	99,9	99,5	98,4	99,5	99,1	99,1	98,3	98,8
White	100,0	99,9	99,9	99,8	99,3	99,5	100,0	99,7	99,7	99,8	99,9	99,9	99,7	99,6	99,8	99,4
RSA	60,7	62,9	64,8	65,5	66,8	68,9	68,6	72,4	75,4	76,1	77,0	77,9	79,5	80,0	81,0	82,5

RETURN TO DISCUSSION

FIGURE 41: Proportion of households that had access to internet connection, by population group of household head (GHS 2009-2017)



RETURN TO DISCUSSION