

Dossiê: Desigualdades, estratificação e justiça social

Social justice in South Africa

Justiça social na África do Sul

*Jayanathan Govender**

Abstract: South Africa is the world's most unequal country. Poverty and inequality, exacerbated by unemployment are the country's foremost challenges. The present government has made significant progress regarding the provision of basic services and broadening the social wage. However, the unfortunate reality is that inequality grew since the advent of democracy over twenty years ago. This development runs contrary to the commitments of the South African Constitution and social policy provisions, thereby raising more serious questions of rights and social justice. The continuity, depth and breadth of inequality, including the extraordinary financial and social costs is linked to the legacy of apartheid. Inequality is structurally embedded spatially and economically. Crucially, inequality is also a function of access to opportunities and human development outcomes. The paper attempts a theoretical discussion of the relationship between inequality, poverty and unemployment, which requires greater input; identifies some barriers to transformation; and presents tentative approaches towards lowering inequality.

Keywords: Social justice. Unemployment. Development. Policy.

Resumo: A África do Sul é o país mais desigual do mundo. A pobreza e a desigualdade, agravadas pelo desemprego, são os desafios mais importante do país. O atual governo tem feito progressos significativos em relação à prestação de serviços básicos e ampliação dos benefícios sociais. No entanto, a triste realidade é que a desigualdade cresceu desde o advento da democracia, mais de vinte anos atrás. Esta evolução é contrária aos compromissos da Constituição Sul-Africana e a provisão de políticas sociais, tornando assim mais graves as questões de direitos e justiça social. A continuidade, profundidade e amplitude da desigualdade, incluindo os custos financeiros e sociais extraordinárias, estão ligados ao legado do apartheid. A desigualdade é estruturalmente condicionada, espacial e economicamente. Fundamentalmente, a desigualdade é resultado do acesso diferencial à oportunidades e produtos do desenvolvimento humano. O artigo apresenta uma discussão teórica sobre a relação entre a desigualdade, a pobreza e o desemprego; identifica também algumas barreiras para mudanças; e apresenta abordagens experimentais de redução da desigualdade.

Palavras-chave: Justiça Social. Desigualdade. Desemprego. Desenvolvimento. Política.

* PhD in Public Administration and Management from the University of KwaZulu-Natal, Durban, South Africa. Senior Lecturer in Industrial, Organizational and Labour Studies, School of Social Sciences, University of KwaZulu-Natal, Durban, South Africa <govenderj1@ukzn.ac.za>.

Introduction

The democratic experience for most South Africans is poverty, unemployment and exclusion. In 1998, then Deputy President Thabo Mbeki famously claimed a “two-nations” thesis, one white and prosperous and the other black and poor. The contradiction is sharpened by the relative economic growth experienced during the first decade of democracy, yet worsening inequality of incomes persists in current day South Africa. The World Development Report of 2006 states that South Africa’s income inequality is the highest in the world (World Bank, 2006). The report graphically opens with the hypothetical birth of two South African children on the same day in 2000. Nthabiseng is a girl child, black, born to a poor family in a rural area. Pieter is a boy child, white, born to a wealthy family in the city of Cape Town. The contrasts and respective life experiences are starkly apparent by family histories, levels of education, life expectancy, development of human potential, access to financial instruments, income generation possibilities, etc. The contradiction is most pointed later when Nthabiseng has the vote and thus indirectly influence public policy, but she still suffers from the legacy of apartheid’s unequal access to opportunities and political power. It is said that the road to fundamental change in economic and social conditions is a very long one.

The continuity of South Africa’s deep social and economic crisis is well known and comprehensively documented. The National Development Plan 2030 (RSA, 2012) identifies nine primary challenges: (1) too few people work; (2) the quality of school education for black people is poor; (3) infrastructure is poorly located, inadequate and under-maintained; (4) spatial divides prevents inclusive development; (5) the economy is unattainably resource intensive; (6) the public health system cannot meet demand or sustain quality; (7) public services are uneven and often of poor quality; (8) corruption levels are high; and (9) South Africa remains a divided country. The National Development Plan is intended as the comprehensive answer for change in South Africa.

This work sets out (1) features of poverty and inequality in South African society; (2) attempts a theoretical understanding of inequality; (3) describes the multi-dimensional nature of poverty; (4) discusses policy interventions; and (5) identifies barriers to transformation.

Features of poverty and inequality in South African society

The features of poverty and inequality are complex, multi-dimensional, deeply embedded across the generations. The social costs of poverty are

evident in the poor quality of life of children, youth the elderly and rural women. Poverty poses real threats to the pursuit of social cohesion and development. Increasing violence and crime is attributed to poverty, as is social choice.

Economic growth and inequality

The body of work that explains the economic and social crisis and its continuity after 21 years after democracy is well writ. In some senses, the record appears contradictory and sometimes counter-intuitive. The first decade of democratic dispensation in South Africa was hailed in many ways as an economic success. Macroeconomic stability was restored, the country's debt level was reduced to internationally accepted norms, and the country attained an investment-grade credit rating. Growth was high in 2005, there were capital inflows and the rand was strong at that time. As a result of these achievements, economic growth and employment were finally beginning to increase, with observers as recently as 2007, predicting that economic growth would average five percent during the remainder of the decade.

However, behind the positive impression, the evidence shows that inequality in South Africa is structurally embedded, with race taking preeminence. Statistics SA (2014) highlights the significant differences in poverty levels between the population groups. In terms of poverty share, more than 9 out of 10 (94.2%) poor people in South Africa were black in 2011, a proportion that increased from 2006 (92.9%) to 2009 (93.2%). When framed against the black share of the total population (79%), the deep structural scale of poverty associated with race presents a multi-dimensional quandary for policy makers.

The Millennium Development Goals (RSA, 2013) claims that development targets are on track, and Unicef (2010) vouches for major development achievements. However, several other voices are reporting opposing views. An Oxfam report (2014) warns of growing inequality in South Africa. South African media exposes widening income and wealth gap in South Africa (Sunday Times in New Agenda, 2014). Research bodies like the Alternative Information Development Centre show that the world-wide economic depression following the 2008 crisis, affected the South African economy severely (Reddy, 2014), and the Bureau for Market Research reflects on growing concerns for the country's socio-economic tribulations characterized by high unemployment, persistent high levels of poverty and the increasing gap between the rich and poor, as well as expenditure pressures by South African households (Unisa, 2011).

The South African labour movement disaggregates the social and economic crises into four categories: unemployment which stands at about 37% of the workforce; poverty understood as 12 million of a population of 53 million unable to meet the basic requirements of daily life, i.e. forego food, shelter and clothing; persistent, if not increasing inequality, earning the status of most unequal for the country in the world after 21 years of achieving democracy; and increasing levels of corruption, with particular reference to various governance systems and parts of the private sector (Cosatu, 2013).

In a twist of logic, poverty, unemployment and homelessness are ascribed to be the fault of South Africa's poor (Khan, 2015). The state president of South Africa, President Jacob Zuma in making critical remarks about people in the local media, intimated that citizens were too reliant on the government to resolve their problems and basic needs (Marrian, 2015). The state president also claimed that South Africans had started to become lazy since the shackles of apartheid were loosened (Eyewitness News, 2016).

The country's 10 richest people have a combined wealth of R 205 billion, an 81.4% increase from R 113 billion in 2014. The increase occurred in one year when GDP growth was about 1.5% (New Agenda, 2014).

Yet, despite these economic gains, huge disparities remain in South African society. Although there is evidence to suggest that income inequality has narrowed somewhat over the last decade, South Africa's income inequality remains one of the highest in the world according to the World Development Report of 2006.

In South Africa, poverty and unemployment are inextricably linked. According to Statistics South Africa, the number of unemployed individuals in 2005 was considered to be over 8 million persons if one subscribed to the expanded definition of unemployment. Overall, inequality is widening as a result of the unemployment crisis.

For the period 1996 to 2006, there has actually been a slight rise in inequality in South Africa as a whole (the Gini coefficient increased from 0.60 to 0.64). Within race groups, inequalities increased among black South Africans from 0.53 to 0.64; for coloureds from 0.48 to 0.56; for Indian South Africans from 0.47 to 0.50. The only race group where inequality has declined in post-apartheid South Africa was for whites – the Gini coefficient declined slightly from 0.45 to 0.44.

Statistics SA reports that poverty levels in the country have dropped from 57.2% in 2006 to 45.5% in 2011. This translates to 23 million people

living below the upper-bound¹ poverty line. The reason for the improvement in the poverty level is the combination of the growing safety net, income growth, above inflation wage increase, decelerating inflationary pressure and an expansion of credit.

Table 1. Poverty headcounts in 2006, 2009 and 2011

Poverty headcounts	2006	2009	2011
Percent of the population that is poor	57.2%	56.8%	45.5%
Number of poor persons (millions)	27.1	27.8	23.0
Percent of population living in extreme poverty	26.6%	32.4%	20.2%
Number of extremely poor persons (millions)	12.6	15.8	10.2

Source: Statistics South Africa, 2014.

There are significant differences in poverty levels between the populations groups in South Africa. In terms of poverty share, more than 9 out of 10 (94.2%) poor people in South Africa were black in 2011. For the other population groups, 41.6% of coloureds were found to be poor, as were 13.0% Indians/Asians and very few, 0.6% whites (Statistics SA, 2014).

The poverty gap is used as an indicator to measure the depth of poverty. The gap measures the average distance of the population from the poverty line (R 443 per month in 2011) and is expressed as a percentage of the poverty line. In 2006, blacks had a poverty gap of 31.6%, twice as large as the gap for coloureds at 17.0% and significantly larger than that for Indians/Asians at 3.3% or for whites at 0.2%. The severity of poverty is therefore twice as large for blacks than other groups.

Children in South Africa suffer from the highest levels of poverty. In 2006, more than two-thirds (68.9%), those aged 17 and younger were living in poverty. The poverty gap for children stood at 33.9% in 2006. The share for this youngest age cohort is alarming. In 2011, children constituted 37.6% of the total population and constituted the largest group in poverty. Levels of poverty were also high among youth aged 18-24 – six out of ten (60.2%) were living in poverty in 2006. Collectively, six-tenths (61.3%) of all poor were under the age of 25.

¹ In 2012, SA published a set of three national poverty lines – the food poverty line (FPL), lower-bound poverty line (LBPL) and upper-bound poverty line (UBPL). FPL refers people with inadequate diet; LBPL people can acquire non-food items, but requires that food is sacrificed; and UBPL people can purchase both adequate food and non-food items.

The World Bank (2012) reports that the GDP growth of 3.2% a year since 1995 (1.6% per capita) was insufficient to absorb the wave of new entrants into the labour markets. The potential for growth has been constrained by industrial concentration, skills shortages, labour market rigidities and low savings and investments rates. However, the rates of return to capital has been highly profitable. The Bank also notes that the equalizing role of social assistance on income inequality remains extraordinarily high. Accordingly, the policy approach must emphasize equity rather than equality.

Income and expenditure

Statistics SA (2015) examines three sources of income: income from salaries and wages from businesses; income from social pensions; and other income. Income from salaries and wages from businesses accounted for 72.0% earned from 2006 to 2011. Half, 49.0% of this category of income was earned by households headed by whites, while blacks accounted for 37.6%, Indian/Asian for 4.8%, followed by 8.5% for coloureds.

Less than one out of ten rand, 6.1% was earned from social pensions in 2006. Blacks shared 78.6% of social pensions, coloureds shared 7.7%, Indian/Asians shared 2.2% and whites shared 11.4% in 2006. In 2006, other income accounted for 14.6% of total income.

As income is not evenly distributed among South Africans, so is household expenditure. The share of national consumption between the richest and poorest remains stagnant. The richest 20% of the population account for over 61% of consumption in 2011, down from a high of 64% in 2006. National consumption for the poorest 20% remains below 4.5%.

Expenditure according to population groups differ sharply. White headed households had the highest average expenditure followed by Indians/Asians, coloureds and blacks.

When framed against population shares: 80.2% blacks; 8.8% coloureds; 2.5% Indians/Asians; and 8.4% whites, it can be clearly seen that income and expenditure takes on racial dimensions (Statistics SA, 2014a).

Economic cost of reducing poverty

The National Development Plan's uses the lower-bound poverty line of R 443 (2011 prices) as a target for eliminating all poverty below this line by 2030. In 2011, 32.3% of the population (about 16.3 million) were living below this poverty line. Government envisages that it will cost R 31.7 billion per annum to eliminate poverty at this level (RSA, 2012).

A different approach is taken by Statistics SA (2014b), which uses the upper-bound poverty-line and estimates the minimum cost to eradicate poverty in 2011 was R 74 billion. This minimum cost translates to 3% of GDB.

Employment and unemployment

The distribution of unemployment reflects the nature of inequality in terms of race, gender, location and age.

Table 2. Unemployment by gender and race

	Narrow (%)	Expanded ¹ (%)
By gender		
Women	26.3	37.7
Men	22.4	30.7
By population group		
Black	27.1	38.5
Coloured	23.0	26.8
Indian/Asian	12.5	17.1
White	7.2	8.4

¹ Includes those discouraged from seeking work.
Source: Statistics SA, 2012.

The comparative overall unemployment rate during the periods 1994 and 2014 shows increases in the narrow definition of unemployment (22% and 25% respectively) and is unchanged for the expanded definition (35% in both periods).

Table 3. Comparative overall unemployment rates: 1994 and 2014

	1994	2014	Change	Change%
Narrow definition				
Employed (thousand)	8,896	15,055	6,159	69.2
Unemployed (thousand)	2,489	5,067	2,578	103.4
Labour force (thousand)	11,386	20,122	8,736	76.7
Unemployment rate	22%	25%	+3,3%	–
Expanded definition				
Unemployed (thousand)	4,707	8,157	3,450	73.3
Labour force (thousand)	13,603	23,212	9,609	70.6
Unemployment rate	35%	35%	–	–

Source: Statistics SA, 2015.

Unemployment affects blacks most. And black youth are the most affected by unemployment. 48.9% of the age group 15-24 years are unemployed (Statistics SA, 2014c).

Along with unemployment, wage inequality affects overall labour market inequality (UNDP 2014). The current unequal labour market was inherited from the apartheid labour market labour structure which was built on cheap black labour where the white working class were paid relatively high wages. Given the combination of high unemployment, a large number of non-earners remain at the bottom of wage distribution. A further consequence of the sharp contrast between high and low wage earners is that data such as mean wages are not an accurate reflection of earnings. Wages is also contentious for its racialized structure.

Understanding inequality

The South African government makes reference to the triad of unemployment, poverty and inequality as representing the most urgent challenges facing south African society. It is unclear how government sources rationally explain the triad in relationship, if the concepts are in a relationship at all. Motala (2015) argues that even if the concepts are used interchangeably, inequality has causal primacy in the relationship. Inequality manifests from high levels of unemployment and poverty due largely to the control of global wealth; and incomes and investments resources of a small corporate and financial global elite whose interests dominate global events, including development. The Oxfam Report (2014) supports this explanation. Inequality has many dimensions, including race, gender, geography and economy which do not work in isolation. It is the concentration of wealth by a few that affect the political, social and cultural processes to the detriment of the most vulnerable.

The claim that extreme inequality hinders the fight against poverty is a new dimension towards understanding development and theory. Oxfam research is showing that in Kenya, Indonesia and India, millions can be saved from poverty if income inequality were reduced. Oxfam and the Brookings Institute (2016) make a similar claim: globally, economic disparities pose even greater challenges as they can contribute to cycles of poverty, disease, social unrest and political turmoil

The Oxfam Report (2014) argues that extreme inequality undermines economic growth. It also argues against the claim that tackling inequality damages economic growth. The report refers to studies by the International Monetary Fund that document how economic inequality caused the global financial crises. It seems that the growth approach is losing ground, given

that this approach results in the ‘winner takes all’, i.e. growth benefits only the wealthy.

The World Bank’s campaign towards “a world free of poverty” is based upon two goals: “end extreme poverty by 2030 and promote shared prosperity” (World Bank, 2015a). The goals are aligned to the Millennium Development Goals (MDGs). The respective measurables are reduced ratio headcount of extreme poverty, i.e. the share of the population whose income is below the international poverty line (\$1.90 a day), and the promotion of income growth in the bottom 40% of the population in each country. Both the measures are understood as monetary poverty or income poverty and usually refers to ‘extreme’ poverty. The shared prosperity goal is gauged by the income growth of the bottom 40 percent (B40).

The 2030 target for ending extreme poverty is ambitious and the policy and programme approaches are unknown. Since the target is global, efforts by individual countries are not guaranteed. Contextual factors then will also be challenging.

The 2015 World Development Report: Mind, Society, and Behavior (World Bank, 2015b) proposes an understanding of social choice and behavior that can make development interventions more effective. Psychological and anthropological research suggest that poverty generates a mental model through which the poor view themselves. For instance, it is believed that poor people can dull their capacity to imagine a better future. The mental model intends to alter how poor people recognize their potential, thereby increasing developmental outcomes. Accordingly, development policy will be shaped by the World Bank’s Global Insights Initiative (Gini) which aims to incorporate behavioral insights into intervention designs.

The United Nations (2014) argues that the three concepts of poverty, unemployment and inequality interact in complex ways, with evidence that high levels of social and economic inequality can constrain the scope for growth, in particular growth necessary to create jobs and reduce poverty. Where there is high inequality, growth often reproduces existing patterns of distribution. The argument is in line with that of Oxfam, that the wealthy are the main beneficiaries. The UN therefore argues that addressing inequality is a necessary condition for a sustainable decrease in poverty. Growth as a means of addressing poverty in the absence of public policies to address inequality may yield limited returns.

The Human Development Report 2015 (UNDP, 2015) – Rethinking work for human development – conceptually shifts from jobs to work. A job is a narrow concept, time-bounded and requires inputs of labour resulting in

a service or commodity. Work is a broader and inclusive concept which is critical for human development. Thus the idea is to improve human potentials. However, the causal link between work and development is not automatic. The UNDP approach will target sectoral issues including youth, gender, agriculture, rural development, informal work and work during crisis. The key targets are youth and women who constitute 50% of the global population respectively.

The Millennium Project's 2015-6 State of the Future (2016) identifies fifteen global challenges. Regarding the challenge of the gap between the rich and poor, while poverty is decreasing, the per capita income gap and inequality is increasing. The increasing concentration of wealth is one of main factors undermining the rich-poor reduction. The 2014 World Economic Forum identified income disparity as the most likely global risk over the next decade, while in 2015, growing unemployment and underemployment were seen as being both likely and serious. The ratio between wages and profit is increasingly and dangerously imbalanced, undermining long-term economic prosperity. However, the 1% versus 99%² movement has the potential for raising the consciousness of people world-wide, question financial leadership, advocate for a fairer economic system, and call for more sustainable prosperity and human dignity.

Piketty's (2014) book *Capital in the twenty-first century* argues that inequality is the inevitable outcome of capitalism. He argues that the period of falling inequality – as in Western Europe in the 1950s and 1960s – are aberrations of aggressive policy, i.e. steeply progressive income tax and the welfare state. Falling inequality over this period, he argues, was also caused by the massive destruction of the inherited property of the wealthy during World Wars 1 and 2. Piketty's key postulation is that the returns on capital always exceed economic growth. Thus the earnings of capital, i.e. the rich, always grow faster than the earnings of labour, i.e. the poor. The rich are able to save enough of their earnings to ensure that their stock of capital always grow as fast as the economy and so inequality widens.

To combat inequality Piketty proposes higher marginal income tax rates for the wealthy and for a global wealth tax. Without a wealth tax, inequality cannot be reduced because of the ability of the wealthy to hide their true income. The tax must be global because wealth is highly mobile and the wealthy will move it to more favourable tax regimes.

² Reference to the Oxfam Report which claims that the richest 1% of people own more than the rest of world put together.

The lessons for South Africa is not straight forward. Unlike Latin America inequality was narrowed by social transfers, higher minimum wages and rising employment (Keeton, 2014). In South Africa, by contrast, income inequality has hardly changed despite the social wage reaching about 16 million poor people. Inequality persists and is increasing.

Stiglitz (2012) has warned that global financial crisis showed that markets could be very unstable with devastating consequences. The bankers had taken bets that, without government assistance, would have brought them and the entire economy down. While the virtue of market is supposed to be efficiency, it is not efficient. One of the basic laws of economics – necessary if the economy is to be efficient – is that demand equals supply. But the world is in a state of huge unmet needs – where investments to bring the poor out of poverty, and development strategies and programmes are not properly developed. Rather than reversing inequality, it is growing, there is greater unfairness (opportunity), breakdown of social cohesion, fundamental values are being eroded by the market system, and the political system is under great strain. South Africa is among those countries that is grappling with these challenges.

Atkinson (2015) believes that there is great deal we can learn from the past. The past provides both a yardstick by which we can judge what could be attainable in terms of reducing inequality and clues as to how it could be achieved. South Africa is among those countries that is grappling with these challenges. Systematic empirical data, historical studies of income distribution and records of country experiences have improved recently. Inequality was reduced during the post-war decades in Europe. This decline in inequality was the product of several equalizing forces in the period from 1945 to 1970s. These equalizing mechanisms, including conscious policies – have subsequently ceased to operate or gone into reverse. Atkinson (2015) refers to development as the ‘inequality turn’ taken since the 1980s. Since then inequality has risen in many countries, including Latin America. Therefore bringing South Africa’s structural inequality under clear focus is an urgent task.

The consequences of inequality

It is clear that South Africa is a very different country after twenty years of institutionalized democracy. Successive African National Congress governments have made significant changes to the ordinary life of citizens. Freedom is real for the majority. There are major gains socially, politically and culturally. South Africa is well known around the world for its progressive Constitution and strong public institutions. However, poverty, unemployment and inequality remain the country’s most challenging problems.

It seems that despite a progressive public policy platform, South Africa's problems appear to be rooted in the legacy of apartheid. The inherited legacy explains why high levels of inequality persists in relation to race, gender and location, which is compounded by inter-generational continuities.

Statistics South Africa (2014) notes the positive impact of providing a social wage package to reduce poverty. It is the foundation of government's effort to improve the daily lives of the poor. The social wage includes free primary health care; no-fee paying schools; social grants in the form of old-age pensions and child support grants; Reconstruction and Development Programme housing; and the provision of basic services to households in the form of water, electricity and sanitation. According to the MDG Country Report (2013), close to 60% of government spending is allocated to the social wage, and expenditure on these have doubled in the past decade. Some outcomes of the social wage have been impressive: 1.5 million free homes were constructed and free basic education was provided to the poorest 60% of learners. The social wage appears to have become the only source of income of livelihood for the poor.

Multi-dimensional nature of poverty

Poverty is multi-dimensional and linked to other social, economic and political factors in a given context.

Poverty and education

There are significant differences in levels of poverty among the adult population when examined against the level of education they attained. In 2006, only 6.0% of individuals with an education level of higher than matric were living in poverty. In stark contrast, those individuals with little or no education suffered significantly higher levels of poverty. More than three-quarters (78.5%) of adults with no formal schooling were poor in 2006, as were seven out of every ten (70.5%) adults with some primary school education. The relationship between education and poverty appears strong.

Education is important for labour market outcomes, including the distribution of employment and wages. The state of the labour market in turn influences a far wider set of social and economic factors, as well as social policy.

Poverty and settlement type

Poverty levels differ according to settlement type. In 2006, eight out of ten (80.8%) people living in rural areas were poor, which is double that

for urban areas at 40.7%. In terms of poverty share in terms of population distribution, 58.0% poor people lived in rural areas, indicating that the severity of poverty was far worse in rural areas than in urban areas.

Inequality at the individual level

As indicated elsewhere, the South African government is of the view that its programme and strategies are having a positive impact on those who are the poorest. However, while the poverty situation may be improving, inequality remains a serious problem. The Gini coefficient based on expenditure data is 0.65 and 0.69 on income data in 2011 (Statistics SA, 2014). This level of inequality is among the highest in the world.

Table 4. Inequality: 2006, 2009 and 2011

Inequality indicators	2006	2009	2011
Gini coefficient (income)	0.72	0.70	0.69
Gini coefficient (expenditure)	0.67	0.65	0.65
Share of national consumption of poorest 20% (per capita)	4.4%	4.4%	4.3%
Share of national consumption of richest 20% (per capita)	64.1%	61.4%	61.3%

Source: Statistics SA, 2014.

Economic and social environments

Statistics SA (2014b) reports that economic growth was robust from 2004 to 2007 as South Africa reaped the benefits of macroeconomic stability and global commodities boom. The country's strong growth slowed during the first three quarters of 2008 due to the electricity crisis and then was further set back during the subsequent global financial crisis. In 2008, the world economy went into turmoil as the financial crisis in the US intensified and spread to other economies around the world. The uncertainty of the financial markets, particularly in industrialized countries such as the US, Euro area and Japan, led to depressed confidence and undermined the outlook for domestic demand. The South African economy weakened considerably in 2009, recording the lowest quarterly growth in the last eleven years leaving South Africa officially in recession. As a consequence, one million jobs were lost following the sharp decline in demand for South Africa's exports and the drop in commodity prices. Growth in jobs only occurred in 2011, mainly in the public sector.

Accordingly to the Reserve Bank's Annual Report (2012), real final consumption expenditure by households declined for the first time in 17 years in 2009. The South African economy came under pressure in the face of the difficult global developments, exacerbated by domestic instabilities. Widespread labour disputes and strikes reduced output and exports, and undermined investor and business confidence. Consumer confidence also weakened markedly. The economy grew at a rate of 2.5 per cent in 2012 but the outlook is poor following the 0.9 per cent annualized growth rate in the first quarter of 2013 (SA Reserve Bank, 2012). This was the lowest growth rate since the 2009 recession.

Between 2004 and 2012, consumer inflation was highest, averaging 8.7% between September 2008 and August 2009. Poor households experience the worst effects of consumer inflation as they spend a higher proportion of their income on food (Statistics SA, 2014a).

Social assistance in South Africa has expanded considerably since 2000, growing from about 3 million grants to 15 million by 2001 (Statistics SA, 2014). The growth in grants has been primarily driven by the expansion of child support grants which increased from about 150,000 recipients in 2000 to over 10 million in 2011. This grant covers children up to the age of 16. The key idea behind the social assistance system is reduction of poverty.

A further growing problem is the increasing levels of household debt to increase their spending power. According to the National Credit Regulator (Statistics SA, 2014a) credit granted almost doubled from R 53.6 million in 2009 to R 98.9 million in 2011. The expansion of credit has come mainly in the form of unsecure lending, and the risk to households is increased should they default on their loans. Households that have managed to graduate out of poverty could easily slip back into poverty if their debt situation becomes unsustainable.

In the final analysis, Statistics SA (2014a) claims that despite the economic downturn in 2009, South Africa succeeded in reducing poverty between 2006 and 2011. This was driven by the expanding social safety net, some income growth, above inflation wage increases, decelerating inflation, expansion of credit and growth on formal housing (i.e. mainly reconstruction and development housing) provided by government. It is therefore a combination of factors that has aided the country in poverty alleviation.

Notwithstanding the claims of improvements in poverty levels, the two greatest episodes of dispossession faced by black people is in relation to land and South Africa's mineral wealth (UNDP, 2014). Black people were unable to accumulate assets and therefore forced into cheap labour, in particular the

mining sector. These present challenges for the state which is already in place for over twenty years, show little progress policy and programme wise to address systemic inequality and democratic rights. Inequality of opportunity then is major barrier that blacks have to break free from. It is clear that inequality as it is presently experienced in South Africa will constrain the argument for, and efforts towards, economic growth.

Policy interventions

Inequality matters and requires serious social policy interventions. The evidence is clear that economic growth leads to increasing inequality. Rich people save more than poor people, so inequality aids the process of capital accumulation. The evidence also shows that inequality has declined in Latin America though conscious government led programmes. If these are the goal posts for transformation, what then are the possibilities for the real elimination of inequality in South Africa?

The UNDP (2014) is of the view that policy must answer the following questions:

- How to overcome the continued reproduction of high levels of inequality or opportunity?
- How to maximize the scope for redistributive policies not only to ameliorate inequality, but also to act as an investment in unlocking economic development and growth?
- How to address the underlying structural issues that contribute to the reproduction of inequality, including the structures of ownership, the sectoral composition of the economy and spatial inequality, in order to unlock employment growth?

The concern is about rights, institutional failings, access to public goods and services and inequality on the basis of race, gender and location. However the key challenges lies in the stubborn structural factors reproducing income, asset and spatial inequalities; an emerging threat, i.e. the capture of rents by a small but politically-connected black elite; and the land question, which is locked in either by white ownership or communal authorities. The current policy plans to share commercial land with farmworkers by 50% is threatening evictions and job loss. The policy makers are trapped by radical policy imperatives and unintended consequences.

The World Bank's (2015a) poverty reduction strategy aspires towards ending extreme poverty and promoting shared prosperity, sustainable economically, environmentally and socially. These aims are aligned with the Millennium Development Goals (MDGs). The strategy recognizes particular

challenges globally, viz. pockets of deep and multidimensional poverty; contextual factors and uncertainties; long-term environmental sustainability; and policy actions and institutional interventions.

The shared prosperity goal is aimed at the B40, seeking to raise the average income growth in absolute terms. The goal is linked to the non-income dimensions and concepts of equity and equality. The approach is very much aligned to Sen's (2005) concept of capability. Capability refers to the set of valuable functioning that a person has effective access to. Thus, a person's capability represents the effective freedom of an individual to choose between different functioning combinations – between different kinds of life – that she has reason to value. Sen argues that the correct focus for evaluating how well off people are is their capability to live a life we have reason to value, not their resource wealth or subjective well-being.

The broader focus has led to the understanding of multidimensionality and inclusive development – benefits accruing to the less well off. The approach has similar tones to Gandhian economic principles of the staged development of economics: from self-centered stages of parasitic and predatory, to the production and consumption stage referred to as the enterprising stage, to the fourth, gregarious stage, where production is greater than consumption, to the fifth stage of the service economy (Kumarappa, 1951). The service stage is preferred where group life, public institutions and society is organized in service for the greatest good. One of the last notes left behind by Gandhi in 1948, expressing his deepest social thought, was his talisman:

I will give you a talisman. Whenever you are in doubt, or when the self becomes too much with you, apply the following test. Recall the face of the poorest and the weakest man [woman] whom you may have seen, and ask yourself, if the step you contemplate is going to be of any use to him [her]. Will he [she] gain anything by it? Will it restore him [her] to a control over his [her] own life and destiny? In other words, will it lead to swaraj [freedom] for the hungry and spiritually starving millions? Then you will find your doubts and your self melt away (Kumarappa, 1951).

The Mapungubwe Institute for Strategic Reflection (2013) reflects on the experiences of China, Germany and Brazil. China has lifted some 200 million people from poverty; Germany has succeeded in maintain a low unemployment rate; and Brazil has managed to reduce income inequality over the past ten years. Based on these experiences the institute proposes interventions in the areas of sustainable economic growth, with an emphasis on shared growth and pro-growth poverty reduction; education and skills training; employee stock

ownership plans; incomes policy and minimum wage, and reducing the cost of living for the poor. Added to the above measures, social wage interventions, supported by quality and efficient public institutions are necessary.

Current barriers to transformation

Khan (2015) suggests that the existing dispensation is fraught with various forms of socio-economic, structural and direct violence which the African National Congress (ANC) led government has failed to control. The first is the partnering and growth of the ANC and state leadership elite, state technocratic managers and the emerging black capitalist stratum, who have adopted an indifference to poverty and inequality. The prioritization of (elite) deracialization over (socio-economic) desegregation trumps justice and redistribution. The second is ‘new national nationalization’ which deliver racially divisive politics, which frustrate the efforts to build viable growth and development and inclusive citizenship. The third is the rise of authoritarianism manifested in increasing police remilitarization, mass media suppression, victimization of the poor, criminalization of squatter camps and evictions, manipulation of the judicial process and appointment of public service personnel. The alienation is aggravated by radical and violent community contestation of the social wage and public service delivery.

Keeton (2014) argues that the impact of the possible higher taxes on the rich on government’s ability to expand the existing grants system is negligible. Currently, only 2.3% of South Africa’s taxpayers earned more than R 750,000.00 per annum. They earned 17.8% of taxable income and paid 30.3% of personal tax. If the average rate of tax for this cohort was raised to 41%, this brings in only an additional R 8.1 billion in income tax – or 1.4% of total tax revenue. Once again, if the tax rate for this cohort were raised to 46%, which will raise an additional R 16.0 billion – just 2.7% of total taxes, will make the option negligible.

Keeton (2014) also argues even if South Africa is able to generate jobs for the 8 million unemployed no matter how low paying they might be, inequality will not be reduced. This is because of the high degree of income inequality in the workplace. Rather, the unemployed need to be moved into higher paying wage jobs for the impact to be substantial.

Trade liberalization, which was introduced in South Africa in the 1990s, had the impact of simplifying tariff structure and lowering protection levels. Most crucially, the incomplete debate is around its impact on employment. A World Bank study (2004) argued that South African manufacturing might be an engine for growth, but not of (direct) employment creation.

Since 1994, i.e. after the first democratic election in South Africa, the ANC government put out development policies including the Reconstruction and Development Programme (RDP) (led by the labour movement); Growth, Employment and Redistribution Programme (GEAR); Accelerated and Shared Growth Initiative for South Africa (ASGISA); Joint Initiative on Priority of Skills Acquisition (JIPSA); and currently the National Development Plan (NDP). The RDP was thought of as a progressive programme with a clear focus on people centered development. However, the programme and the ministry responsible for it was abandoned due to international pressure since it appeared too radical, if not socialist. It was replaced by GEAR which was criticized by the left for its neoliberal character. (A number of other plans were devised such as rural and urban development plans, industrial development strategies and a developmental state.) These, and ASGISA and JIPSA policies appear to have faded from the government agenda and public attention in favour of the NDP, supported by the New Growth Path, the Industrial Policy Action Plan, and the Presidential Infrastructure Coordinating Commission.

The National Development Plan envisions a South Africa where everyone feels free; where everyone embraces their full potential; a country where opportunity is determined not by birth, but by ability, education and hard work. The vision includes the transformation of the economy and focused efforts to build the country's capabilities. Crucially, the plan relies on grow of the economy faster to eliminate poverty and inequality. Several references were made regarding this chosen approach which argued that the growth path actually leads to increasing inequality. The challenge for policy makers is implementation towards achieving the bicameral targets by 2030, which are to eliminate income inequality (household income below R 419 per month) from 39% to zero and reduce inequality from Gini coefficient 0.69 to 0.6.

The policy least spoken of is the Macro-economic Policy Framework (1993) a monumental work of the Macro-Economic Research Group set up by the ANC in anticipation of taking over governance. The framework takes a practical and positive outlook for economic security for all South Africans, especially the most disadvantaged. It recognizes that without a new growth path, political transformation itself will be in jeopardy. Despite difficult conditions globally and domestically, the new economy can be achieved. The framework was a lone substantial voice calling for real structural and institutional changes in the economy. However, it was rejected by the ANC bowing to massive pressure from global stakeholders and domestic business. The South African establishment and western political and economic circles

were perturbed by the ANC's ties to the then Soviet Union and liberation movements aiming at anti-capitalist transformations (Freund, 2013). This rejection, including other pressures affected the confidence of the ANC in pursuing a radical economic and social agenda.

The consensus is that there is no quick and easy solutions to the inequality problem in South Africa. The preferred policy option points to substantive improvements in human capital of the poor, which is rather simplistic. Social policy must be an inclusive and exhaustive process. The debate must extend to the social relations of society and regimes of trade, debt and finance, as well as racism, sexism, geographical discrimination, technological exclusion, ecological systems and sustainable development. Critically, the hegemonic practices of global capital and their client states must come under focus. Of critical importance is the role of civil society in inclusive considerations of social policy.

Conclusion

Social inequality is a serious feature in the structure and precarious ordering of South African society. Income-related inequality associated with ownership of capital and other assets, lack of access to opportunities, services and benefits and individualized inequality are endemic. Children, youth and women, and people in the rural areas are most at risk. The inequality gap is on the raise, despite great rewards accruing to the wealthy. This work outlined the South African landscape according to the breadth and depth of poverty and inequality; attempted a theoretical understanding of inequality; described the multi-dimensional nature of poverty; identified the barriers to transformation; and finally, discussed policy interventions.

The once contentious claim that the rich get richer and the poor get poorer appears to be based on fact. The global context is also evidence that a serious crisis is in the making in South Africa and elsewhere. The efforts to correct the suffering of large masses of people by governments and international organizations have failed to reduce or eradicate poverty.

This inequality crisis is not only a human crisis, but a crisis of rights and social injustice. The presence of extreme poverty is an injustice and to allow injustice to continue is unimaginable. Hunger, discrimination, poor health, vulnerability, insecurity, lack of opportunities in an advancing 21st century casts a shadow on the collective humanity.

South Africa is among the most unequal countries in the world. It is locked in state of contradiction, where opulence is found amidst extreme want. It is neither resource scarce nor food insecure, yet people lack access to them.

The efforts by government to reverse poverty, inequality and unemployment is in process through various policy interventions. They are slow and critical targets are set into the distant future of 2030. Nobody can be sure if they will be realized at all. One way is to utilize the lessons of Latin America which must be adapted for local social policy.

South African needs to improve the efficiency of the public service; bring more of the poor into the social security net, reexamine work, remuneration and the structure of the labour market; intensify education and training; radicalize the ownership of land issue; and upscale development programmes.

The current adversarial stance by government and citizens must be replaced with the involvement of communities in their own development. There is wide ranging international experience of successful participation technologies. We are also witnessing a return to development theory of the 1980s which emphasizes human capability. Accordingly, social cohesion and reduction in inequality is possible and reachable.

References

- ATKINSON, Anthony B. *Inequality: What can be done?* Cambridge, Massachusetts: Harvard University Press, 2015.
- BROOKINGS Institute. 2016: Inequality <www.brookings.edu/research/topics/inequality> (9 Feb. 2016).
- COSATU. *Summary critique of the National Development Plan*, 2013 <www.cosatu.org.za/docs/discussion/2013/analysis.pdf> (9 Feb. 2016).
- EYEWITNESS News. *News 24*, 2016. <www.news24.com/SouthAfrica/Politics/Zuma-complains-about-lazy-South-Africans-20150325> (2 Feb. 2016).
- FREUND, William. Swimming against the tide: the Macroeconomic Research Group in the South African Transition 1991-94. *Review of African Political Economy*, v. 40, n. 1338, p. 519-536, 2013 <[10.1080/03056244.2013.854038](https://doi.org/10.1080/03056244.2013.854038)>.
- KEETON, Gavin. Inequality in South Africa. *The journal of the Helen Suzman Foundation*, v. 74, p. 26-31, 2014.
- KHAN, Firoz. Violence, grants, poverty, inequality, unemployment and hope. *Africa Insight*, v. 44, n. 4, 2015.
- KUMARAPPA, Joseph Cornelius. *Gandhian Economic Thought*. Sarva Seva Sangh Prakashan, 1951 <<http://www.mkgandhi.org/ebks/Gandhian-Economic-Thought.pdf>> (9 Feb. 2016).
- MARRIAN, Natasha. 2015: Citizens rely too much on state. *Business Day Live*. 2015 <www.bdlive.co.za/national/2015/03/25/citizens-rely-too-much-on-state-says-zuma> (29 Jan. 2016).
- MOTALA, Enver. Understanding inequality relationally. *Post-School Education Review*, v. 1, n. 4, p. 5-6, 2015.

- NEW AGENDA: South African Journal of Social and Economic Policy. *1st Quarter*, n. 53, 2014 <<http://www.ajol.info/index.php/na/issue/view/11809>> (21 June 16).
- OXFAM. *Even it up: time to end extreme poverty*. Oxford: Oxfam International, 2014.
- PIKETTY, Thomas. *Capital in the twenty-first century*. Cambridge, Massachusetts: Harvard University Press, 2014.
- REDDY, N. *Wages, profits and employment in post-apartheid South Africa*. Cape Town: AIDC, 2014.
- RSA. *The presidency. National Planning Commission*. 2012 <www.gov.za/sites/www.gov.za/files/Executive%20Summary-NDP%202030%20-%20Our%20future%20-%20make%20it%20work.pdf> (29 Jan. 2016).
- RSA. *Millennium development goals: country report*. 2013 <www.za.undp.org/content/dam/south_africa/docs/mdgs/MDG_October-2013.pdf> (29 Jan. 2016).
- RSA. *The National Development Plan 2030*. The Presidency, Pretoria. 2014.
- SA Reserve Bank. *Annual Report 2012/13*. Pretoria, 2012.
- SEN, Amartya. Human rights and capabilities. *Journal of Human Development*, v. 6, n. 2, p. 151-166, 2005 <[10.1080/14649880500120491](https://doi.org/10.1080/14649880500120491)>.
- STATISTICS SA. *Quarterly labour force survey quarter 4 2011*. Pretoria, 2012.
- STATISTICS SA. *Mid-year population estimates*. Pretoria, 2014a.
- STATISTICS SA. *Poverty trends in South Africa: an examination of poverty trends between 2006 and 2011*. Pretoria, 2014b.
- STATISTICS SA. *Poverty trends in South Africa: an examination of absolute poverty between 2006 and 2011*. Report No. 03-10-06. Pretoria, 2014c.
- STATISTICS SA. *Quarterly labour force survey*. Pretoria, 2014d.
- STATISTICS SA. *Earnings and spending in South Africa, 2006-2011*. Pretoria, 2015.
- STATISTICS SA. *Employment, unemployment, skills and economic growth: an exploration of household survey evidence on skills development and unemployment between 1994 and 2014*. Pretoria, 2015.
- STIGLITZ, Joseph, E. *The price of inequality*. London: Allen Lane, 2012.
- UNDP. *The impact of social and economic inequality on economic development in South Africa*. TIPS. Pretoria, 2014.
- UNDP. *Human Development Report – rethinking work for human development*, 2015 <http://hdr.undp.org/sites/default/files/2015_human_development_report_1.pdf> (8 feb. 2016).
- UNICEF. *The impact of the international financial crisis on child poverty in South Africa*. Unicef South Africa and the Financial and Fiscal Commission: South Africa, 2010 <www.unicef.org/southafrica/SAF_resources_childpoverty.pdf> (9 feb. 2016).
- UNISA. *Household income and expenditure patterns in South Africa, 2011*. Bureau for market research, pretoria: unisa, 2011.

WORLD BANK. *World Development Report 2004: making services work for poor people*. London: Oxford University Press, 2004.

WORLD Bank. *World Development Report 2006: equity and development*. London: Oxford University Press, 2006.

WORLD Bank. *Economic Update: focus on inequality of opportunity*. Washington: The World Bank Africa Region Poverty Reduction and Economic Management, 2012.

WORLD Bank. *Ending extreme poverty and sharing prosperity: progress and policies*. Washington: Policy Research Note/15/03, 2015.

WORLD Bank. *World Development Report: mind, society and behaviour*, 2015. <www.worldbank.org/en/publication/wdr2015> (8 Feb. 2015).

Corresponding autor:
Jayanathan Govender
F166, MTB, Howard College
University of KwaZulu-Natal
Durban, 4041, South Africa

Received: 11 Feb. 2016

Approved: 18 May 2016