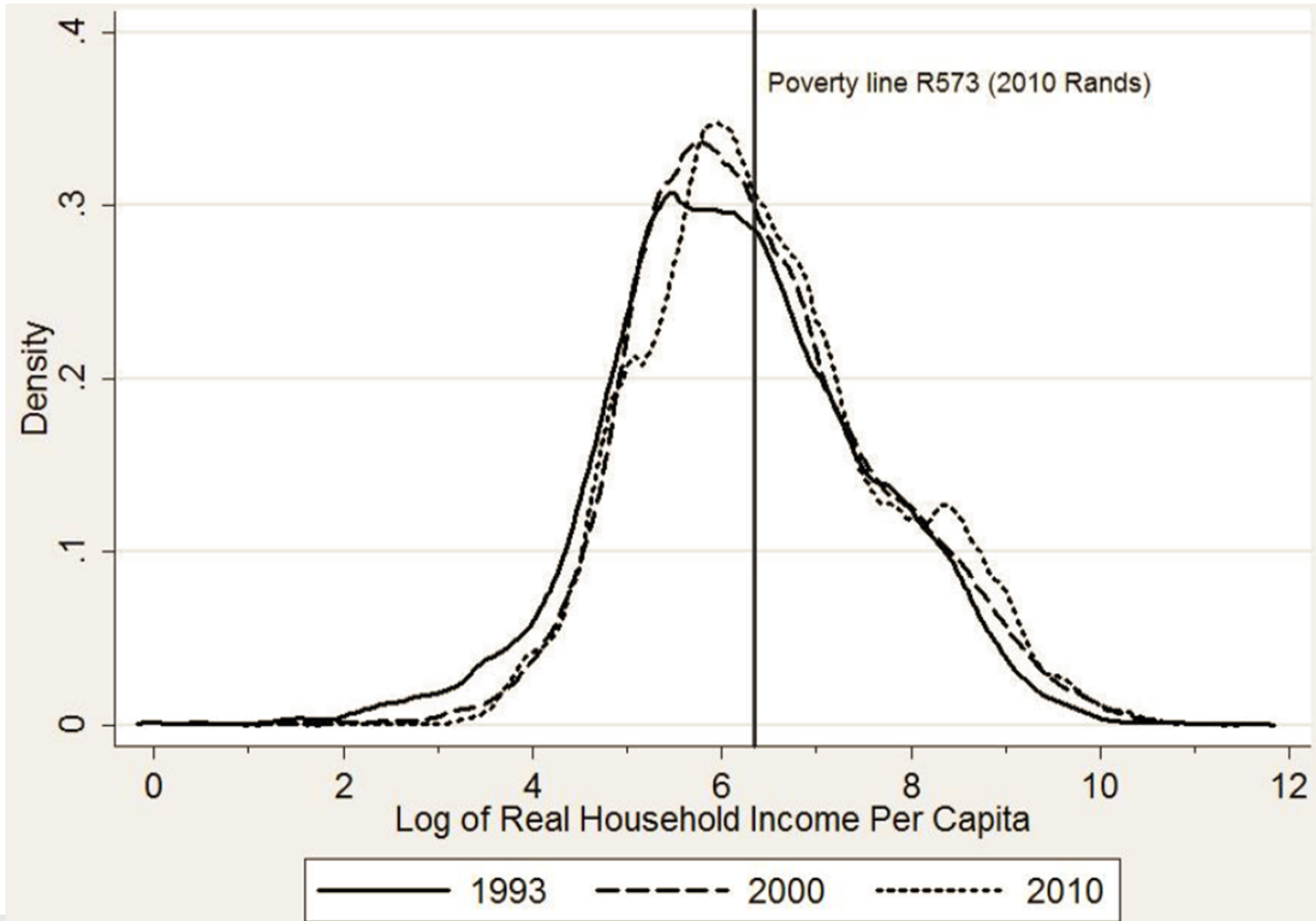# Saldru @ Thirty

**CHALLENGING INEQUALITIES THROUGH POLICY RELEVANT ACADEMIC RESEARCH.**

# Understanding the Texture and Multidimensionality Of Inequalities in South Africa
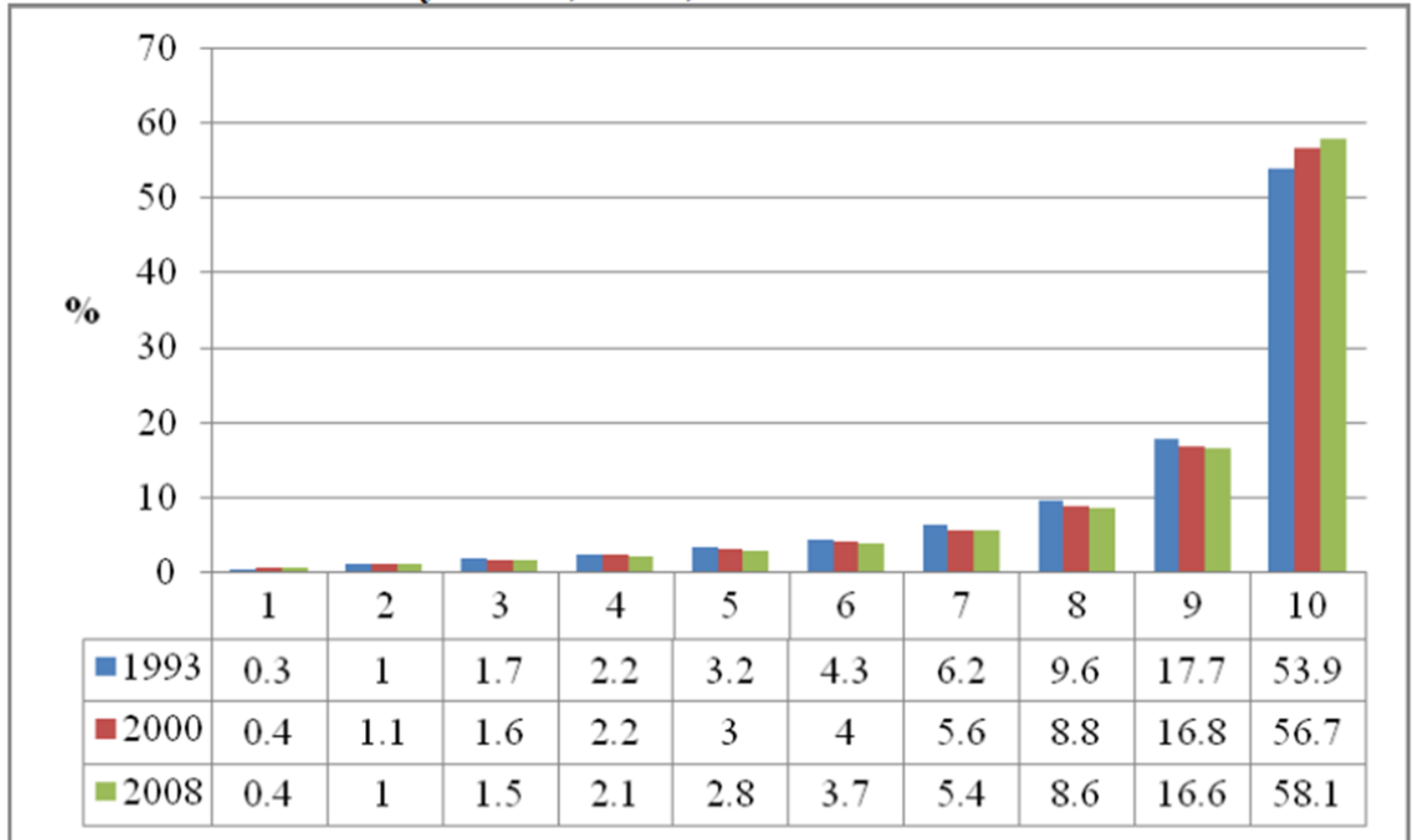
Murray Leibbrandt

# An Initial Focus on Income (or money metrics)
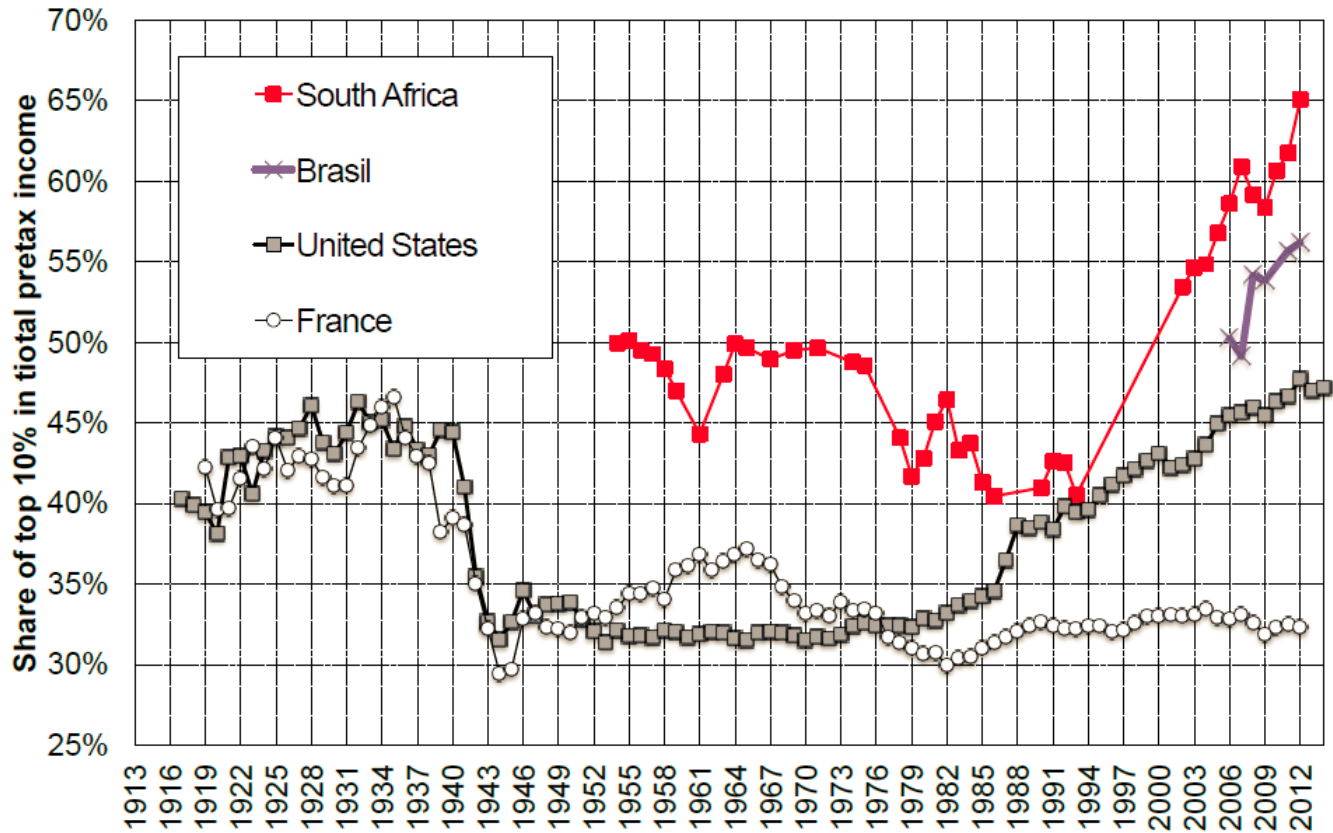
# Distribution of Income 1993, 2000, 2010

# South African Evidence

**Figure 4.1.1: Income shares by decile, 1993, 2000 and 2008**



|  | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|---|---|
| ■1993 | 0.3 | 1 | 1.7 | 2.2 | 3.2 | 4.3 | 6.2 | 9.6 | 17.7 | 53.9 |
| ■2000 | 0.4 | 1.1 | 1.6 | 2.2 | 3 | 4 | 5.6 | 8.8 | 16.8 | 56.7 |
| ■2008 | 0.4 | 1 | 1.5 | 2.1 | 2.8 | 3.7 | 5.4 | 8.6 | 16.6 | 58.1 |

# Top 10% income share
## South Africa, Brasil, United States, France

# Top 1% income share
## South Africa, United States, France
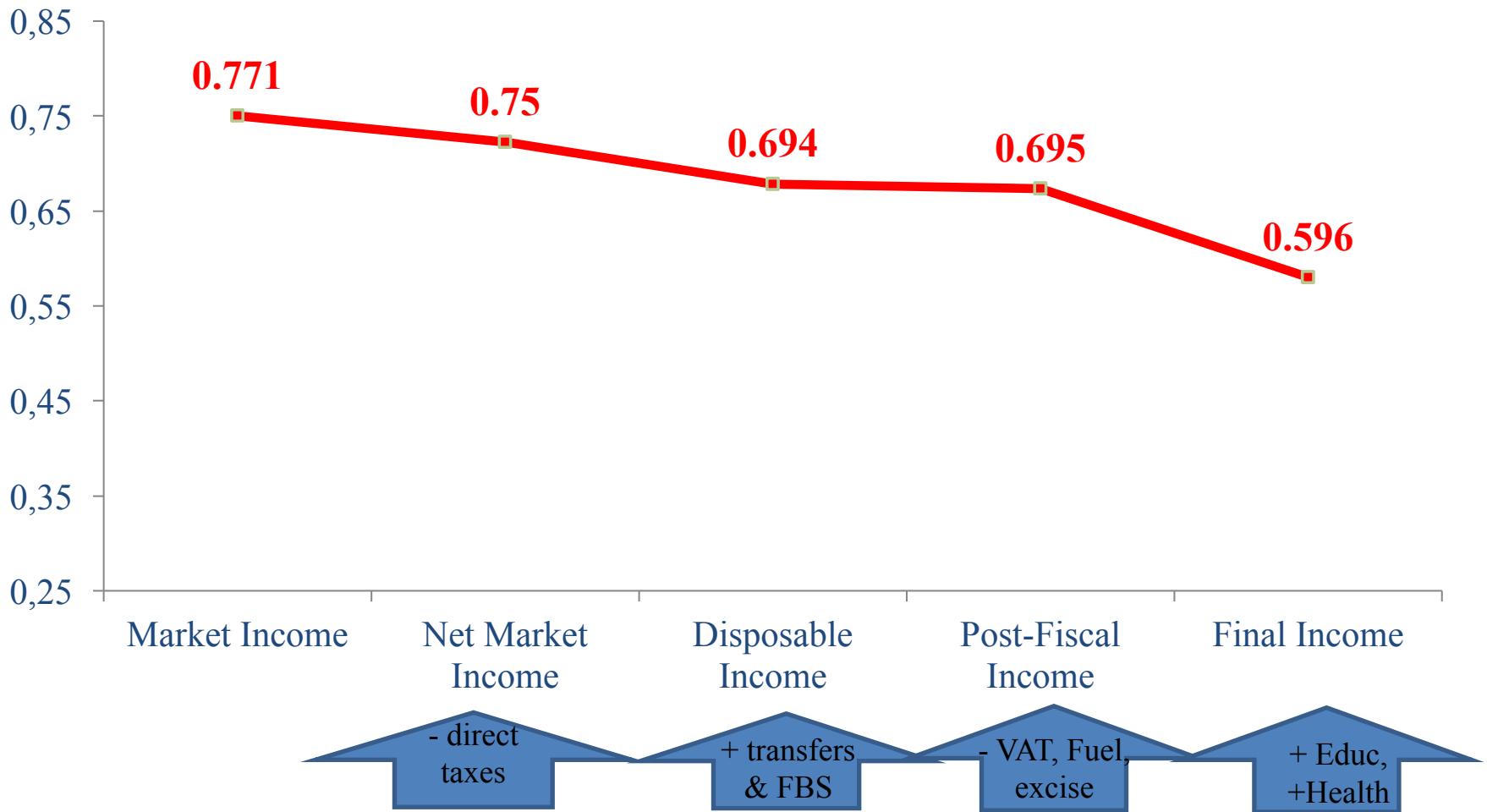
# Sources of Income by Decile



1993 / 2008 — Sources of income by decile: % Labour Market, % Remittances, % Capital, % Government, % Other
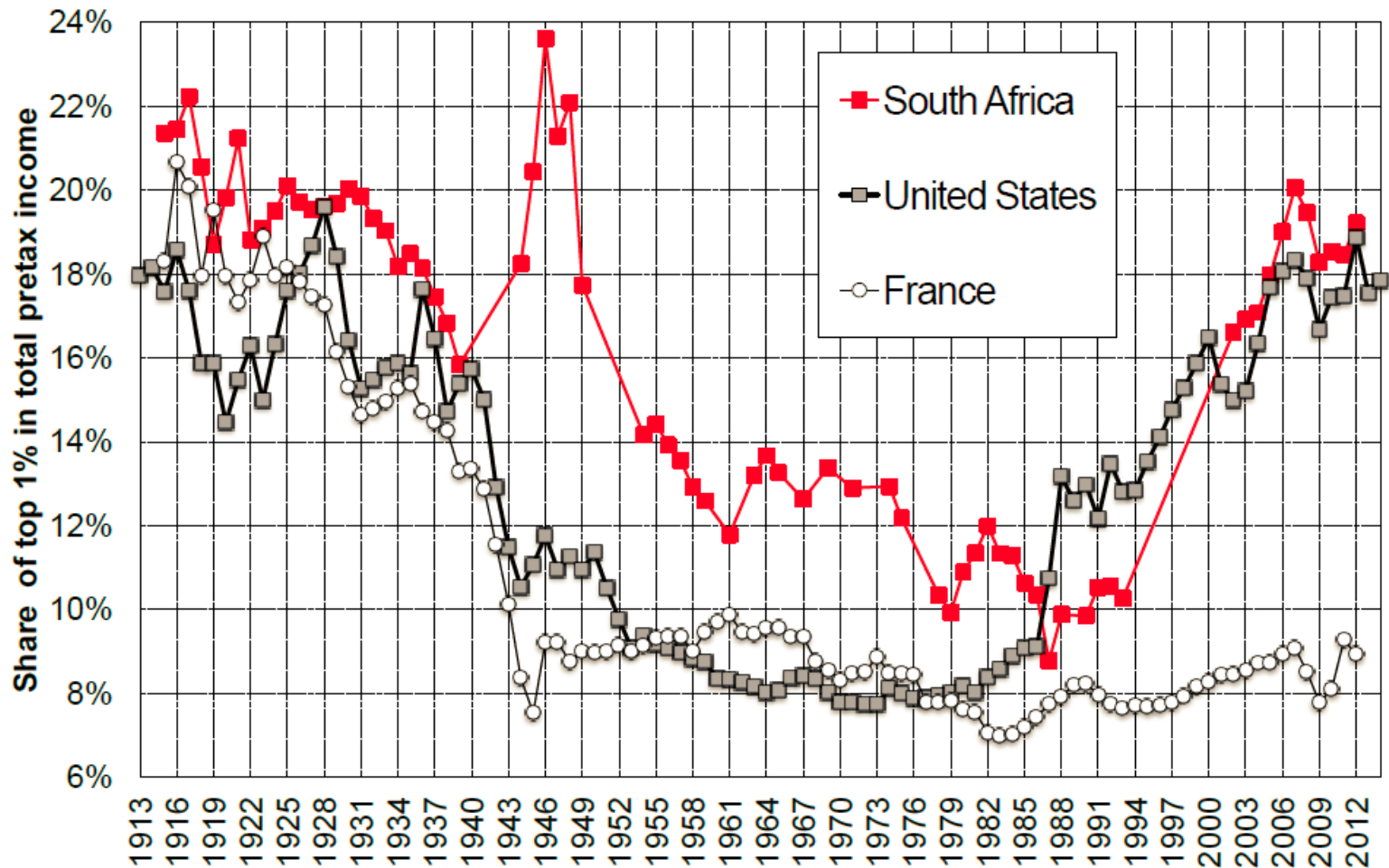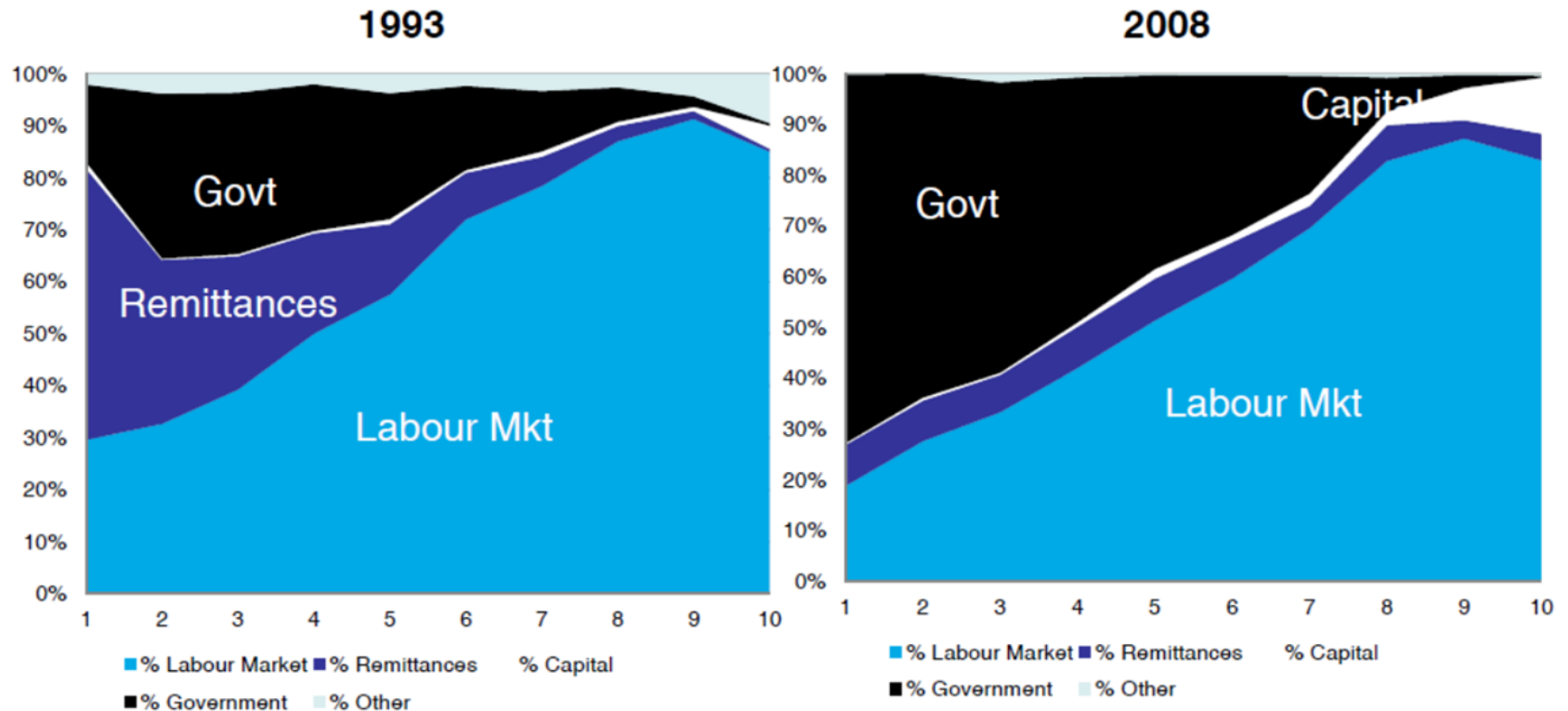
# Contributions to inequality

| Income source | Absolute contribution | Relative contribution |
|---|---|---|
| Wages | 0.60 | 90.65% |
| Government grants | -0.01 | -1.04% |
| Remittances | 0.06 | 8.53% |
| Investment | 0.01 | 1.87% |
| **Total** | **0.66** | **100.00%** |

# Inequality falls substantially with Government interventions,...

The Gini Coefficient before and after Taxes, Transfers and Free Services, Education and Health Falls by over one-fifth

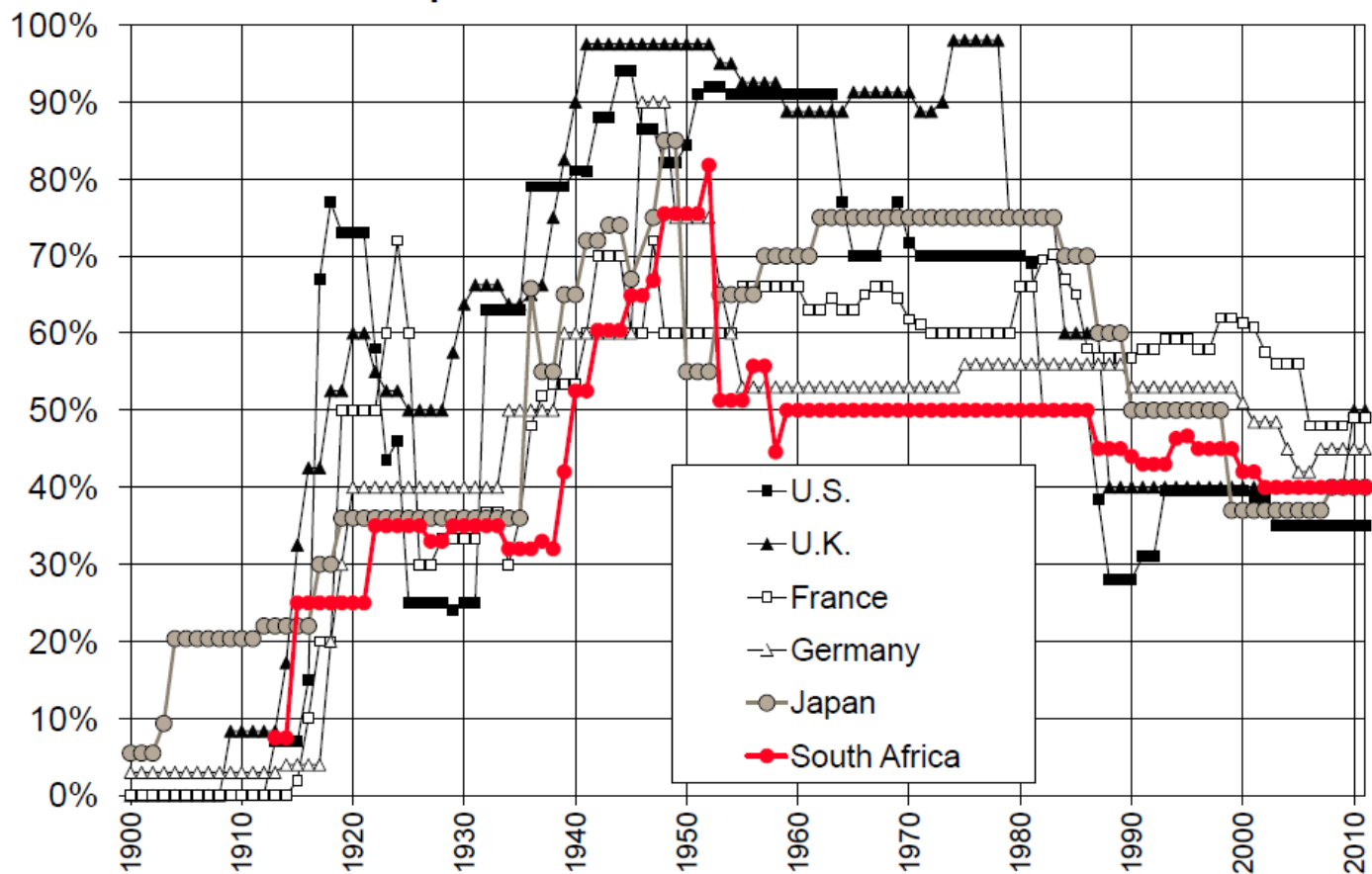# …more so than in other middle-income countries…
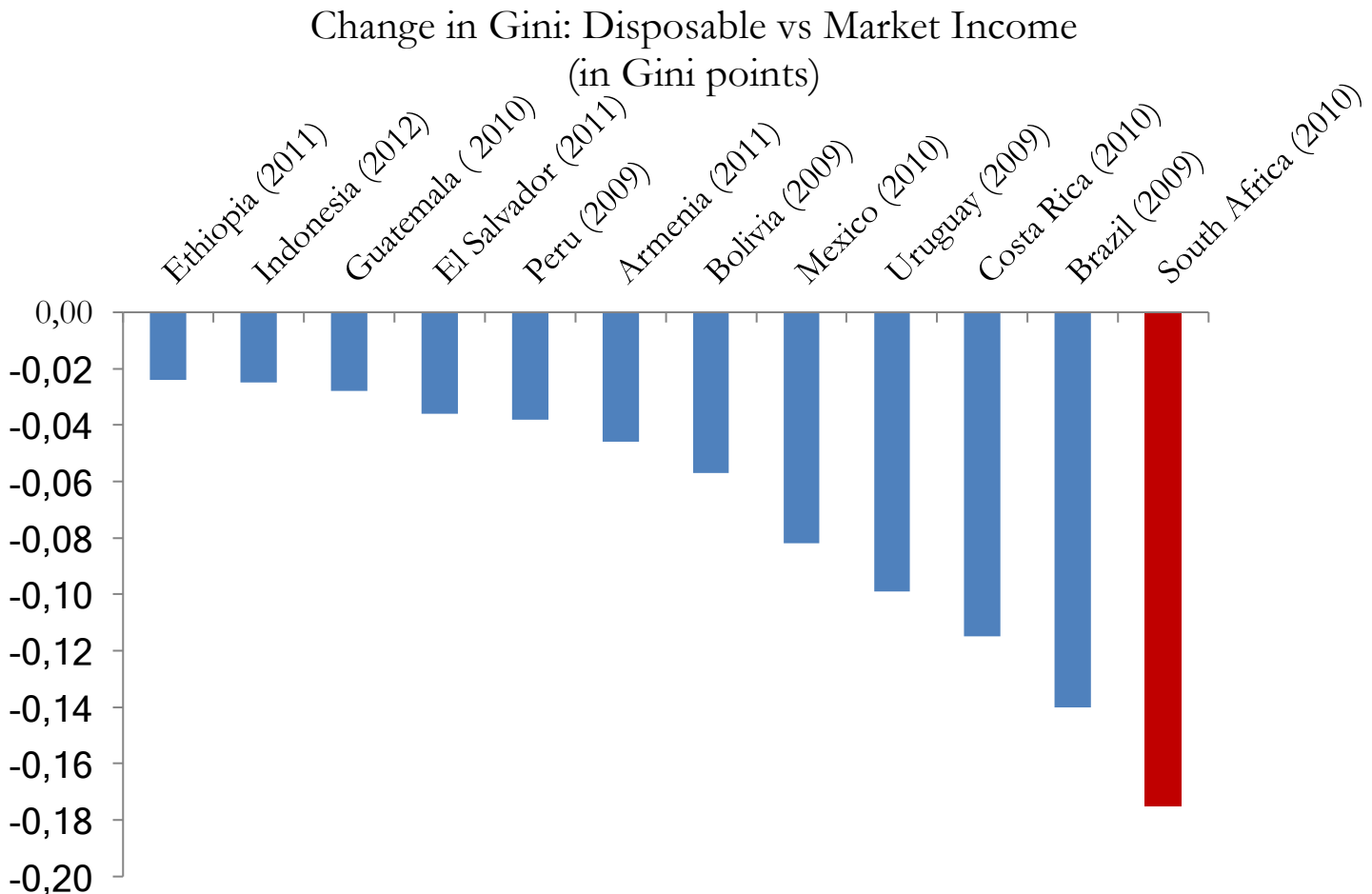


Change in Gini: Disposable vs Market Income
(in Gini points)

Top Income Tax Rates 1900-2013

Legend:
- U.S.
- U.K.
- France
- Germany
- Japan
- South Africa

# A focus on income is limited and limiting

The four dimensions of poverty (SAMPI)

Health
- Child mortality (death of child under 5)

Education
- Years of schooling (completed 5 years of schooling)
- School attendance (school-aged child out of school)

Deprivation cut-offs

Living standards
- Lighting (no electricity)
- Heating (no electricity)
- Cooking (no electricity)
- Water (no piped water)
- Sanitation (no flush toilet)
- Dwelling (informal/traditional/caravan/tent)
- Assets (no radio/TV/phone/car)

Economic activity
- Unemployment (adults unemployed)

# Multi Dimensional Poverty

- A **multidimensional approach** including education, assets, health and services such as water and energy.

- Only 25% of multidimensionally poor in 2008 still were in poverty in 2015. This is an achievement.

- But people exit out of multidimensional poverty while remaining in income poverty

- Education, health, sanitation and electricity investments have not catalysed an exit out of money poverty.
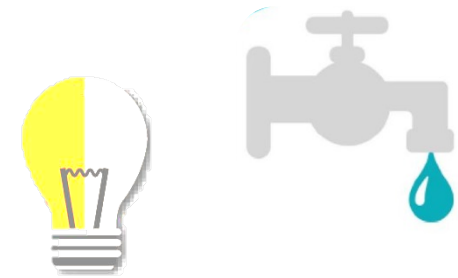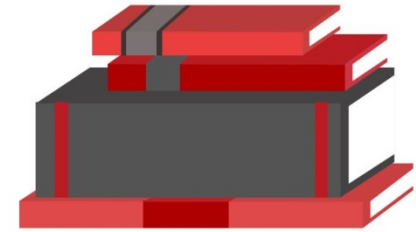
# Asset inequality 1993-2010
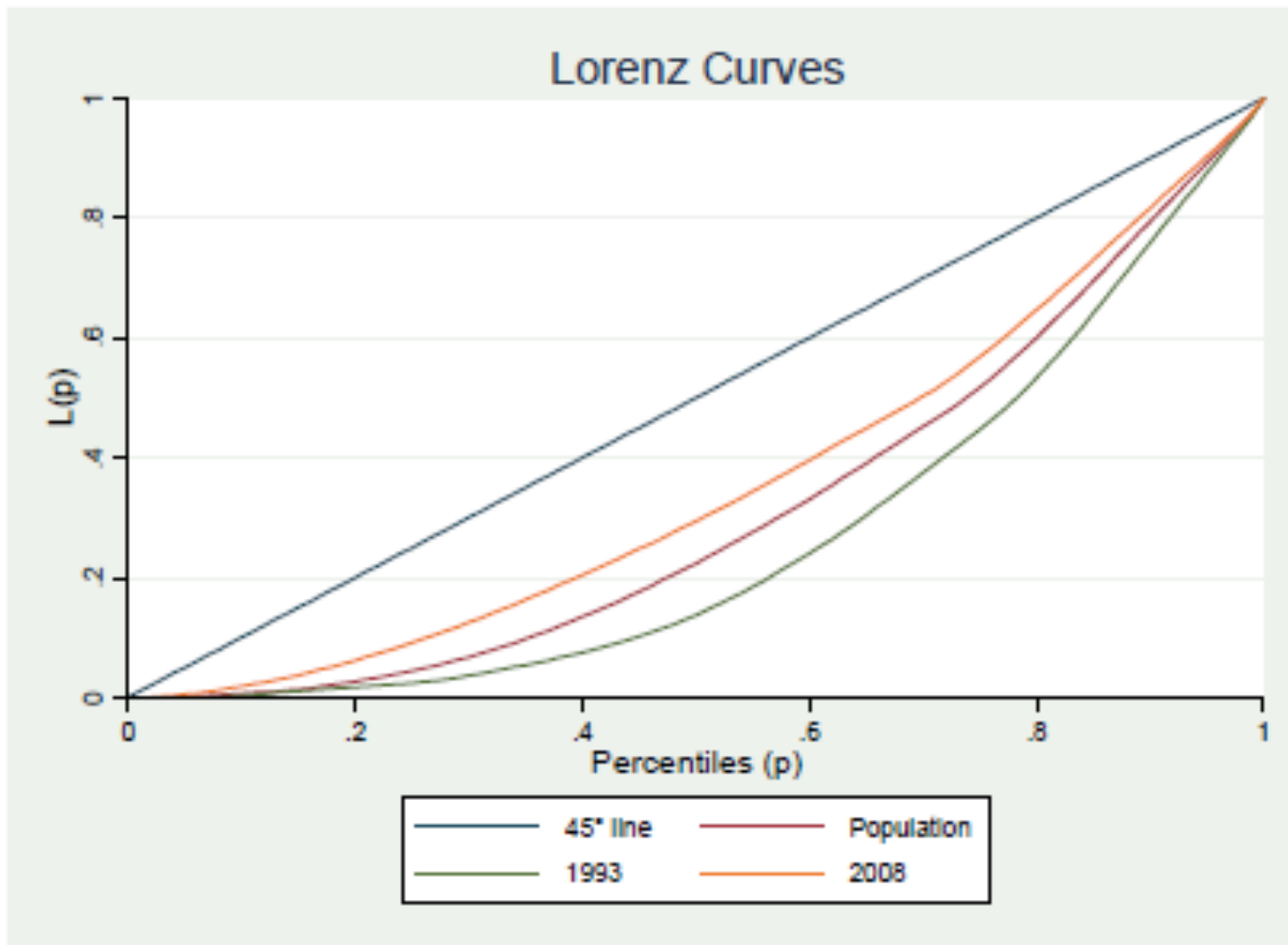
# Income Mobility (or the lack thereof) in Contemporary South Africa

| 2008 | 2014 | | |
|---|---|---|---|
| | | Severe | Poor | Non-poor |
| | Severe | 28.7% | 13.0 | 11.5 |
| | Poor | 5.5 | 6.5 | 8.0 |
| | Non-poor | 2.3 | 3.4 | 21.1 |

# Income Class Schema

General class structure according to **absolute expenditure** thresholds

Derivation of **probability thresholds** that allow for a finer subdivision of classes according to predicted poverty exit and entry rates

**CLASS STRUCTURE**

**POOR**

**BELOW** → Chronic Poor

- - - - Average probability of **EXITING** poverty - - - -   - - - - - - - - - - -

**ABOVE** → Transitory

— Poverty Threshold —

**MIDDLE CLASS**

**ABOVE** → Vulnerable

- - - - Average prob. of **FALLING** into poverty - - - -   - - - - - - - - - - -

**BELOW** → Middle Class

— Elite Threshold —

**ELITE** → Elite

# South Africa's five classes, 2008 and 2014/15
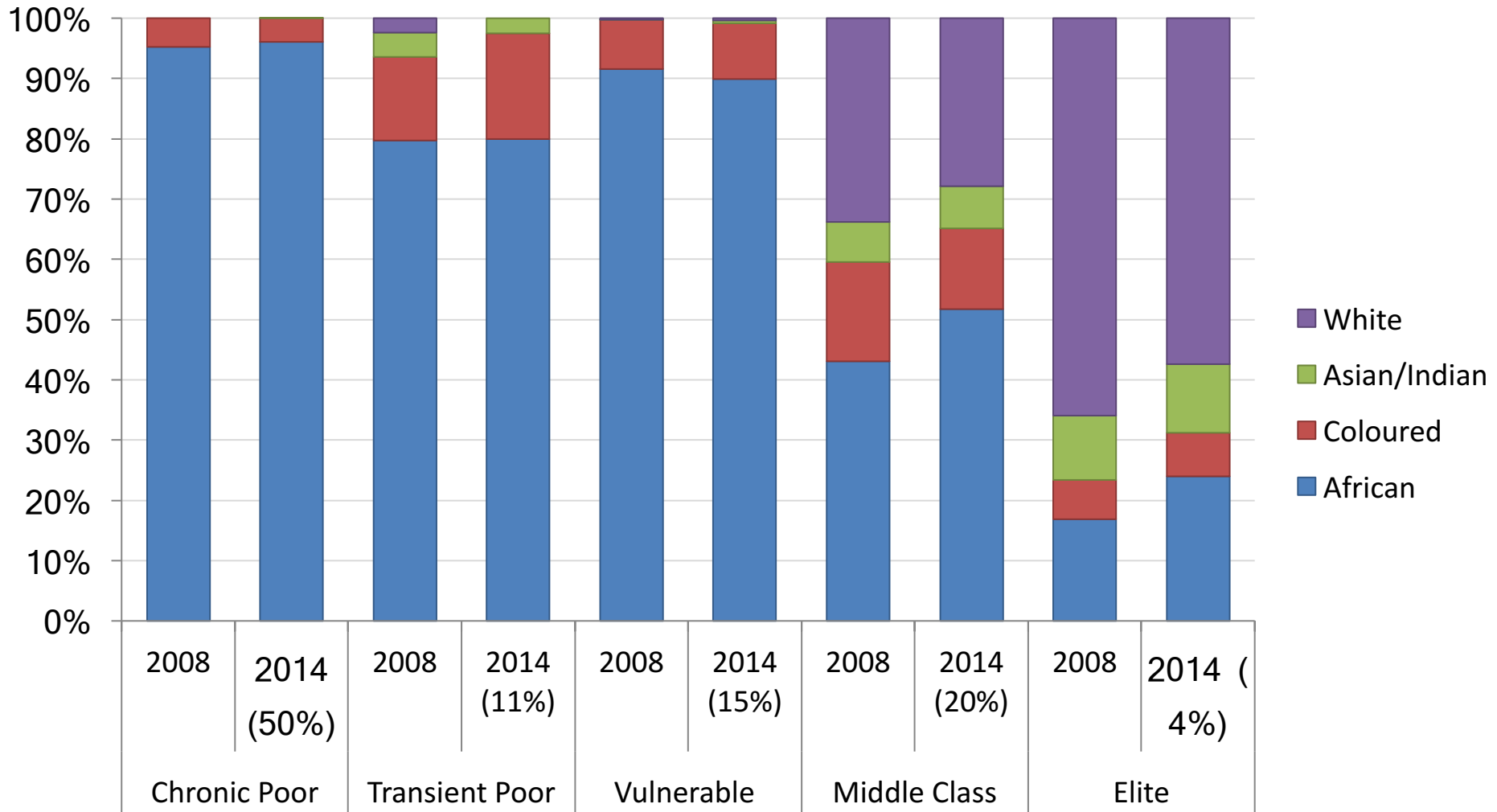
# Poverty dynamics:
## Movements in and out of poverty

- **What were the most important drivers of entry into poverty?**
  - 56% due to a **change in the household composition** over the period. Most of this was due to the household head changing.
  - Rest a **change in the household income.** The head's income contributes 20%.

- **What were the most important drivers of exit from poverty?**
  - Close to 70 % experienced a **change in the household composition** over the period. Most of this was due to the household head changing.
  - The rest is due to **changes in the household income.** Changes in earnings of other household members was most important, followed a change in the head's earnings and then a change in grants.

# A typical member of the middle class

**Household Head**
- Male
- African
- 45 years old
- Has 12 years schooling
- Works in white collar job

**Household**
- One child of age 5-11
- No adults aged 60+
- Lives in urban Gauteng

# Determinants of vulnerability

**Gradually adjust the characteristics in (1) to represent a typical member of the VULNERABLE group**

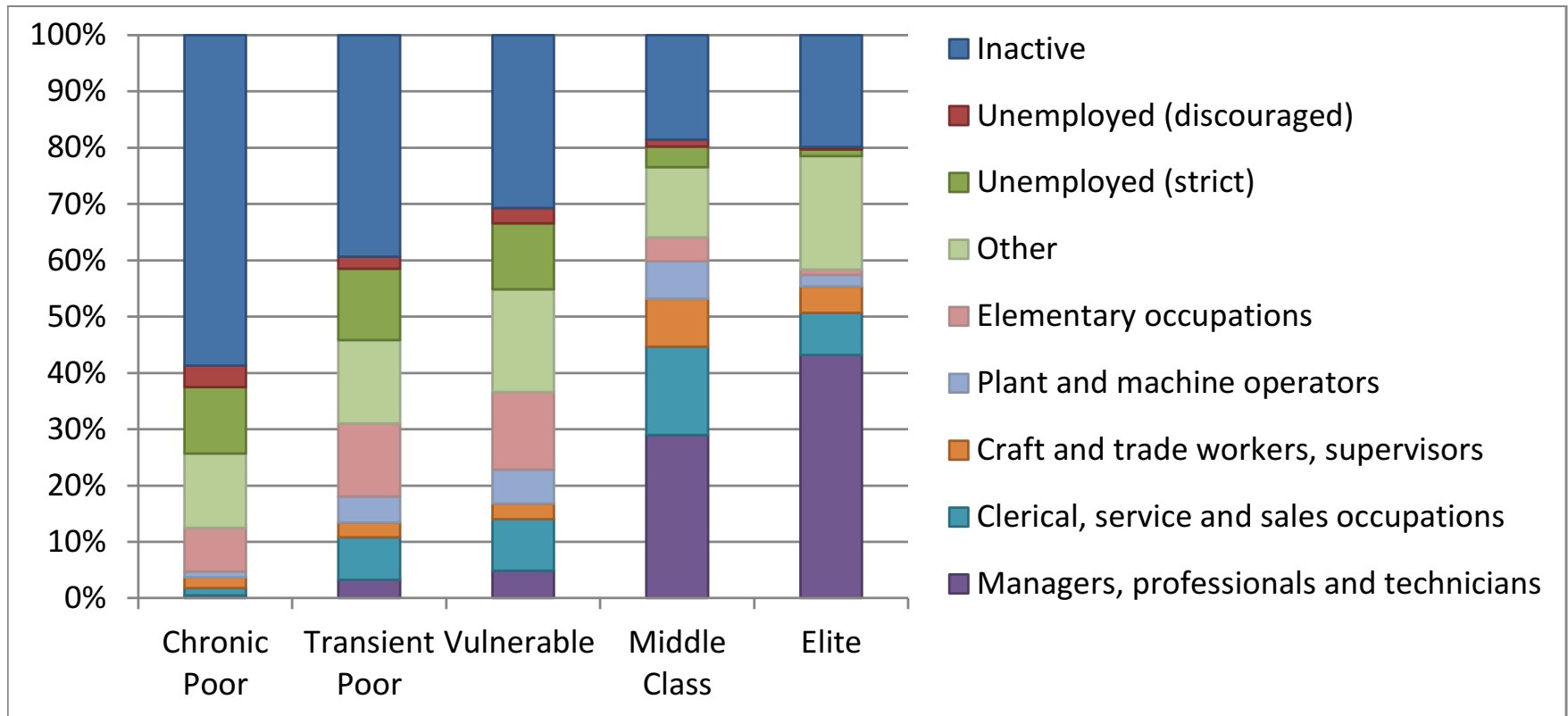|  |  | Predicted Expend. | Predicted Probability **ENTERING** poverty | Predicted Probability **EXITING** poverty | **Class** |
|---|---|---|---|---|---|
| (2) | As (1), except head is **female** and **43 years** old | R2,341 | 15.60% | (31.23%) | Middle Class |
| (3) | As (2), except head has **9 years of schooling** | R1,994 | 23.20% | (27.25%) | Vulnerable |
| (4) | As (3), except head is **not economically active** (but one other member is employed) | R833 | (30.99%) | 20.52% | Transient Poor |

# Determinants of being elite in SA

**Gradually adjust the characteristics in (1) to represent a typical member of the ELITE**

| | | Predicted Expend. | Predicted Probability **ENTERING** poverty | Predicted Probability **EXITING** poverty | **Class** |
|---|---|---|---|---|---|
| (5) | As (1), except head is **48** years old | 2,569 | 7.83% | (34.83%) | Middle Class |
| (6) | As (5), except head has **14 years of schooling** | 2,858 | 5.45% | (37.74%) | Middle Class |
| (7) | As (6), except **no children** living in the household | 3,378 | 3.79% | (43.33%) | Middle Class |
| (8) | As (7), except head is **white** | 11,378 | 0.13% | (85.42%) | Elite |

# Labour market and class

**South Africa's five social classes in the labour market, 2008 to 2014/15**



Legend:
- Inactive
- Unemployed (discouraged)
- Unemployed (strict)
- Other
- Elementary occupations
- Plant and machine operators
- Craft and trade workers, supervisors
- Clerical, service and sales occupations
- Managers, professionals and technicians

Categories (x-axis): Chronic Poor, Transient Poor, Vulnerable, Middle Class, Elite
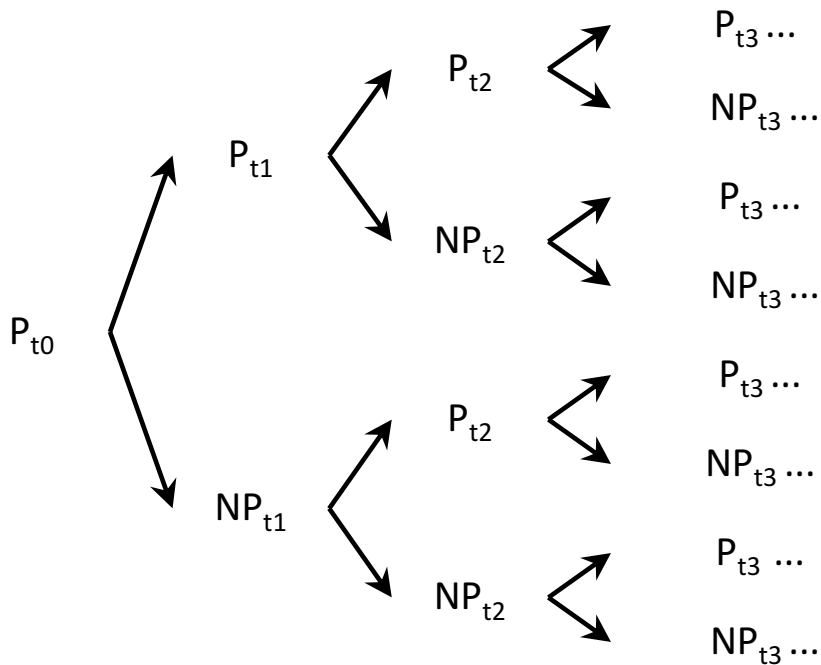
Source: Authors' calculations using NIDS waves 1 to 4 (with post-stratified weights).
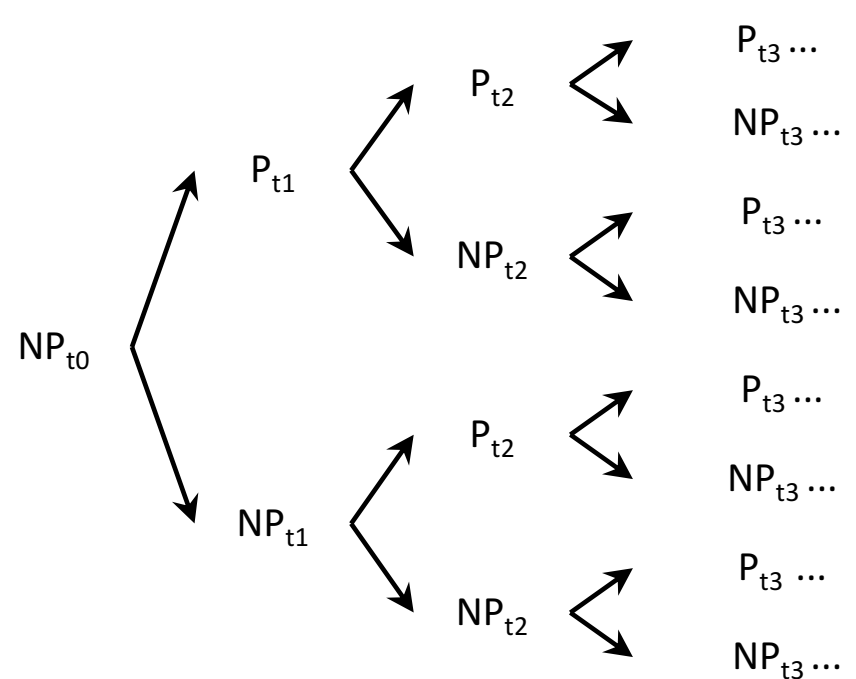
Note: Figures represent employment status and occupational category limited to heads of households.

# Modelling poverty transitions



a) Initially poor

b) Initially non-poor

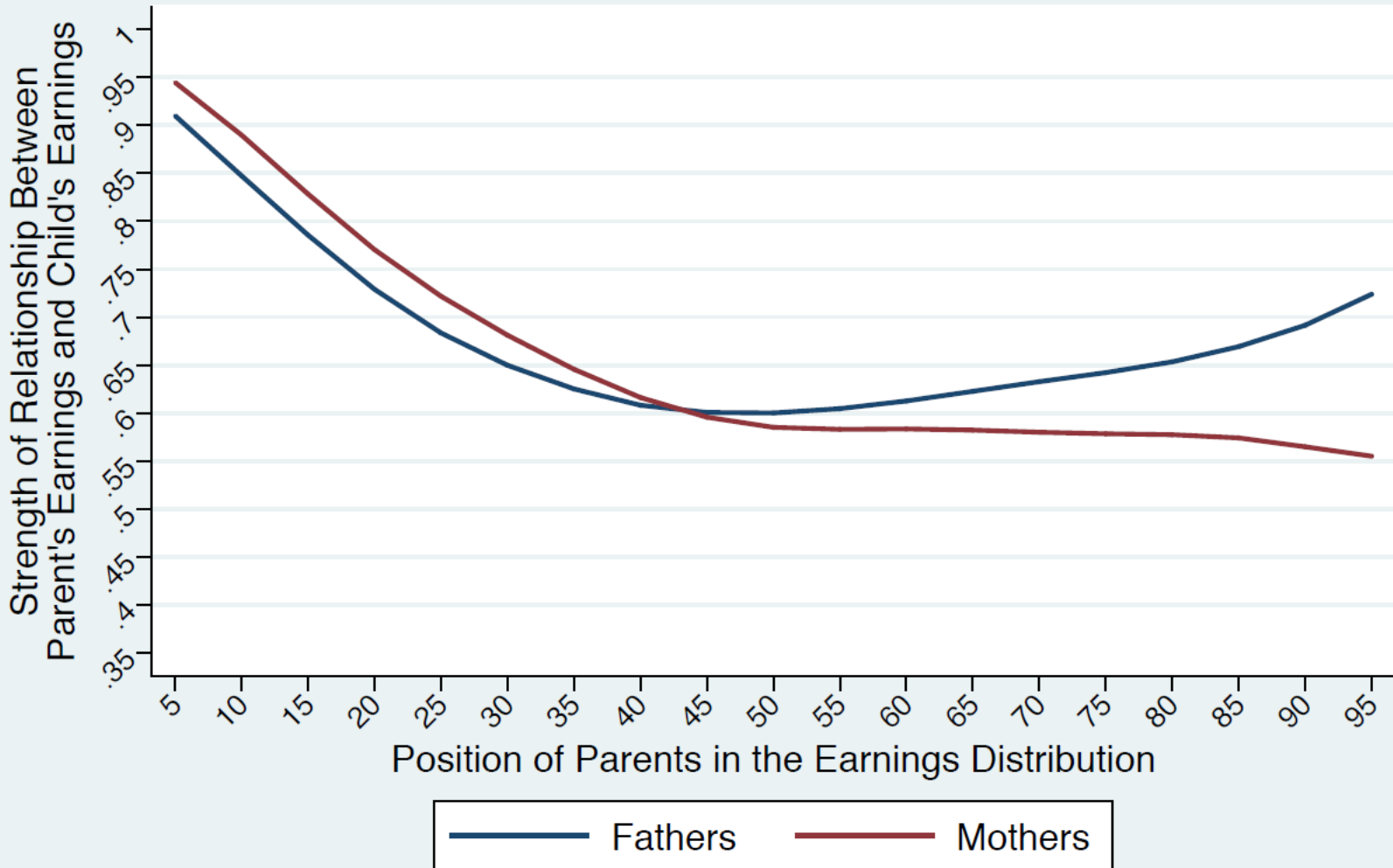Model fitted to NIDS panel data, 2008 – 2014/15

# Dumisa Ntsebeza



Source: History for the Future: Lessons from the TRC
http://www.702.co.za/features/139/trc

# Intergenerational Failure



The Transmission of Earnings Advantages or Disadvantages Across South Africa's Generations

# THANK YOU

**Project Name**
PRESENTER NAME

# Heading