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Reinstating the importance of categorical inequities in South Africa¹

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South Africa was one of the most unequal countries in the world in 1994 and inequality has featured prominently as a key socio-economic and policy challenge over the post-apartheid period. Yet, despite policy interventions with the aim of reducing inequality, these high levels of inequality remain in place. Such resilience in inequality demands from us a better understanding of the mechanisms that reproduce and create inequalities. Having consolidated the research on South Africa's income and wealth inequality, we explore the interactions between these inequalities and different sets of categories (gender, race and class) in space to surface how the dynamics of inequality relate to mechanisms that create and reproduce inequalities in South Africa. We build this analysis further by taking stock of recent work on social mobility. In the conclusion we pull together this picture of precarious mobility and review policies to overcome inequality against this prevailing reality. These policies have not worked, making clear the urgent need for interdisciplinary research on how to break the inequality traps.

Keywords: Inequality, South Africa, categorical inequalities, vertical inequalities, race, class, gender, spatial inequalities, intragenerational mobility, intergenerational mobility.

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Introduction

South Africa remains one of the most unequal countries in the world. The current levels of inequality are the legacy of the segregation and marginalisation of the vast majority of its citizenry in every aspect of South Africa's socioeconomic development before and during apartheid. Contemporary inequality literature is unambiguous about the fact that such extremely high levels of inequality are detrimental to a country's development path and stifle a country's potential in multiple dimensions (Wilkinson & Pickett, 2010).

In South Africa, poverty and inequality are often mentioned in the same breath. This elides over important conceptual differences between poverty (measured by incomes at a particular threshold) and inequality (measured by gaps between groups or individuals). Poverty is analysed as an individualized metric, the income level of a person or the level of a multi-dimensional index relative to an income or multidimensional poverty line (For a fuller discussion on Poverty in South Africa see chapter 8 of this volume). On the other hand, inequality is a relational concept; one is more or less equal in relation to another (Tilly, 1998). As such the analysis of poverty cannot necessarily explain the forces reproducing intergenerational inequality or poverty. Analysing inequality is better suited to unveiling the societal processes driving the provision and allocation of assets, and services and the determinants of well-being, and can better describe the forces reproducing of intragenerational and intergenerational inequality. This is the task of this chapter.

Although much of the literature that foregrounds the centrality of inequality is more recent, even in 1994 there was an intuitive sense in South Africa of the daunting conditions that its social and economic inequalities bequeathed South Africa's new democracy. It is hardly surprising then that, from the outset, substantial progress in transitioning to a more equal society was flagged as a key metric of progress in South Africa.

There has been much work in understanding the levels and patterns of income inequality and how these have changed over time in South Africa. Most of this work has been informed by the use of survey data to measure levels and changes in income and earnings inequities. Such measurement has been important in setting the context for analysis and, more recently, has been enriched by looking also at the role of wealth and asset inequalities as illustrated by the work of Piketty (2014). This work is reviewed in the next section.

While the contribution from understanding levels and patterns of inequality remains important, for understanding the social structures behind the creation and reproduction of inequality we need also to account for the mechanisms creating inequality. Incorporating the insights from other fields in the social sciences improves our understanding of the drivers of inequality. Indeed, we go on to argue that, for understanding inequality in South Africa better, it is imperative that progress is made in mapping the mechanisms that reproduce and generate inequality along categorical distinctions such as gender, race and class (Tilly, 2000). Looking at the interaction between inequalities (e.g. income inequalities) and different sets of categories (e.g. gender, race and class) helps in better describing the specific mechanisms that create and reproduce inequities for different groups. We then go on to review a new literature that analyses these interactions using South Africa's panel data. The focus of this promising work is the study of intra-generational and inter-generational social mobility.

The concluding section pulls together this understanding of the connection between wealth and incomes and their interactions with categorical inequalities. It argues that this approach has led to a better understanding of the forces that drive inequality in South Africa and a sounder foundation for assessing policies to overcome inequality.

Income, wealth and assets

The analysis of household income and wealth inequality over time in South Africa has provided the flagship indicators of the levels of South Africa's inequalities. The changes in these variables over the post-apartheid period are used to describe overall progression of income inequality in the country (Leibbrandt et al., 2012; Hundenborn et al., 2018a).

The Gini coefficient of incomes was 0.67 in 2006, 0.65 in 2009, and 0.65 in 2015, using data from Statistics South Africa's Income and Expenditure, and the Living Conditions Surveys (Statistics South Africa, 2019). These levels and trends are robust to the choice of different inequality indexes used (Atkinson, Theil and Palma indexes) and data sources.⁷ The consistency of these findings along different indicators and data sources has prevented any inequality denialism in South Africa and this picture has been mainstreamed in different policy documents. For example, the South African government National Development Plan sets a target of reducing the income Gini coefficient from these levels to 0.60 by 2030 (National Planning Commission, 2012). Having been tabled as part of national plans and addressed in different policy proposals, the fact that the levels of inequality remain so high is a sign of the failures of the South African government and society in addressing its inequalities. This persistently high level of income inequality, should not be interpreted as saying that the dynamics of South Africa's income inequality are static. The rest of this chapter is focussed on unpacking the important social dynamics that undergird these aggregate measures.

In beginning to understand the drivers of inequality in South Africa, there is a tradition that focuses on the role of different sources of income (labour market, social grants, remittances, and capital income) that are coming into households for different groups along the income distribution.⁸ In a contemporary example, Hundenborn et al. (2018b) study 1993, 2008, and 2014, finding that labour market income is highly correlated with overall inequality and accounts for 84–90 per cent of the overall Gini coefficient, being by far the most important determinant of household income inequality in South Africa. This high share is due almost evenly to the high number of households with no access to labour market incomes as well as the inequality in labour incomes for those households with access to labour market incomes.

⁷ For example, Hundenborn et al (2018a) use the 1993 PSLSD and 2008 and 2014 NIDS data to estimate inequality in 1993, 2008 and 2014; finding that there is a very small total change in the Gini, from 0.68 to 0.69, in the 1993–2008 period and that there is a reduction in the Gini, from 0.69 to 0.655, in the 2008–14 period.

⁸ See review in Leibbrandt et al. (2012).

Given the importance of labour income, employment and earnings dynamics remain central in driving South Africa's inequality of income.⁹ Earnings inequality increased from a Gini of 0.552 in 2001 to 0.634 in 2014 (Finn & Leibbrandt, 2018). Unemployment has risen dramatically due to changes in the supply of labour (Casale & Posel, 2002; Mosomi, 2019) as well as changes in the demand for labour (Bhorat et al., 2020b; Tregenna, 2012). Whereas average real gross earnings of employed workers rose, real wage increases went mostly to top earners, explaining the increase in earnings inequality (Wittenberg (2017a; 2017b; 2017c; 2018)). These extreme earnings differentials are undergirded by a labour market that is segmented along racial and gender lines (Statistics South Africa, 2019) coupled with large power and class asymmetries between employers and employees in a job-scarce economy (Webster & Francis, 2019). (For a fuller discussion on the changing dynamics of the South African Labour Market see chapter 29 of this volume).

Household income source decompositions show clearly that aggregate income inequality would have risen more than it did as a result of these labour market forces, had it not been for government grants and subsidies (cash transfers). Grants and subsidies have been crucial in dampening increasing inequality (Hunderborn et al., 2018a). However, the inequality dampening effect of such grants had plateaued before the economic crisis unveiled by the COVID-19 pandemic (Mashekwa & Woolard, 2018), raising questions about the long-term impact of the pandemic on income inequalities.

Income source decompositions also show that capital incomes are an important source of inequality. This makes it imperative to understand how top-end earnings and income from capital are creating and reinforcing income inequalities. This need to understand top-end income dynamics relates to an international concern that household and labour market surveys, which have served as the basic data for the analysis of income inequality in South Africa, may underestimate top-end incomes (Alvaredo et al., 2019). South African researchers have started to address this concern. Bassier and Woolard's (2018) recent analysis of tax and household survey data provides a striking demonstration of the usefulness of this line of research in understanding the extent of 'top end' inequality in South Africa. Whereas Credit Suisse in 2016 estimated that there were about 45,000 USD millionaires in the country, Bassier and Woolard (2018) put the number much higher, at about 182,000.

The impact of 'top end' incomes driving increases in inequality of incomes can be also illustrated by how between 2003 and 2016, the real incomes of the top 5 per cent of income earners increased at a rate of 5.1 per cent annually, more than double the rate of growth of gross national income (GNI) after 2008. In contrast, the incomes of the other 95 per cent of the population either stagnated, or, in the case of the bottom of the distribution, showed only slight growth. Real incomes of the top 1 per cent of income earners almost doubled between 2003 and 2016 and, between 2010 and 2016, the income shares of the top 1 per cent increased from 10.5 per cent to 12.6 per cent of the country's GNI (Bassier and Woolard, 2018).

The importance of understanding capital income and top-end income dynamics meshes with a need to understand wealth inequality. In spite of its growth in importance as part of the GNI, South African

⁹ See recent reviews by Finn and Leibbrandt (2018), Bhorat et al. (2020), Tregenna and Tsela (2012).

wealth inequality remains under-researched. This is mostly because of the lack of access to data on wealth, especially the tax data that researchers use in other contexts to research wealth, as well as the challenge of tracking capital flows across different countries. However, recent literature makes an important start. Orthofer (2016) shows that while the South African income Gini coefficient is around 0.67, for wealth this index is at least 0.9–0.95. Both of these values are higher than in any other major economy of the globe for which such data exist.¹⁰ Chatterjee et al. (2020) have triangulated survey data and tax data with national accounts data, to derive estimates of the distribution of personal wealth in South Africa. Even after recognising that these data might still underestimate the value of capital, they find that South Africa has ‘unparalleled’ levels of wealth concentration:

“The top 10 per cent own 86 per cent of aggregate wealth, and the top 0.1 per cent close to one-third of aggregate wealth. The top 0.01 per cent of the distribution (3,500 individuals) own 15 per cent of household net worth, more than the bottom 90 per cent as a whole. Such high levels of inequality can be accounted for in all forms of assets, including housing, pension funds, and other financial assets. Our series show no sign of decreasing wealth inequality since apartheid; if anything, we find that inequality has remained broadly stable and has even slightly increased within top wealth groups” (Chatterjee et al., 2020, p. 2).

However, in the South African context it is important to acknowledge that changes over time in well-being and in inequalities in well-being extend beyond a focus on the flow of income or expenditure into and out of a household over time and even the stock of money-metric wealth. Such analysis must include, among other things, a broader set of assets accumulated by households over time. There is a literature measuring these other dimensions of inequality and their changes over time (Bhorat & Van der Westhuizen, 2013; Wittenberg and Leibbrandt, 2017). Extending access to these assets and basic services has been a major focus of government policy over the post-apartheid years and many government interventions have involved the provision of low-cost housing, and have boosted access to water, electricity and other public services. All of the studies measuring these asset inequalities see this large policy push reflected in declines in asset poverty and asset inequality irrespective of the period within the last twenty years since 1994 (Bhorat & Van der Westhuizen, 2013; Wittenberg and Leibbrandt, 2017).

Statistics South Africa (2019) provides an exhaustive review of these non-money-metric dimensions of poverty and inequality and makes the point that the major improvements in asset poverty and inequality took place in the immediate period after the transition from apartheid rather than since the 2000’s (For a fuller discussion on Poverty in South Africa see chapter 8 of this volume). Also, underneath the improvements, strong patterns of relative deprivation persist towards Black South Africans, women and citizens in rural areas.

¹⁰ Using tax records and data from the National Income Dynamics Study (NIDS), Orthofer also finds that the wealthiest 10 per cent of the population own at least 90–95 per cent of all wealth.

In sum, this is a major policy achievement. Yet, the reality is that the resilience of earnings, income and wealth inequities illustrates that in spite of a greater provision of public services and improvements in the ownership of assets, their impact on the livelihoods across the distribution is not the one that was expected. The fact that the improvement in access to assets and public services has not changed livelihood opportunities for many South Africans not only relates to the challenge of such interventions to alter income distribution dynamics, but is connected to the importance and continuing role of the categories imposed by apartheid in defining inequities in the country.

Categorical inequalities and household composition

The distribution of earnings, income, wealth and assets remain very unequal in South Africa. Crucial in understanding the resilience of these inequalities is the role of social categories such as race, gender and class and their intersection with spatial segregation. Understanding the intersection between social categories, inequalities and location offers a key lens for understanding the generation and persistence of inequality in South Africa (Winker et al., 2011).

Such an analytical framework can allow us to understand the differences between different sets of groups, as opposed to general comparisons of the entirety of a population - the latter is referred in the literature as vertical inequality. The analysis of inequalities along sets of categories has been undertaken by different fields, such as sociology via the analysis of categorical inequalities (Tilly, 1998), or in the development economics literature via the analysis of horizontal inequalities (Stewart, 2016; Hirschman & Rothschild, 1973). Such analysis complements our understanding of horizontal inequalities and is better suited for unveiling the mechanisms that limit the access and rewards to different groups along different sets of categories in different locations. It allows us to better describe how different difference-generation mechanisms operate along different sets of categories and therefore can inform better policies to reduce inequities as opposed to general descriptions of the entirety of a diverse population.

In this spirit, and understandably given South Africa's history, a decomposition of income by the analysis of different racial categories has featured prominently in research on income inequality. For example, Leibbrandt et al. (2010), compared between and within racial group inequalities between 1993 and 2008 finding that racial categories in 1993, contributed between 42 per cent and 50 per cent to between group inequities¹¹. By 2008, the inequality between different groups (Black¹², Coloured, Indian and White South Africans) had declined to between 30 per cent and 38 per cent¹³. Hino et al. (2019) suggest a further decline by 2015. This illustrates that the dynamics of inter-group inequalities (categorical/horizontal inequalities) have changed, while the levels of inequality between individuals (vertical inequalities) remain at their high aggregate levels. So, crucial context to this decomposition by

¹¹ Most importantly, this depends on whether racial population shares or income shares are used to weight inequality.

¹² Referred also in South Africa as "African".

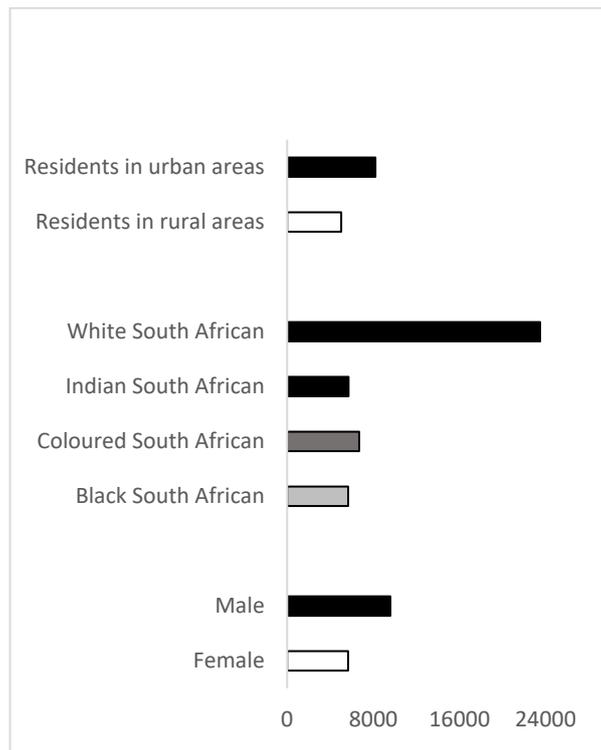
¹³ Generally, in other countries, between group inequalities "account for" less than ten percent of the overall inequality of income, earnings or any vertical measure.

race is that the between-race share remains extremely high compared to international standards. Also, inequality within each of South Africa's racial categories has risen sharply over time.

These decompositions are useful in allowing us to understand the importance of categorical inequalities. However, they serve as calls for explanation rather than explanations themselves. The forces that reproduce categorical inequalities are dynamic forces that condition, create, and recreate dynamic traps (Tilly, 1998; Stewart & Langer, 2008); these forces are not necessarily visible as they operate via both institutional and non-institutional mechanisms. As the transition towards democracy eliminated the overt mechanisms and tools for segregation implemented by apartheid, inequality is now produced and reproduced by subtler and less overt mechanisms that operate both as class markers (e.g. dress codes, educational attainment, accents, location of residence, names and surnames), but also as access cards for networks, opportunities and rewards. This change in the operation of mechanisms, from being enacted by the state to being enforced by markets and society, makes it harder for households or individuals to overcome inequality. For example, Pellicer and Ranchhod, (2016) show how the relationship between education and the labour market have operated to reproduce an inequality trap. Also, as discussed before, the inequalities in earnings and assets by gender are compounded by complex dynamics by which gender inequities continue to affect the incomes of the majority of the population of the country (For a fuller discussion on Gender and work in South Africa see chapter 33 of this volume).

Figure one illustrates differences in inequalities in earnings in South Africa in 2017. Aside from illustrating the importance of each of the above categories, the stark rural and urban differences show that, in the case of South Africa, spatial segregation remains a central dimension that illustrates the reproduction of long-term categorical inequalities. External and internal colonialism carved South Africa into spatially segregated spaces (Nelson Mandela Foundation, 2018). In terms of measurement this is shown most starkly by studies that have used census data to map inequalities in income and many other services across space. Noble et al., (2006) and then, a decade later, David et al. (2018) and Statistics South Africa (2019), show very clearly that the deepest poverty and deprivation in contemporary South Africa remains in the areas that were the "bantustans" and "townships" under apartheid. While there are inequalities in all dimensions of life, the worst allocation of services and opportunities continue to be observed in the areas that were created and used by apartheid for exploiting South Africans of colour.

Figure 1. Average monthly wages between different sets of categories (in South African Rands- ZAR)



Source: Own elaboration based on NIDS-CRAM 2020 data¹⁴

As understanding of the forces creating inequalities requires a recognition of other dimensions of inequality beyond income inequality, a start has been made by complementing this analysis by understanding inequality via the lens of categorical inequalities, including gender, racial and spatial dynamics. By moving the studies of inequality beyond incomes to other markers of advantage and disadvantage we start to make visible in the South African context the connection between advantages and wages and income of which Tilly speaks (Tilly, 1998). Yet, the diversity of a country coupled with the extent of the different inequality creating mechanisms in which gender, race, class and location intersect, makes it harder to come to simple descriptions that can account for the different forms in which access to rights, opportunities and rewards are conditioned.

Recent research has made clear the importance of understanding the dynamics of household size and composition as aspects of social mobility. In measuring income inequality, income per capita is generally used as the measure of well-being by normalising total household income by the number of members. Acknowledging that the same income flow coming into a large or a small household does not equal a same level of well-being is essential. Yet the decision to normalise incomes in this way, while sensible is not innocuous. Such an analysis departs from a very strong abstraction that assumes that each member of a household receives or needs the same income. Indeed, research shows that differences in the size and the composition of households across the income distribution bring about important inequalities that need to be accounted for. Posel et al. (2016) find that households at the bottom of the

¹⁴ We are grateful to Aidan Horn for his support in analyzing the data used in this figure.

income distribution are larger, with more children and with higher percentages of households being female headed.

Hundenborn et al. (2018a) undertake a series of dynamic income source decompositions in which some of these demographic changes are accounted for. These decompositions separate out the effects of demographic changes — driving the denominator, from the income changes — driving the numerator. One example of the usefulness of such partitioning is that it shows that declining household sizes since 2000 have led to a slightly more equal distribution of employed adults per household. Such household size adjustments lower per capita income inequality even when employment itself has not increased.

The research on equivalence scales by Posel et al. (2016 and 2020) provides another affirmation of the importance of giving detailed attention to household size and composition. An equivalence scale allows for transforming the income from a household with different number and ages of members into an equivalent household with one adult member. However, using per capita income assumes that there are no scale economies for larger households and that individuals of all ages require equivalent resources. These are strong assumptions which serve as an excellent example of the need to be alert to the value judgements implicit in inequality different measures. Yet, there is another crucial substantive point here too. The structure of households' matter in imposing different constraints and barriers to social mobility for the members of each household. Given this households adjust their compositions to respond to the needs of their members, in the light of the structural conditions of their contexts, and to government policies (Hamoudi & Thomas, 2014). Recent analysis on the effective targeting of COVID-19 relief measures has made it clear that understanding these connections is a matter of life or death (Bassier et al., 2020).

Social mobility and inequality dynamics

Recent work on social mobility in South Africa has added to our understanding of the conditions associated with the production and reproduction of South Africa's inequality. There are two lenses. The analysis of intra-generational mobility focusses on the social progress of individuals across time in contemporary South Africa. Inter-generational mobility focusses on the progress of children relative to that of their parents¹⁵. Both lenses provide important insights into the texture of South Africa's inequality.

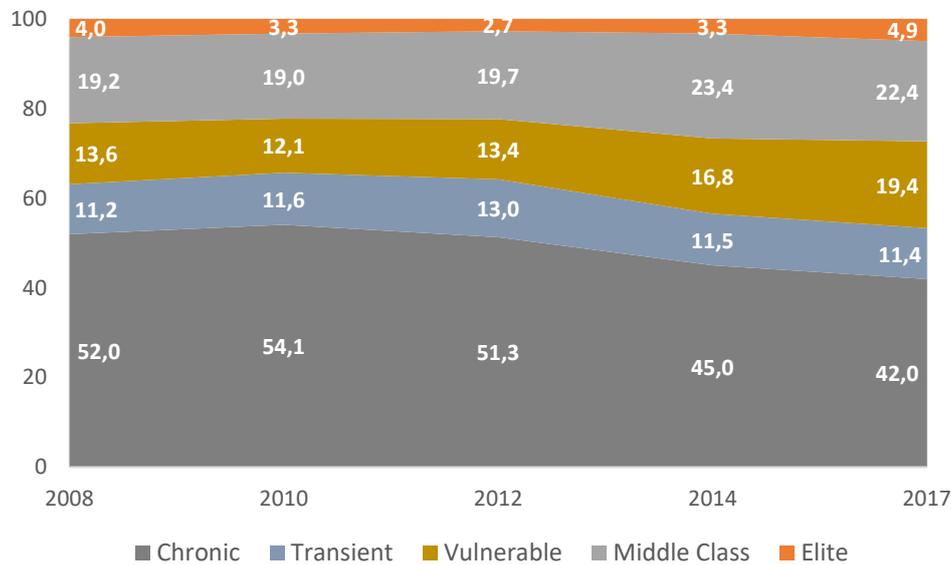
Intragenerational Inequality

The NIDS data have been used to track social mobility across the income distribution between 2008 and 2017 in South Africa along five waves (Zizzamia et al. 2016, 2019; Finn & Leibbrandt, 2016; Schotte et al., 2018). This research suggests a delineation of the population of the country into five social strata:

¹⁵ The measurement of these mobilities requires panel data, tracking individuals and households. This work has been greatly facilitated by South Africa's National Income Dynamics (NIDS) panel study.

the chronically poor, the transient poor, the vulnerable middle class, the stable middle class, and the elite. Figure 2 below reflects this picture.

Figure 2: Socioeconomic class sizes, 2008–17



Source: Zizzamia et al. (2019)

Statistics South Africa has found that 55 per cent of the population in 2015 lived in poverty (Statistics South Africa, 2017). This is a high poverty rate. The analysis of social mobility goes further to show that, for three quarters of the population who are not the middle class or the elite, life is filled with the precariousness of a game of ‘snakes and ladders’ (Schotte et al., 2018). In the bottom half of the income distribution, poverty, is much more pervasive across time than a cross-sectional analysis tells us. Building off the analysis of poverty dynamics by Finn and Leibbrandt (2016), Schotte et al. (2018) differentiate between persistent poverty and transient poverty, finding that about 42 per cent of the population persistently live in chronic poverty, 11.4 per cent of the population can be classified as ‘transient poor’, and about 19 per cent of the population is part of what can be called a ‘vulnerable middle class’- at risk of falling into poverty. Both of these groups (transient and vulnerable) are at real risk of falling back into poverty from one period to the next.

This work on social mobility also adds an important dynamic perspective to a large body of literature suggesting a growing (Black) middle class in South Africa (Visagie and Posel (2014) and Burger et al (2014)). Most of this literature has focused on measuring the size of the Black middle class and its change over time. Burger et al (2015) use Sen’s capabilities approach to usefully anchor the discussion of a middle class in the possibilities and capabilities of South Africans in their day-to-day lives. Within such a framing of lived realities, it is clear that some quantitative measures have overestimated the size of the middle class. Zizzamia et al. (2016) and Schotte et al. (2018) build on this perspective and confirm that the size of a *stable* middle class is relatively small. Figure 2 shows that only one in four people can be considered to be part of either the stable middle class or the elite. This is a stark contrast to the

narrative of burgeoning black diamonds that has been portrayed in the media for much of the last twenty years.

This social mobility analysis goes further to ascertain the forces that propel people from one socio-economic class to another or keep them routed to their class. Employment changes (losing or gaining a job) and demographic changes (increases or decreases in household size) emerge as crucial determinants. Job gains accounted for one-third of all exits from poverty, while changes in household size accounted for half of all poverty entries or exits. Whereas employment is important in lifting people out of poverty, this is not sufficient. The quality of employment is important too. Those with unstable or precarious jobs remain more vulnerable to falling back into poverty as opposed to those with permanent and formal jobs.

This work on social mobility illustrates clearly how, categorical inequalities intersect in explaining persistent and recurring inequalities. Those trapped in chronic poverty are almost wholly Black South Africans, have lower educational attainment (below high school), live in larger households, come from female-headed households¹⁶, and are predominantly based in rural areas¹⁷. In contraposition to this, the stable middle class and the elite are defined by a set of markers that set them apart from the vulnerable middle class and people living in chronic poverty. These markers continue to be defined by racial categories and class. For example, 93.6 per cent of White South Africans were observed to be consistently non-poor. By contrast, about 63 per cent of Black South Africans were poor in four or five waves, with only about 9 per cent of Black South Africans remained non-poor in all five waves. Whereas there has been a decline in the inequities between different racial groups in South Africa, racial categories continue to condition and limit opportunities and remain markers that define access to housing, public services, transport, schools, employment, safety, and opportunities- the access to the tools required to exercise agency and freedom. Limited intra-generational mobility remains grounded in the legacy of apartheid.

Intergenerational Inequality

The unequal distribution of assets, notably education, health and housing persists across time and across generations (Pellicer et al., 2011; Pellicer & Ranchhod 2016; Spaul & Jansen 2019; Lundberg & Startz, 1998). These traps reproduce inequalities and also condition the lives of future generations in the country. The lack of intergenerational mobility, and its precariousness and vulnerability provide a telling lens to describe the reproduction of inequality in South Africa.

Using data from the NIDS, recent research reveals that there is not a level playing field in terms of equality of opportunity in South Africa as the opportunities available to most South Africans have much to do with the socioeconomic status of their families (Piraino, 2015; Finn et al., 2016). Piraino (2015) reveals that in South Africa there is a strong correlation between a parents earnings and what will be

¹⁶ Nearly three quarters of all the female-headed households remained in poverty in four or five waves, compared with only 29 per cent the case of male-headed households.

¹⁷ Only 2.5 per cent of rural households remained non-poor through all five waves while nearly 83 per cent of all households were poor in four or five waves.

their children’s expected income in the future, estimating an intergenerational earnings elasticity of between 0.62 and 0.67. Piraino finds that this persistence is driven by a limited set of inherited circumstances and especially due to the impact of the racial categories imposed by apartheid.

Finn et al. (2016) show that what is particularly notable about the South African case is the exceptionally high absence of intergenerational mobility at both the bottom and the top of the earnings distribution. Figure 3 is taken from this analysis. It shows that nine out of ten children from the poorest families still occupy the same vulnerable place in the earnings distribution as their parents do (or did) once they themselves enter the labour market. At the top of the distribution, a privileged position is being passed on as children of top-earning parents have a 70 per cent chance of being at the very top of the earnings distribution in the future. At the same time, there is slightly more mobility in the middle of the earnings distribution, reflecting slightly higher chances of both upward and downward mobility. This resonates with the findings from the intra-generational mobility analysis in indicating stability or persistence of two opposing poles – wealth or extreme poverty with more volatility being experienced by those in the middle of the distribution.

Figure 3. The intergenerational transmission of earnings advantages or disadvantages



Source: Finn et al., 2017 relabelled by Leibbrandt et al., 2018.

Conclusion

In its most simple understanding, inequality is a noun that speaks of the differences between individuals or groups in a society (Milanovic, 2010). But inequality is a multidimensional concept and, as Sen noted insightfully thirty years ago, calling for equality without specifying what are we referring to when we speak about equality and inequality leads to confusion (Sen, 1992). When this lack of specificity takes place, interventions designed to reduce inequities lack clarity as to both their objectives and the means through which to achieve their objectives.

South Africa has good cross-sectional survey data and, more recently, panel data and tax data that has been used to understand the factors are creating and reproducing some of South Africa's inequalities. Research using these data has made it clear that, in terms of income, earnings and wealth at least, South Africa continues to have extremely high levels of inequality. The evidence shows an engaged, active citizenry responding to opportunities and trying to forge better livelihoods for themselves that continues to be severely constrained in what is possible by the less visible forces that remain binding inequality traps. The exceptionally high correlations between racial categories, where people are situated in the income and wealth distributions, their gender, where they live and where they are situated in the distributions of other dimensions of well-being give a sense of the compounding factors that explain the persistence of one of the highest inequalities in the world.

But much more needs to be done to better understand the social processes and mechanisms through which social mobility is limited and inequities continue to be reproduced period after period. Some authors have framed South African inequality dynamics as being a move from race to class (or class to race). It is clear from the synthesis of existing research in this chapter that both are vital in understanding contemporary South African inequality. The key analytic challenge is to understand the evolving interactions between race and class and their role in conditioning the access to networks, services, opportunities and rewards.

The chapter has highlighted the multidimensional nature of the inequalities that prevail across contemporary South Africa today. Every day, individuals carry these inequalities into the labour market, into the broader economy and into their daily lives as intersecting bundles that tightly constrain opportunities for most and that open up many opportunities for a few. Evidence from the psychological and health literature has revealed that this lived reality makes policies directed at reducing inequality even more daunting. The economic insecurity associated with being vulnerable and unemployed reduces people's well-being, and is compounded by the impact of belonging to specific categories even if a deterioration in material welfare does not materialise (e.g. Cafiero & Vakis, 2006). In other words, and as highlighted by the impact of the COVID-19 pandemic, it is not only current earnings or consumption that matter for actual welfare, "but also the risks a household faces, as well as its (in)ability to prevent, mitigate and cope with these" (Klasen & Povel, 2013, p. 17). This picture is made more complex as vulnerability and precariousness has the potential to create further traps in which people opt for stable, low-return sources of income, rather than to invest in activities with more lucrative but also more uncertain outcomes that could improve their livelihoods (Wilkinson & Pickett, 2010).

All policy documents have consistently spoken about the need to reduce inequality and have given the state a strong role in redressing the social, political, economic, and spatial disadvantages via different interventions since 1994 (Tregenna, 2012). Yet, collectively, these policies have had a limited effect in reducing inequality. Some would argue that the actual attention and understanding of inequality in the policy sphere and the coherence of the strategies to address inequality remains, at best debatable (Bond, 2014; Hall & Kepe, 2017). The review of policy within this chapter has been somewhat more generous than this. Nonetheless, it is clear that despite the general recognition of poverty, inequality and unemployment as South Africa's three key policy challenges, the articulation of inequality in this trioka has been more rhetorical than substantive. Government has yet to truly confront inequality as a separate and perhaps overarching challenge.

If South Africa aims to create a stable, progressive society, poverty traps must be broken, poverty escapes must be sustained over time and a growing, stable middle class must be supported. None of this is possible unless the country reduces inequality and the impact of the mechanisms that produce and reproduce inequality.

We do not know the counterfactual of how much worse South Africa's inequality would have been without these interventions. We know that the extensive system of social grants has helped in ameliorating the increase of income inequality and that there has been notable progress in lowering inequalities in access to housing and essential social services. Nevertheless, the combination of these policies and minimum wages in the labour market have not had the positive effects on earnings and income inequality that they had in other contexts such as in Latin America (Cornia, 2014). Because of this, it is urgent to sharpen the understanding of the reasons why existing policies have failed in reducing inequality. Interdisciplinary research can provide new insights that enable us to better understand the forces behind existing inequality traps.

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Founded in 1975, the Southern Africa Labour and Development Research Unit (SALDRU) is a research-based social responsiveness initiative housed in the School of Economics at the University of Cape Town.

The unit carries out research and capacity building in applied empirical microeconomics with an emphasis on poverty and inequality, labour markets, human capital and social policy. We strive for academic excellence and policy relevance.

SALDRU has implemented a range of innovative surveys in South Africa including the Project for Statistics on Living Standards and Development (PSLSD), Cape Area Panel Study (CAPS) and the National Income Dynamics Study (NIDS), among others. Building on these large data gathering projects, we conduct a range of training and capacity building activities in the use of survey data to analyse social well-being.

Our mission is to challenge inequalities through policy relevant academic research.



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