

Trends in Inequality and Poverty Over the Post-apartheid Era: What Kind of a Society is Emerging?

Murray Leibbrandt and Ingrid Woolard
SALDRU, UCT

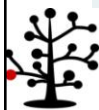
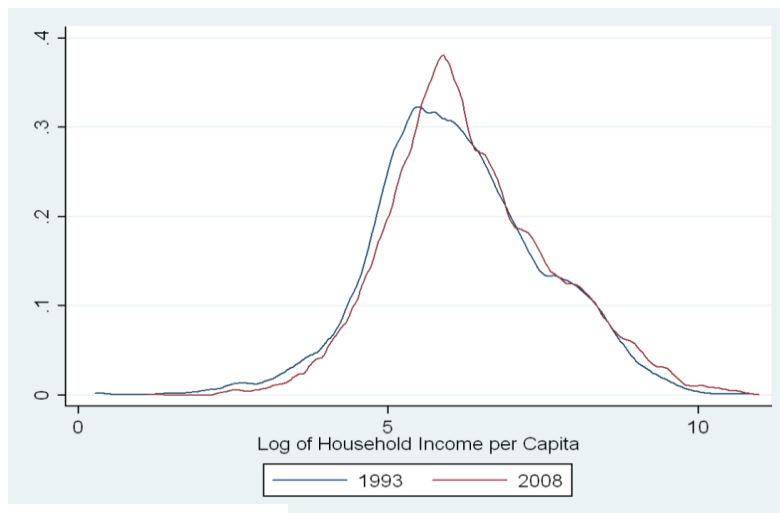
OECD/NPC/TIPS Policy Forum
Changes in South African poverty and inequality
Since the fall of apartheid



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



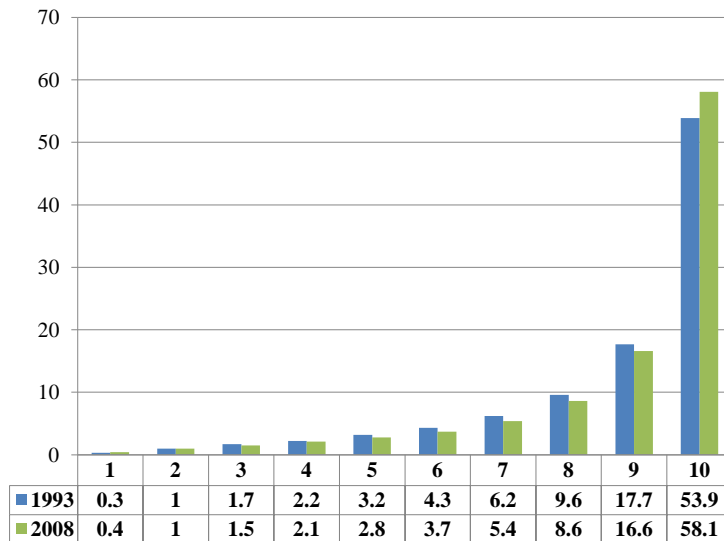
Estimates of (Log) Real Household Income Per Capita
1993 and 2008



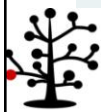
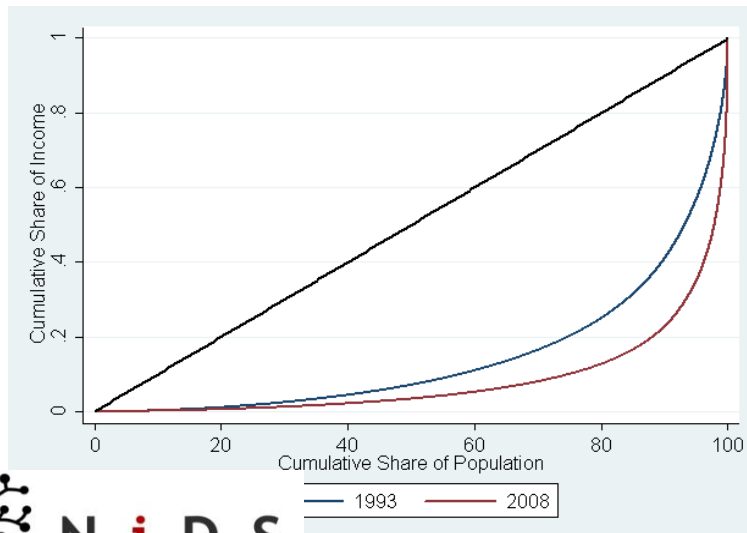
N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



Income shares by decile



South African Inequality: Lorenz curves for per capita income in 1993 and 2008

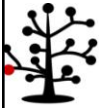


N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



Gini coefficients: Overall and by Race

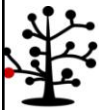
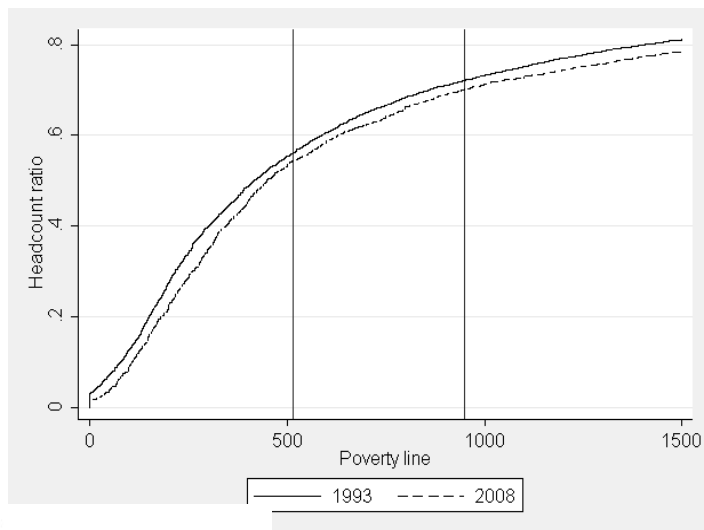
	Income	
	1993	2008
African	0.54	0.62
Coloured	0.44	0.54
Asian/Indian	0.47	0.61
White	0.43	0.50
Overall	0.66	0.70



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY

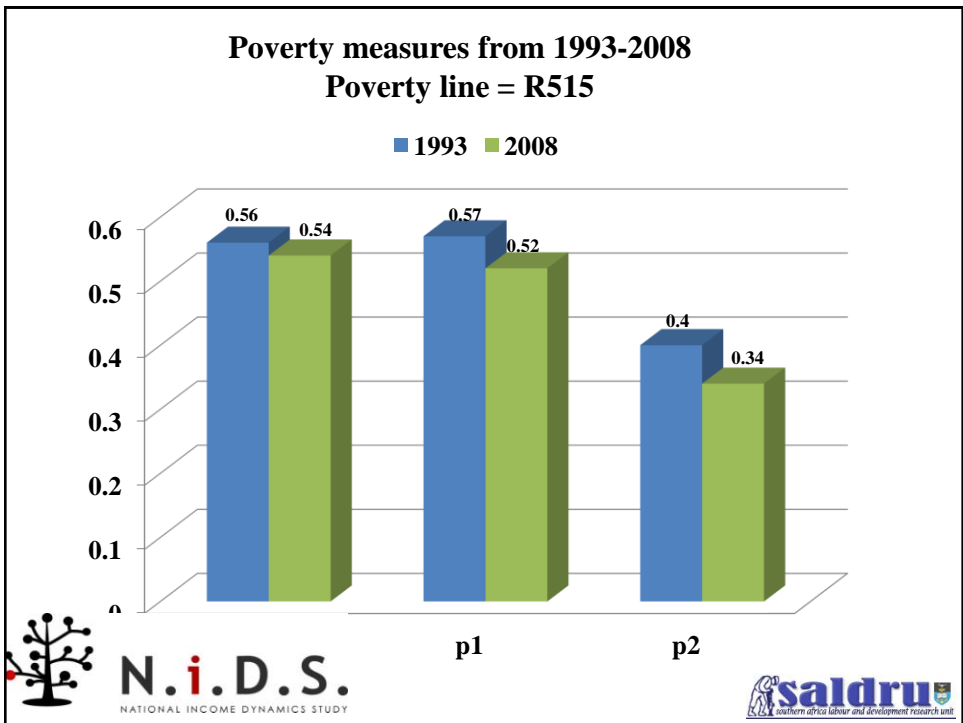
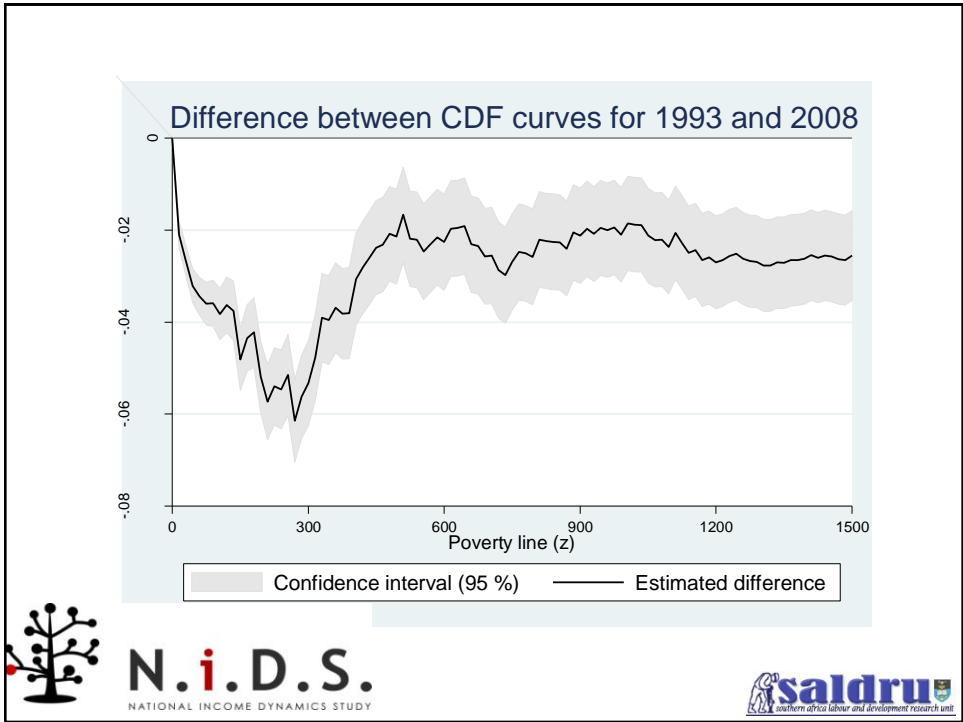


Poverty Dominance

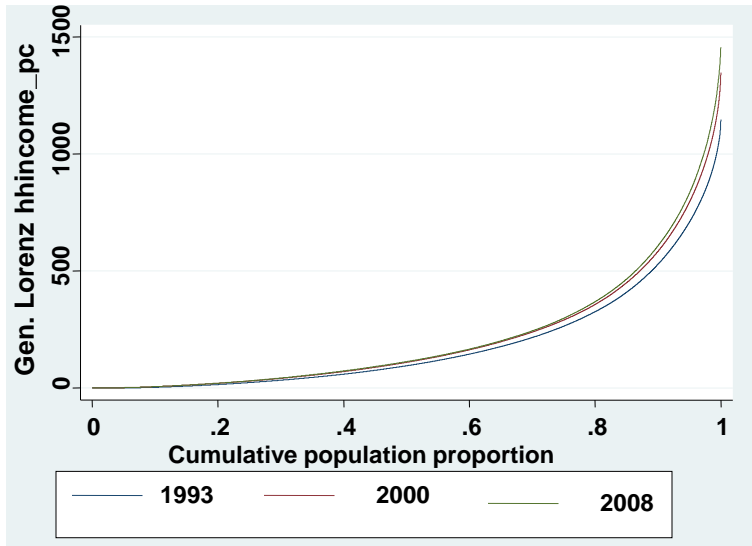


N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY

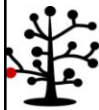
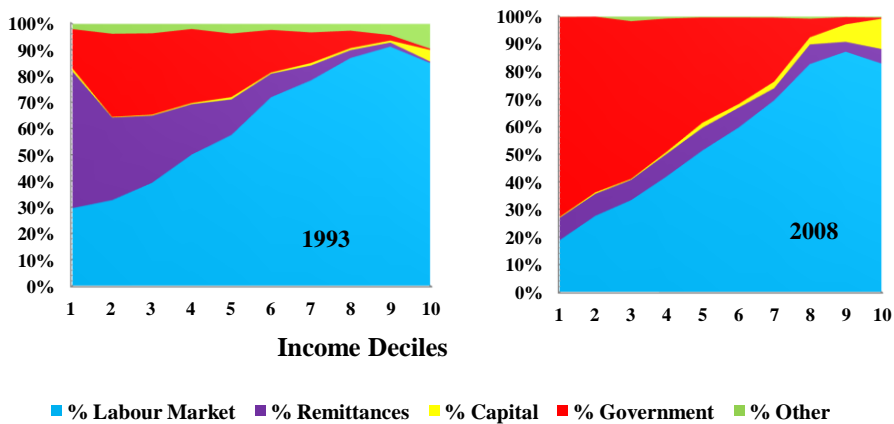




Generalised Lorenz Comparisons 1993, 2000 and 2008



Income Component Shares of Total Income By Decile



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



Inequality decompositions by income source 1993 & 2008

1993

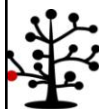
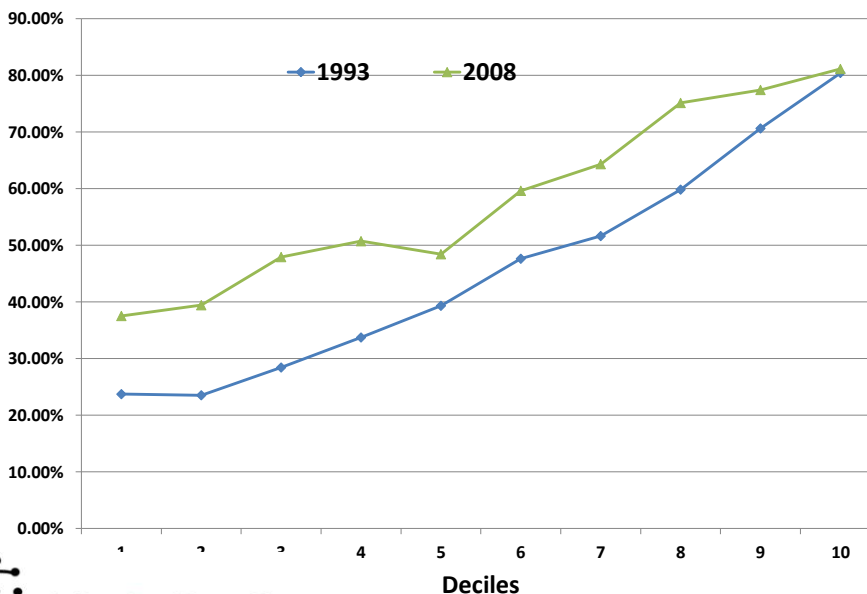
Income Source	% of HH receiving	% share of total income	Mean HH monthly income from income source	% share in overall Gini
Remittances	24.2	3.1	157	-0.5
Capital Income	9.7	8.7	437	11.6
State transfers	21.9	21.9	273	0.2
Labour market	73.4	5.4	4156	88.3
Other	1.4	82.4	21	0.3
Total	100	100	5044	100.0

2008

Income Source	% of HH receiving	% share in total income	Mean HH monthly income from income source	% share in overall Gini
Remittances	14.0	5.4	282	5.1
Capital Income	7.8	7.9	414	9.7
State transfers	47.8	7.9	412	0.3
Labour market	71.9	78.8	4128	85.0
Total	100	100	5236	100.0



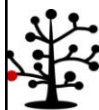
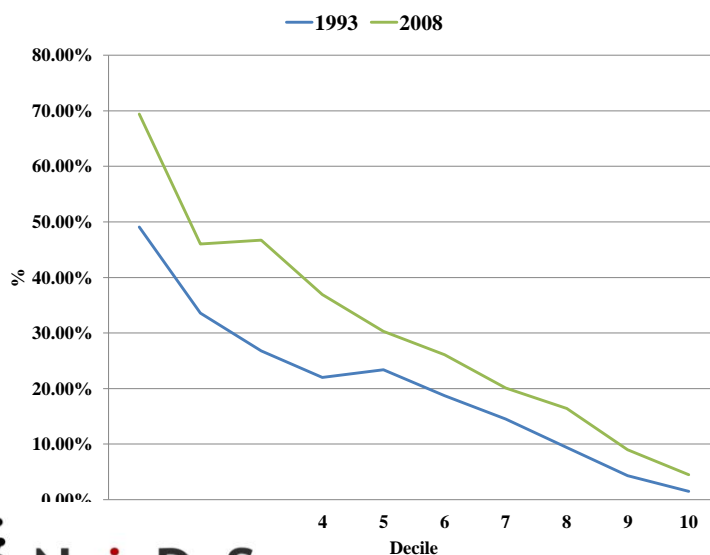
Labour Participation Rates by Decile



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



Unemployment rates by decile



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



Poverty and the Labour Market

	Population Share		Poverty Incidence		Poverty Share	
	1993	2008	1993	2008	1993	2008
Workers						
0	0.28	0.31	0.89	0.81	0.44	0.46
1	0.38	0.41	0.54	0.48	0.36	0.36
2+	0.34	0.28	0.32	0.34	0.20	0.17



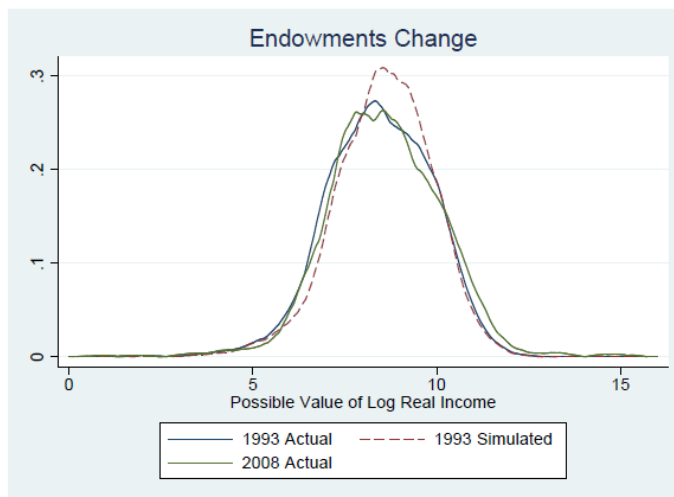
N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY



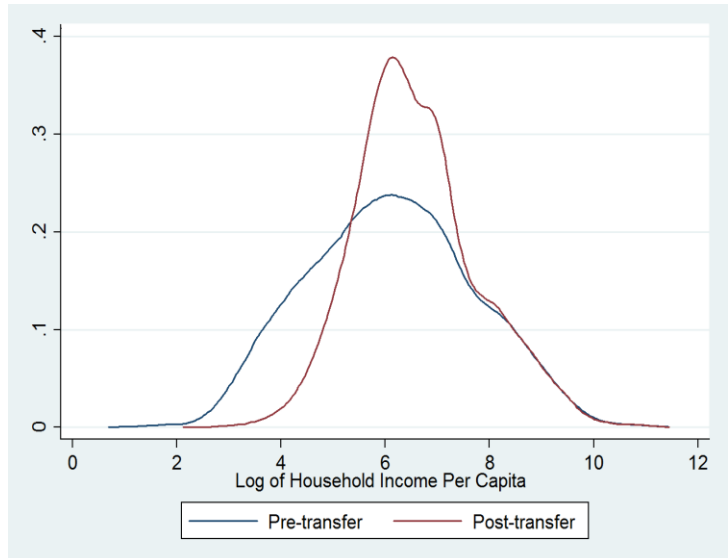
Poverty by education of household head (Poverty line R515 per capita per month)

	Population (Percent)		Head count (Percent Poor)		Poverty share	
	1993	2008	1993	2008	1993	2008
No schooling	0.26	0.18	0.81	0.80	0.38	0.27
Grade 1-3	0.06	0.06	0.77	0.77	0.09	0.09
Grade 4-6	0.17	0.14	0.69	0.75	0.21	0.19
Grade 7-9	0.22	0.19	0.53	0.59	0.21	0.21
Grade 10/12	0.19	0.31	0.25	0.37	0.08	0.21
Degree	0.02	0.03	0.04	0.02	0.00	0.00

How important are changing endowments?



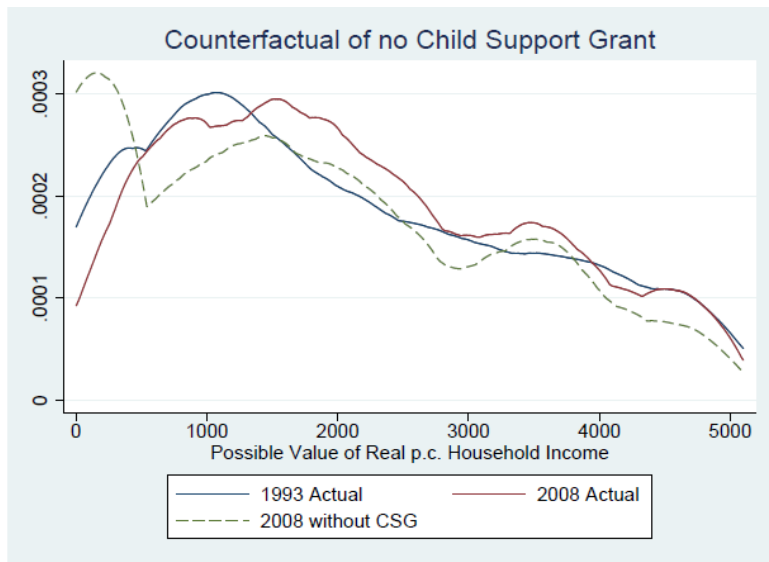
Distribution of Real Per Capita Income With and Without Social Grants



The Gini coefficient would be 0.036 points higher in a “morning after” simulation in which the grants are removed overnight.



Distribution of Real Per Capita Income With and Without the Child Support Grant



The poverty reduction effect of the OAP and CSG, using the lower poverty line (R515 per capita per month)

Quintile (per capita income without OAP and CSG)	% of individuals below lower poverty line Before OAP & CSG	% of individuals below lower poverty line After OAP & CSG (as reported)	% of individuals below lower poverty line After OAP & CSG (simulated eligibility)
1	100%	97.00%	96.40%
2	100%	91.70%	89.90%
3	69.60%	51.20%	42.10%
4	0%	0%	0%
5	0%	0%	0%
All	53.90%	48.00%	45.70%



Household labour market attachment and access to grants of the unemployed (%)

	1997	2006	2008
No-one employed, no remittances, no social grants	11.8	13.2	16.9
No-one employed, no remittances, social grants	17.5	24.7	24.9
No-one employed, remittances	21.3	11.2	12.9
1 employed	35.8	39.4	36.6
2 or more employed	13.5	11.5	9.4
Total	100.0	100.0	100.0



positive interactions between the labour market and the grants.

In Brazil 50% of the inequality reduction is due to the labour market and 50% to social grants.

- **The Labour Market** is a huge problem. Need more jobs and need better support from jobs.
 - How? Increased productivity. Real wage growth in line with productivity. In Brazil it was improvements in education that drove the virtuous labour market dynamics.
- **The social grants system** is a huge achievement.
 - But is pushing fiscal limits & providing short-run poverty alleviation not sustainable development.
 - This is a huge opportunity to build off something that is already there and connect to credit markets and other government policies.



N.i.D.S.
NATIONAL INCOME DYNAMICS STUDY

Visit our website: <http://nids.uct.ac.za>