Strategies to Overcome Inequality in South Africa: Thinking Inside and Outside of the Box

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Strategies to Overcome Poverty and Inequality

**PARTNERS**
- Academy of Science of South Africa (ASSAF): Standing committee on Science for Poverty Alleviation
- Department of Science and Technology & National Research Foundation: Research Chairs Communities of Practice
- National Treasury: Research Project on Employment, Income Distribution, and Inclusive Growth
- Presidency: Programme to Support Pro-poor Policy Development
- Statistics South Africa: Mapping Poverty and Inequality and Indicators of Progress
- NGO’s & Civil Partnerships: DG Murray Trust; iKamva Youth; Harambee

**University of the Witwatersrand**
- Theme - Politics of Inequality
- Research Chair - Development Planning and Modeling

**University of the Free State**
- Theme - Social Cohesion

**University of Cape Town**
- Theme: Youth
- Social Cohesion
- Research Chairs:
  - Poverty and Inequality
  - Land Reform and Democracy
  - Urban Policy
  - Economic Growth, Poverty and Labour Regulation
  - Health and Wealth

**University of the Stellenbosch**
- Theme - Education
- Research Chair - Economics of Social Policy

**University of the Western Cape**
- Research Chair - Poverty, Land and Agrarian Studies

**Fort Hare University**
- Theme - Agriculture

**University of KwaZulu-Natal**
- Research Chair - Economic Development
- Theme - Gender, Parenting, and Household Composition

**Nelson Mandela Metropolitan University**
- Theme - Education

**Rhodes University**
- Theme - Education

**South African Index of Multiple Deprivation 2011**
- National Deciles
  - 10 Most Deprived: (427)
  - 9 (428)
  - 8 (427)
  - 7 (427)
  - 6 (428)
  - 5 (429)
  - 4 (427)
  - 3 (428)
  - 2 (428)
  - 1 Least Deprived: (428)

Ward Boundaries (c) Statistics South Africa
SAIMD 2011 (c) SASPRI 2014
Income Dynamics (or the lack thereof) in Contemporary South Africa

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2014</th>
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<tbody>
<tr>
<td></td>
<td>Severe</td>
<td>Poor</td>
</tr>
<tr>
<td>Severe</td>
<td>28.7%</td>
<td>13.0</td>
</tr>
<tr>
<td>Poor</td>
<td>5.5</td>
<td>6.5</td>
</tr>
<tr>
<td>Non-poor</td>
<td>2.3</td>
<td>3.4</td>
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South Africa’s five social classes, 2008 and 2014/2015

- Chronic Poor: 50% in 2008, 50% in 2014
- Transient Poor: 11% in 2008, 11% in 2014
- Vulnerable: 15% in 2008, 15% in 2014
- Middle Class: 20% in 2008, 20% in 2014
- Elite: 4% in 2008, 4% in 2014
Intergenerational Failure

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

Strength of Relationship Between Parent's Earnings and Child's Earnings

Position of Parents in the Earnings Distribution

- Blue line: Fathers
- Red line: Mothers
• Mandela Initiative
• Out of this engagement what needs to be done to augment?
• What do you want to do?

• This group responsible for this broader framing and distilling through the lens of strategies to overcome inequality
• You could join focussed groups too (education, health, urban planning, rural livelihoods, households)
What this group **has** to do

- Conceptualisation, pulling together
- Complementarities
- Has adopted a “people outwards” view
  - The constitution
  - Scale of analysis of CSOs
  - Complementarities (Quintile schools and the persistence of our inequality.)
    Same with socio-economic aspects of health inequity)
- Formal evidence-based monitoring: Social grants -app, recovering our programme and moving on
A Possible Policy Framework: Thinking Outside the Box

- Minimum Wages
- Employment Protection

+ Savings Incentives
- Inheritance Taxation

Disposable Income

- Social Insurance
- Means Tested Transfers
- Progressive Income Tax

Citizens’ Income

- Guaranteed Public Employment
- Strengthen Countervailing Power
- Capital Sharing Funds

Changing Direction of Technical Change
**Inside the Box: Earned Income**

- All of the work on education and health falls here.
- All of the work on labour market falls here:
  - E.g., new work on the earnings distribution and minimum wages
- Social wage too (transport, housing)
- Lots of the contributions of our Chairs

**Inside the Box: Capital Income**

- Wealth tax. New SA work.
- Capital Markets
- (White) capital and lack of transformation
- Piketty-type themes
Inside the Box: Disposable Income

- Social Insurance
- Means Tested Transfers
- Progressive Income Tax

- Much work on Social Grants and their Impacts
- Much work on the targeting and redistributory potential of social expenditures and taxes
- Tells a good story but this contrasts with delivery failures

Outside the Box: Technical Change

- Big issue in global debate about trade and globalisation
- Taxing capital and labour
- SA discussion of industrial policy and labour intensive growth
Outside the Box: **Guaranteed Public Employment**

- If “banks cannot fail” why can the labour market fail?
- SA’s Community Works Programmes?
- Youth Corps?

Outside the Box: **Countervailing Power**

- Not political power, is about power in the economy. Policy provides the regulatory environment but govt cannot guarantee the outcome.
- Competition Policy
- Value chains work
- Power for social partners and broader social compacts (NEDLAC?)
Outside the Box: **Capital Sharing Funds**

- Guaranteed inheritance to all as an endowment to 18 or 21 year olds
- Perhaps funded out of inheritance tax as a double intergenerational break

Outside the Box: **Citizens’ Income**

- A guaranteed minimum income to all *individuals*
- Not means tested
- Like a Basic Income Grant
- Conditional only on citizenship or participation in the society
Is this framework adequate and how do we need to augment it?

- This is an income based framework
- It is useful as a bridge between short, medium run need for income and the longer-run factors that determine these flows and that lead to the persistence in equality (even inter-generationally).
- It's an improvement on the NDP’s thinking and copes well with the poverty versus inequality discussion
- It may not cope well with all inequalities (Assets, Spatial, Crime).
- It’s weak on:
  - Macro and sectoral structural change
  - The politics of inequality/delivery
- There is general recognition that overcoming inequality will require a societal vision, societal buy-in and commitment. It is not just about policy instruments. It should be able to contribute to understanding what this means.