

Extreme inequalities

– the distribution of household wealth in South Africa

by Aroop Chatterjee, Léo Czajka, and Amory Gethin

South Africa is, by most contemporary measures, the most unequal country in the world. Yet, relatively little attention has been given to country's wealth inequality. It is crucial to accurately measure the concentration of wealth inequality over time, identify the root causes of the current persistence of extremely high levels of inequality in South Africa, and eventually understand how to best overcome it.

This brief looks into the evolution of wealth inequality during 1993–2017. The evolution of income inequality is relatively well known from the existing literature, but no previous study has attempted to track wealth inequality over time.

Household wealth is extremely concentrated

In South Africa, net household wealth is extremely concentrated, with the top decile owning 86% of total net wealth (see Table 1).

Net household wealth is also extremely concentrated within the top 10%. The top 1% of the South African adult population (350,000 individuals) own 55% of aggregate personal wealth, and the top 0.1% alone (35,000 individuals) own almost a third of wealth. The top 0.01% of the distribution, amounting to some 3,500 individuals, own about 15% of household wealth, greater than the share of wealth owned by the bottom 90% of the population consisting of 32 million individuals.

FINDINGS

In South Africa, net household wealth is extremely unequally distributed — the top 0.01% (3,500 individuals) own 15% of aggregate national wealth, more than the bottom 90% of the adult population (32 million individuals)

All forms of assets are unequally distributed — notably 99.8% of bonds and stock, which account for 35% of total wealth, are owned by the richest 10%

There is no sign of decreasing wealth inequality since the end of apartheid, and these levels of concentration greatly exceed wealth inequality estimated in other countries

The bottom 50% of the South African population have negative net worth: the levels of the debts that they owe exceeds the market value of the assets they own.

The top 10% own more than 55% of all forms of assets, including pension assets, housing wealth, business assets and currency, notes and coins (see Table 2). They own more than 99% of all bonds and stock held in the economy. Currency and housing wealth are the least concentrated form of wealth, but low wealth groups only possess a small share of them: the bottom 50% of the wealth distribution own about 10% of currency, notes and coins, and less than 15% of housing assets.

Table 1: The distribution of personal wealth in South Africa in 2017

	Number of adults	Wealth threshold, ZAR	Average (2018 ZAR)	Average (2018 PPP \$)	Wealth share, %
Full population	35,400,000		326,000	\$52,200	100
Bottom 90% (p0p90)	31,860,000		94,100	\$15,100	14.4
bottom 50% (p0p50)	17,700,000		-16,000	\$-2,600	-2.5
middle 40% (p50p90)	14,160,000	27,700	138,000	\$22,000	16.9
Top 10% (p90p100)	3,540,000	496,000	2,790,000	\$447,000	85.6
top 1% (p99p100)	354,000	3,820,000	17,830,000	\$2,860,000	54.7
top 0.1% (p99.9p100)	35,400	30,350,000	96,970,000	\$15,540,000	29.8
op 0.01% (p99.99p100)	3,540	146,890,000	486,200,000	\$77,920,000	14.9

Notes: The table shows the distribution of household wealth in South Africa in 2017. The unit of observation is the individual adult aged 20 or above. Wealth thresholds are in 2018 ZAR.

Source: authors' computations based on the combination of surveys, national accounts and tax micro data.

Table 2: Share of total assets held by wealth group by asset class, 2017

	Currency, %	Business assets, %	Housing, %	Pension/life Insurance, %	Bonds and stocks
Bottom 90% (p0p90)	35,400,000		326,000	\$52,200	100
bottom 50% (p0p50)	31,860,000		94,100	\$15,100	14.4
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top 0.01% (p99.99p100)	354,000	3,820,000	17,830,000	\$2,860,000	54.7
% of total assets	35,400	30,350,000	96,970,000	\$15,540,000	29.8

Notes: The unit of observation is the individual adult aged 20 or above. In 2017, the top 1% of South Africans in terms of net worth owned 95% of the bonds and corporate shares in the economy. Bonds and shares represented 34.1% of total household assets in the economy at this date. Figures may not add up due to rounding.

Source: authors' computations based on the combination of surveys, national accounts and tax micro data

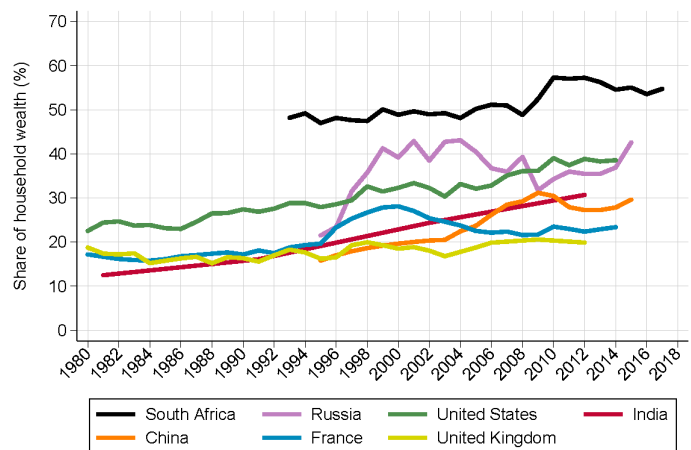
This concentration has remained stable over time, with no decline since the end of apartheid. In comparative perspective, South Africa appears to be the most unequal country in terms of wealth among all developed and developing countries for which comparable data is available (see Figure 1). The top 1% wealth share stands at 55% in South Africa, as compared to about 40% in the United States and Russia, 30% in China and India, and less than 25% in France and the United Kingdom.

Urgent need for better data

These estimates provide for the first time detailed information on the distribution and composition of wealth in South Africa over time. To do this, all existing data sources on wealth, including macroeconomic data, all relevant household surveys, and newly available tax microdata for 2010–17 were contrasted. Several estimation methods were combined, tax microdata was merged with surveys to account for the fact that higher incomes are better captured by tax data, and the resulting distribution was made consistent with the national accounts totals.

The research work revealed the crucial lack of fully comprehensive and reliable data available to directly measure the distribution of wealth in South Africa. There is urgent need for better data on wealth and capital incomes, and especially on dividends and financial assets held through trusts. This data is already in part collected through the

Figure 1: South African wealth inequality in comparative perspective: top 1% wealth share



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administration of the dividends tax and through the ITR12T tax forms filed by trusts. It would be valuable for the South African Revenue Service (SARS) to develop and consolidate this data for policy research. Getting access to it would be crucial to provide more accurate estimates and to inform policy-making in the future.

IMPLICATIONS

Such levels of wealth concentration affect the economy by undermining representativity of democratic institutions, reinforcing anti-competitive market structures, and depriving the poorest of endowments needed to resist shocks and realize their full potential

Wealth inequality is likely to persist if there are no strong counterbalancing mechanisms. Potential policy options may include reforming the tax code to limit trusts' shielding legal power, progressive wealth tax, regulated expropriations, limiting new acquisitions, and broadening estate duty tax base and increasing its rate

These results flag the precarity of the majority of individuals with low or negative net worth. Policy-makers should urgently direct attention to policies enabling greater security to the general population

However, before deciding on the range of policy reforms there is an urgent need for better data on wealth and capital incomes, especially on dividends and financial assets held through trusts

This Research Brief is based on WIDER Working Paper 2020/45 'Estimating the distribution of household wealth in South Africa', by Aroop Chatterjee, Léo Czajka, Amory Gethin

