

SOUTH AFRICAN TRANSFORMATION MONITOR (SAT MONITOR)

Racial Transformation in Income Levels

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1. INTRODUCTION

In 1994, South Africa was characterised by a black¹ population that was, as a rule, poverty stricken and economically marginalised. As apartheid gave way to political freedom, various companies began to hire black professionals for the first time. This included such professionals as accountants, financial experts, IT specialists, engineers, doctors, nurses etc. Since 1994, in order to rectify the skewed economical profile of black South Africans, and to facilitate the entry of blacks into various professions, a vast body of legislation, policies and charters in various sectors of the economy have been introduced. Instrumental to ensuring black advancement are the Employment Equity Act 55 of 1998 and the Broad-Based Black Empowerment Act 53 of 2003, as well as numerous others.

This study documents the actual progress made by the different racial groups in the areas identified since the transition to democracy. It also considers the impact of these changes on the broader political economy. My findings in the first phase of the project were that blacks have advanced rapidly from an economic point of view since 1994. I say this with the knowledge that I have been careful to measure black advancement and transformation in South Africa in an accurate, comprehensive and objective manner. Given the sensitive nature of a project such as this one, we take a very conservative approach in reaching our conclusions.

1.1 SAT Monitor

The SAT Monitor will provide statistical evidence of the progress made by black South Africans alongside other racial groups since 1994. Research will be broken down into several phases, with each phase concentrating on a certain sector of the economy. The sectors covered are as follows:

- 1.1.1 Black ownership of the Johannesburg Stock Exchange (JSE) and ownership of insurance policies;
- 1.1.2 the public sector;
- 1.1.3 bank accounts, savings accounts and credit cards;
- 1.1.4 company registrations and directorships;

¹ The broad definition of blacks includes Indians and Coloureds.

- 1.1.5 education enrolment and levels (primary, secondary, tertiary, public and private);
- 1.1.6 income;
- 1.1.7 land ownership, land holding and mortgages (private and government);
- 1.1.8 management (private sector);
- 1.1.9 occupations (skilled employment);
- 1.1.10 professions (IT, accountants, engineers, doctors, lawyers etc);
- 1.1.11 access to healthcare
- 1.1.12 tertiary education.

1.2 **SATI**

As previously stated, the SATI will be constructed using the research in each sector as a cornerstone. The SATI will also be updated annually, using the research carried out in the various sectors for a specific year.

1.3 **The Use of Terminology**

The study uses data spanning 1994 to 2009. The meaning of given terminology, with specific reference to the use of 'Indian/Asian' and 'African/black' changed over this period. An explanation of this terminology is important for the interpretation of this report. Before the implementation of the Employment Equity Act in 1998 and the introduction of new reporting structures by government, most government departments generally used the word 'black' when referring to black (skin colour) South Africans and Asian when referring to South Africans of Asian descent. After 1998 the reporting structure changed, with the designation 'African' referring to black (skin colour) South Africans, Indians and Coloureds. These three classifications make up what is now called the broad definition of black in South Africa today. 'White' refers to South Africans with a white skin colour.

Throughout this study, the broad definition of 'black' (which includes African, Indian and Coloured) is used.

1.4 **Background to the study**

During the climax of the apartheid period, 60% of South Africa's laws were related to race. This makes it hard to study any aspect of South Africa without mentioning race.

Since the transition to democracy, the government has come up with various policies to correct the inequalities of the past. The questions to be answered by this study are: What has been the impact of government policies such as Employment Equity Act, Skills Development Act, and SAQA Act among many others on incomes of black South Africans? What changes have taken place in the racial composition of income since 1994? What gaps still exist in the racial composition of income?

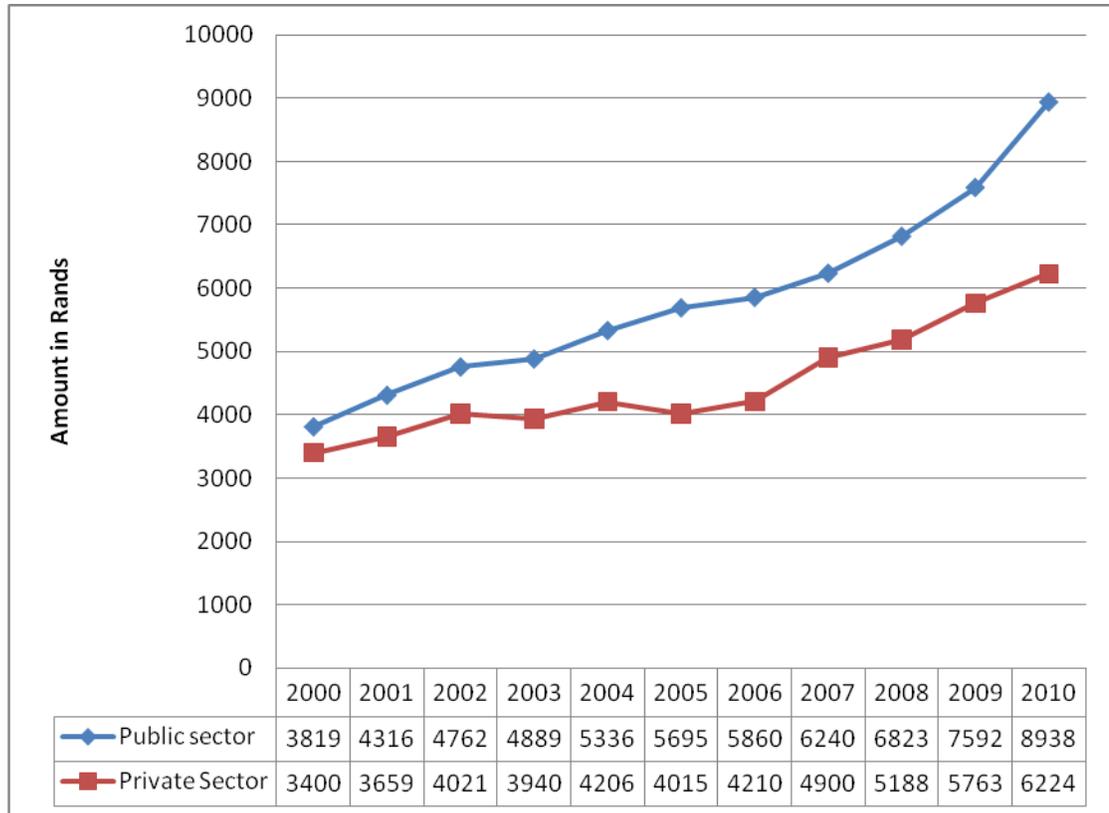
1.5 Data for the Study

The data for this study has been obtained from various sources given that no single organisation/institution has comprehensive documented information on income levels by race in South Africa. The data was mainly secondary data. It was collected from Stats SA data, South African Institute of Race Relations' publications, and other internet sources. This data was then aggregated and analysed.

The focus of the analysis is not on the actual income figures by race but rather on the change that has taken place in the income levels between 1994 and 2010. Tables and charts will be used to show both actual numbers and also the change in income for the various racial groups in South Africa.

2 TRANSFORMATION IN THE PROFESSIONAL SECTOR IN SOUTH AFRICA

2.1 Figure 1: Transformation in Earnings in formal non-agricultural employment in the public and private sectors, 2000-2010



Source: Business Report 23 July 2010, based on SARB and Adcorp data. Chart by author

According to figure 1, there has been a 143.1% increase in income in the public sector compared to an 83% increase in the private sector. Therefore taxpayers have paid more towards funding salary and wage increases in the public sector than they have received themselves from their employers in private sector concerns over the past 10 years.

2.2 Table 1: Annual total disposable income by race, 1996–2009

Annual total disposable income by race, 1996–2009					
<i>Year</i>	<i>African Rm</i>	<i>Coloured Rm</i>	<i>Indian Rm</i>	<i>White Rm</i>	<i>Total Rm</i>
1996	312,714	54,790	34,449	331,048	733,001
1997	325,885	57,359	34,805	339,403	757,452
1998	333,643	58,646	34,633	339,271	766,193
1999	341,777	59,856	34,621	341,973	778,227
2000	358,435	62,632	35,454	352,251	808,772
2001	371,700	63,986	36,616	359,297	831,599
2002	390,047	65,758	38,184	367,008	860,997
2003	402,720	66,714	39,363	375,501	884,298
2004	428,076	69,902	41,290	397,982	937,250
2005	458,653	73,245	42,945	417,294	992,137
2006	506,274	78,503	45,784	434,221	1,064,782
2007	546,337	83,893	48,093	445,309	1,123,632
2008	569,452	86,578	49,889	444,307	1,150,226
2009	561,661	83,831	48,634	426,078	1,120,205
Change: 1996– 2008	79%	53%	41%	28%	53%

Source: Global Insight Southern Africa, *Regional eXplorer*, 2008

According to Table 1, between 1996 and 2009, the total annual disposable income in South Africa increased from 733,001 Rmillion to 1,120,205 Rmillion. According to the table, the total disposable income for all races increased significantly. For Africans, disposable income increased 79% from 31, 2714 million to 56,1661million;. for Coloureds it increased by 53% from 54,790 million to 83,831million; for Indians it increased by 41% from 34,449 million to 48,634 million; and for whites, the increase was 28% from 331,048million to 426,078 million. However, over the period studied, total disposable income for blacks (Africans, Indians coloured) is more than that for whites and is continues to grow at a greater rate than that for whites. This is illustrated below.

Figure 2: Annual total disposable income by race, 1996-2009.

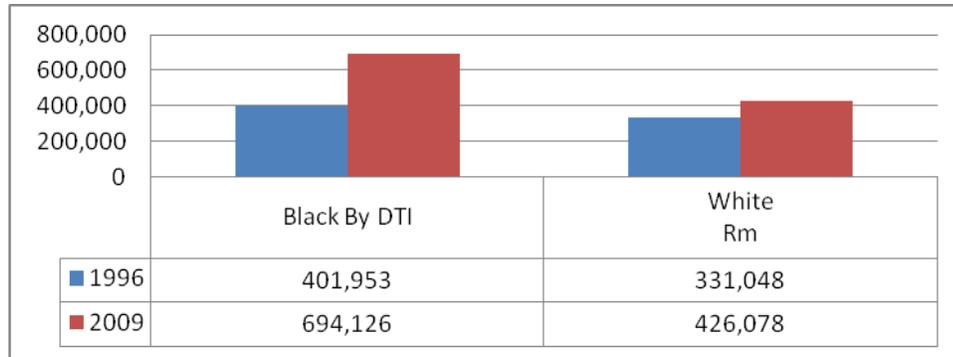
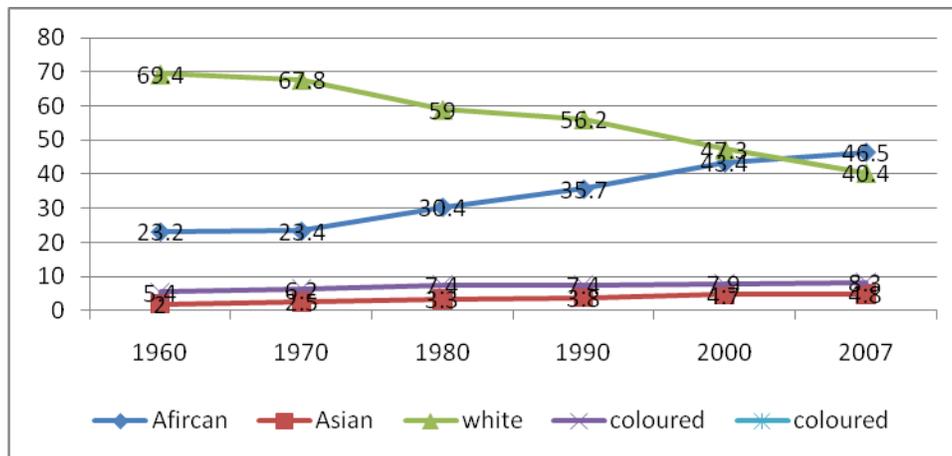


Figure 2 shows that the disposable income of blacks increased from 55% of the total for all races in 1996 to 62% in 2009. That for whites, has decreased from 45% of the total for all races in 1996 to 38% in 2009. The popular view that the incomes of blacks are not increasing when compared to those of whites, therefore, is a myth. The problem that arises when measuring black incomes is that within the black population far too few blacks are income earners. This fact is revealed when one examines per capita income, per capita disposable income, and average incomes by race.

Figure 3: Percentage of Disposable Income by race (1960-2007)

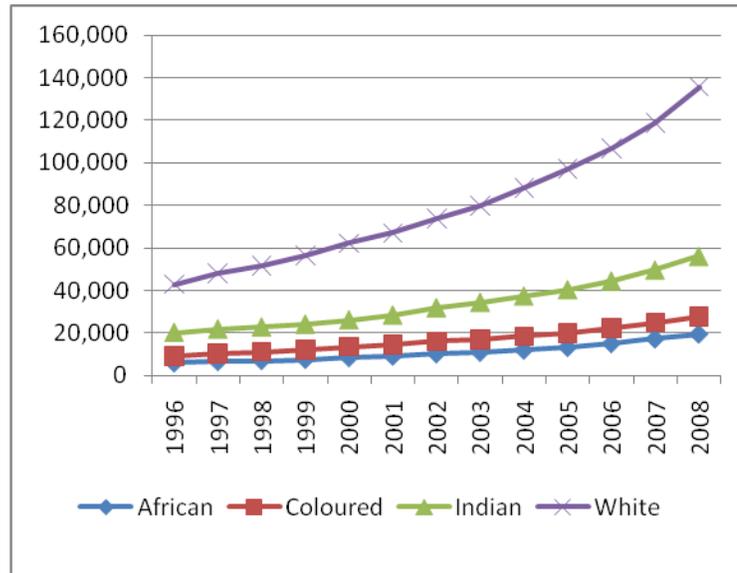


Source: South African Institute of Race Relations SAIRR, www.sairr.co.za

Disposable income is the after tax income available for households to either consume or save/invest. An individual's lifestyle is determined by the amount of disposable income they have. In 1960, whites controlled 69.4% of disposable income in South Africa. This dropped to 40.4% by 2007 whereas black control of disposable income grew from 30.6% to 59.6% over the same period. There has, after all, been a

significant shift in the control of disposable income between blacks and whites, but, however, black disposable income needs to grow further if it is to support the size of the black population.

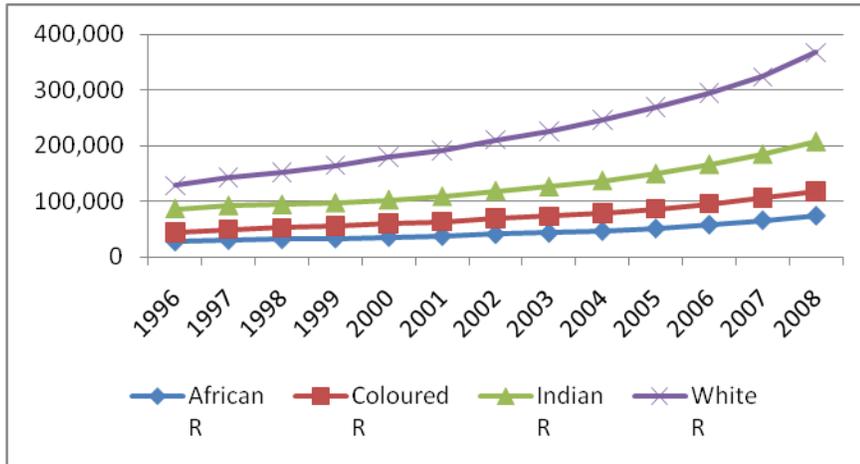
2.3. Figure 4: **Annual per capita income by race, 1996–2008**



Source: Global Insight Southern Africa, *Regional Explorer*, 2008

Figure 4 shows that between 1996 and 2009 there was a 235% increase in the per capita income of Africans, compared to a 217% increase for whites, 203% for coloureds and 180% for Indians. In absolute terms, the incomes of blacks have increased significantly, in per capita terms, but the increase is marginal when compared to that of whites. The reason is because blacks constitute about 80% of the population and when the total income is divided by a large population, the per capita income seems very little. However, blacks have advanced significantly with respect to per capita income.

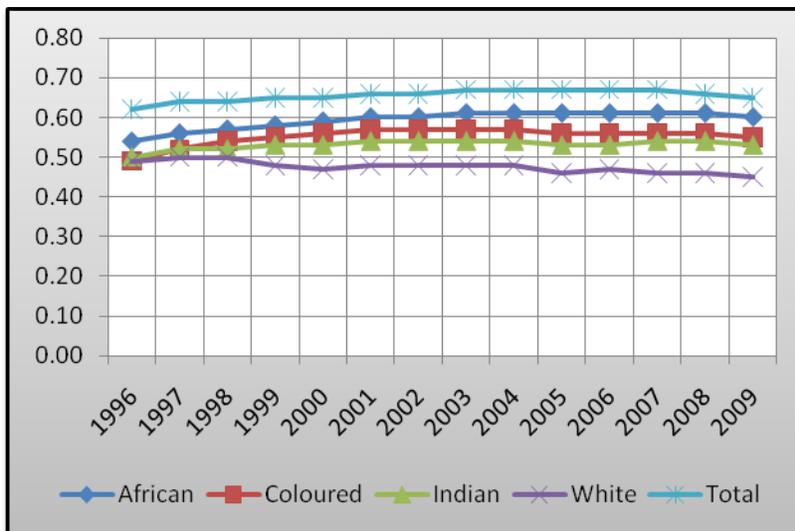
3.7 Figure 5: Annual average household income by race, 1996–2008



Source: Global Insight Southern Africa, *Regional eXplorer*, 2008

According to figure 5, there was a 166% increase in annual average household incomes for Africans, 167% for coloureds, 140% for Indians and 186% for whites. The total annual increase for all the races was 148%. Contrary to the popular view that incomes are not growing, incomes have increased by more than 100% for all racial groups since 1996. This shows there was significant black advancement in annual average household income.

Figure 6: Income Inequality (Gini co-efficient) by race 1996-2008



Source: Global Insight Southern Africa, *Regional eXplorer*, 2008

The Gini coefficient is a measure of income inequality. It can vary from 0 (complete equality) to 1 (complete inequality). According to figure 6 above, there has been an 11.11% change in the gini coefficient for Africans from 1996 to 2009, the change for coloureds is 12.24%, 6.0% for Indians and -8.16% for whites. Africans had the highest Gini coefficient in 2009, and whites the lowest in same period, while coloureds show the highest growth rate in Gini coefficient between 1996 and 2009.

Figure 7: Racial Representation of the Poverty Gap 1996-2008

The poverty gap by race, 1996–2008 (in millions of Rands)					
Year	African Rm	Coloured Rm	Indian Rm	White Rm	Total Rm
1996	16,677	618	56	176	17,527
1997	19,388	713	61	214	20,376
1998	22,168	816	70	256	23,310
1999	24,337	897	77	307	25,618
2000	25,504	940	81	328	26,852
2001	26,707	985	84	366	28,142
2002	28,650	1,057	91	392	30,189
2003	33,488	1,235	106	459	35,288
2004	34,556	1,274	109	473	36,413
2005	36,707	1,354	116	503	38,680
2006	35,964	1,326	114	493	37,897
2007	35,960	1,326	114	493	37,892
2008	35,240	1,300	111	483	37,134
Change: 1996– 2008	111.30%	110.40%	99.10%	174.50%	111.90%
a The poverty gap measures the difference between each poor household's income and the poverty line (as defined in the table <i>Number of people living in relative poverty by race, 1996–2008</i> , above).					

Source: Global Insight Southern Africa, *Regional eXplorer*, 2008

2.7 Conclusion:

The key findings from this study reveal that **the income gap between the races in South Africa is narrowing and** includes the following:

There has been a marked increase in wages for South Africans of all race groups and in all sectors since the transition to democracy. Between 2000 and 2009, the public sector saw a 143.1% increase in income compared to an 83% increase in the private sector. The findings reveal a marked increase between 1994 and 2010 in the incomes of Africans especially, irrespective of the unit of measurement: annual total disposable income, average annual total disposable income, per capita income, and annual average household income. White per capita personal income in 2008 was 7.7 times higher than that of Africans, a decrease from the 15 times difference that existed in 1970. In the same year white per capital personal income was 4.5 times higher than that of coloureds, and 1.5 times higher than that of Indians. The per capita income of Indians and coloured people was the same in 1917. However, since then Indian income has grown at a higher rate than that of any other race group. At constant 2000 prices, between 1993 and 2008 white per capita income rose from R46, 486 to R75, 297. That of Indians rose from R19, 537 to R51, 457. Coloured people went from R12, 911 to R16, 567. Income for blacks rose from R5073 to R9790. Therefore, differences in income levels between the races cannot be attributed to lack of transformation but due to many different factors including skills differences between the races, historical racial wealth accumulation differences and high rates of black unemployment.

However one can asset that the economy is in the right path in terms of increasing incomes wealth for its citizens especially the previously disadvantaged groups (Africans, Coloureds and Indians) which have shown the highest levels of income growth when compared to the income growth rates for whites within the same period.

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