A question of inclusivity: How did average incomes change over the first fifteen years of democracy?

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Institute of Social and Economic Research

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Achieving an inclusive path of economic growth and development is foremost in South African macro and social policy. This paper approaches the question of ‘inclusivity’ from the angle of those in the actual middle of the distribution of income. Over the first fifteen years of democracy, South Africa experienced a highly polarised pattern of growth. Income growth was strongest at the top of the distribution (and particularly at the very top); incomes at the bottom were propped up by a significant expansion in social welfare; whilst those in the middle experienced the slowest income growth of all. This makes sense of commonly reported findings of falling poverty levels and rising income inequality for the period. Trends in access to basic services were more positive and equalising.

1. Introduction

This paper attempts to assess the extent of inclusivity in post-apartheid income growth by focusing on one intuitive part of the income distribution: the actual middle (or middle-income strata). If South African macro and social policy explicitly aims to be ‘inclusive’, it is important to know how the average [median] South African income level changed over the first fifteen years of democracy. Common summary measures of economic progress such as GDP per capita may mask the standard of living experienced by the majority of the population in any particular period. Tracking the progress in the middle strata of South Africa’s income distribution provides a fresh perspective on the nature of economic progress in the country. This is against a worrying backdrop of rising income inequality post-1994 (Van der Berg and Louw, 2004; Hoogeveen and Özler, 2006; Leibbrandt et al., 2010).

The paper is structured as follows. Section 2 motivates for the importance of focussing on the actual middle of the income distribution and highlights the emphasis on reducing income inequality within South African macroeconomic and social policy. Issues of comparability in the data and the choice of definition for the middle are discussed in section 3. Section 4 presents descriptive statistics relating to changes in incomes, and ends with a brief analysis of non-income measures of progress. The final section summarises the main findings and concludes.

2. The importance of the middle-income strata and South Africa’s policy context

There are empirical grounds to believe that a growing and economically empowered ‘middle’ is important as a stimulus to economic growth and development (Easterly, 2001; 2007). This may be the result of greater political stability which in turn encourages international investment and enhances economic growth (Barro, 1999; Pressman, 2007; Estache and Leipziger, 2009; Palma, 2011). Alternatively, a larger middle strata implies a larger domestic consumer market which drives economic expansion (Brown, 2004; World Bank, 2007; Asian Development Bank, 2010; African Development Bank, 2011). Regardless of the mechanism, it is arguably advantageous to promote the growth at the middle in light of the associated spin-offs to economic growth.

Interest in the growth and development of the middle-income strata however can also be justified from appeals to equity. The empowerment of the economic ‘middle’ is an important development goal in-and-of itself. This is even more pertinent for South Africa where Apartheid had intentionally separated and disempowered the majority from effective participation in the economy. Following the transition to democracy, the South African government has placed, and continues to place, central policy emphasis on reducing income inequalities: be it directly through
in the redistribution of income; indirectly, through the alleviation of poverty (other things being equal); or incrementally, through an ‘inclusive’ path of economic growth.

The Reconstruction and Development Programme (RDP) was an overarching social and economic development plan formulated by the newly elected democratic government in coming to power in 1994. Within the RDP, “the problems of poverty and gross inequality” are identified as foremost challenges to South Africa’s development (RDP White Paper, 1994:4). The RDP emphasised an integrated approach to development, not through redistribution by itself, nor by economic growth in isolation, but redistribution in combination with “a more equitable pattern of growth” (RDP White Paper, 1994: 23). Moreover, the RDP explicitly called for monitoring and evaluation of performance.

Following the RDP in 1996, South Africa adopted its inaugural macroeconomic policy, the Growth, Employment and Redistribution (GEAR) strategy. GEAR also placed central emphasis on economic development for the majority. However, GEAR acknowledged only a limited role for redistribution – redistribution through growth. GEAR did not recognise that redistribution could promote economic growth. Moreover, GEAR failed to foresee that economic growth in South Africa could actually be inequality enhancing. Economic growth may be a necessary condition for economic development, but it is not a sufficient condition.

The narrow role for redistribution in GEAR and the growing problem of rising income inequalities in South Africa were openly acknowledged by GEAR’s successors. The Accelerated and Shared Growth Initiative for South Africa (ASGISA), as the title suggests, strongly emphasised the need to reduce income inequalities as a means to achieve higher and sustainable economic growth:

> “without interventions directly addressed at reducing South Africa’s historical inequalities, growth is unsustainable. Conversely, successful measures to reduce the inequalities will add impetus to growth.”
> 
> ASGISA (2005:11)

Similarly, the New Growth Path explicitly targeted the reduction of income inequality through inclusive and balanced growth. Although the New Growth Path placed employment creation at centre stage, the headline policy target of creating 5 million more jobs by 2020 was in service of addressing “the core challenge: mass joblessness, poverty and inequality.” (New Growth Path, 2010: 1).

The most recent South African socio-economic policy, the National Development Plan (NDP), was first released in 2011, and maintains a strong emphasis on reducing inequality. In fact, the NDP uses the catch phrase of achieving an ‘inclusive society’ [or sometimes economy] more than fifty times (National Planning Commission, 2012). Chapter 6 of the NDP is even titled “An integrated and inclusive rural economy” (author’s emphasis in italics).

The point here should be clear: South Africa’s economic strategy and social policy consistently targets a more inclusive and equitable society and economy. Despite differences in approach over time, reducing inequality remains the stated cornerstone to all post-apartheid macroeconomic and social policy. The contribution of this paper is to evaluate progress towards achieving this goal from the perspective of those in the actual middle. This enhances our understanding of whether there has been redistribution and if so, who has benefited. Moreover, focus on the middle strata has intuitive appeal; in portraying progress for the ‘average’ South African.
3. **Data and definitions**

Measuring income progress over time requires careful comparison of household income survey data. There are a number of surveys that could be used to measure income changes during the first fifteen years of democracy; however none are without their specific concerns. I employ survey data from three widely used household income surveys: the 1993 Project for Statistics on Living Standards and Development (PSLSD), the 2000 Income and Expenditure Survey (IES) (combined with the 2000 Labour Force Survey (LFS) for richer demographic information), and the first wave from 2008 of the National Income Dynamics Study (NIDS). The main strength and justification for choosing these datasets is that for each, household income data is calculated from the aggregation of a comprehensive list of sources (including detailed labour market income, but also government grant income, other government income, investment income, and remittance income), which should lead to higher quality income data.\(^1\)

There are a number of ways to define and measure those in the middle, as seen in the literature. The middle-income strata can be defined as households or individuals in the middle income quintiles or deciles of the income distribution (Easterly, 2001; Solimano, 2008; Palma, 2011). The disadvantage of this approach is that it fixes the size of the income strata over time. Alternatively, the middle strata can be identified by selecting households or individuals who fall within a middle range of income, centred around the median of the distribution (Thurow, 1987; Davis and Huston, 1992; Pressman, 2007 and Brandolini, 2010). This then allows for fluctuations in size over time.

I have shown elsewhere that there is a fair degree of overlap in who is selected into the middle strata between approaches (Visagie and Posel, 2013). For this paper, I define the middle-income strata using a threshold of 50% to 150% of the median per capita income. This is a good summary measure across commonly utilised measures (Visagie and Posel, 2013).

The unit of analysis (i.e. by individual or by household) also affects the precise measurement of the middle-income strata. Given that poorer households in South Africa are generally larger, the median individual in the income distribution has a lower household per capita income than the median household. Thus the middle-income strata are typically poorer when centred on the median individual in the income distribution as compared to the median household. The unit of analysis (individual or household) is seen to have a sizable impact on the description of the middle strata, therefore I report both measures in the results to follow. Nevertheless, the trends remain consistent irrespective of whether the median household or the median individual is used as the unit of analysis.

4. **Development of the middle-income strata: evidence 1993 - 2008**

4.1 **Income Progress**

Table 1 shows income boundaries for the middle strata over the period 1993 to 2008. What is particularly striking is just how low the median per capita household income is. Although this group is sometimes classified as ‘middle class’ in a technical sense, their standard of living is far off from the level of affluence typically associated with the middle class of the advanced economies (see Visagie and Posel, 2013).

\(^1\) Leibbrandt et al (2010) provide a detailed discussion of the compatibility and comparability of the income data from these particular datasets.
If the household is taken as the unit of analysis, then the per capita income received by the household at the median in 1993 is only R689 per capita per month (in constant 2008 prices). This is not far above the basic-costs-of-needs poverty line of R515 per capita per month commonly used in the South African poverty literature (Hoogeveen and Özler, 2006; Posel and Rogan, 2009; Leibbrandt et al, 2010). Indeed, if the individual is taken as the unit of analysis, then the per capita income received by the median individual is only R405 per capita per month, which falls below the R515 poverty line. This helps to emphasise that at the turn of democracy, the majority of South Africans faced a life characterised by significant economic hardship.

Table 1: Real per capita income thresholds of the middle strata, 2008 prices

<table>
<thead>
<tr>
<th>Unit of Analysis: Household</th>
<th>Unit of Analysis: Individual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median</td>
<td>689</td>
</tr>
<tr>
<td>Lower bound</td>
<td>345</td>
</tr>
<tr>
<td>Upper bound</td>
<td>1034</td>
</tr>
</tbody>
</table>

Notes: The data are weighted.

There is a fairly large difference in the absolute level of income between the median household and the median individual in any of the years under discussion. This can be explained by differences in household size by income. In particular, household size decreases monotonically with income.2 This implies that ranking households, as opposed to ranking individuals, does not account for the larger proportion of people living in poorer households, and therefore results in a higher median at the household level. What this means is that the group of households and individuals who are selected into the middle-income strata differs significantly, depending on the unit of analysis chosen. Nonetheless, in both cases, the middle-income strata are clearly far from the relative level of ‘middle-class affluence’ of those at the middle in developed countries.

The fact that a very large share of South Africans are close to (if not below) the poverty line is already well documented in the literature. What is less understood is how income levels might have changed across different segments of the distribution. Figure 1 illustrates graphically how the income distribution changed between 1993 and 2008 in reference to the middle strata using Epanechnikov kernel density plots. Whether at the level of the household or at the level of the individual, the three distributions crisscross at numerous points making it difficult to judge visually whether there was any net improvement over time. As reported in table 1, the median per capita household income at the level of the household increased from R689 per capita per month in 1993, to R749 in 2000 and ended on R759 in 2008. This represents a modest increase in the median per capita household income of approximately 10% over the period, which translates into an average annual rate of growth of just 0.68% per year. The numbers are slightly more encouraging at the level of the individual, whereby the median per capita income increased by approximately 20% from R405 in 1993 to R490 in 2008.

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2 Per capita household income in the NIDS 2008 for households of 1, 2, 3, 4, 5, 10 and 15 persons respectively is R3,556, R2560, R2775, R1471, R1030, R289 and R272.
Figure 1: The middle-income strata and the distribution of income, 1993 – 2008

Panel A: Epanechnikov kernel: level of the household

Panel B: Epanechnikov kernel: level of the individual

Notes: The data are weighted

Table 2: Size and income shares of the middle-income strata, 1993 – 2008

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Count (millions)</td>
<td>2.9</td>
<td>3.6</td>
<td>4.2</td>
<td>2.5</td>
<td>3.4</td>
<td>4.2</td>
<td>3.6</td>
<td>4.2</td>
<td>5.2</td>
</tr>
<tr>
<td>% share</td>
<td>32.3</td>
<td>32.1</td>
<td>30.9</td>
<td>27.7</td>
<td>30.2</td>
<td>30.9</td>
<td>40.1</td>
<td>37.6</td>
<td>38.2</td>
</tr>
<tr>
<td>Total income from all sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count (billions)</td>
<td>2.9</td>
<td>3.9</td>
<td>3.9</td>
<td>7.1</td>
<td>8.2</td>
<td>9.9</td>
<td>36.5</td>
<td>48.2</td>
<td>63.6</td>
</tr>
<tr>
<td>% share</td>
<td>6.3</td>
<td>6.4</td>
<td>5.0</td>
<td>15.2</td>
<td>13.6</td>
<td>12.7</td>
<td>78.5</td>
<td>80.1</td>
<td>82.3</td>
</tr>
</tbody>
</table>

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<thead>
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<tr>
<td>Count (millions)</td>
<td>11.5</td>
<td>12.5</td>
<td>13.1</td>
<td>13.1</td>
<td>15.4</td>
<td>16.6</td>
<td>15.4</td>
<td>16.1</td>
<td>18.9</td>
</tr>
<tr>
<td>% share</td>
<td>28.8</td>
<td>28.5</td>
<td>27.0</td>
<td>32.7</td>
<td>34.9</td>
<td>34.2</td>
<td>38.5</td>
<td>36.6</td>
<td>38.8</td>
</tr>
<tr>
<td>Total income from all sources:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count (billions)</td>
<td>1.2</td>
<td>1.7</td>
<td>1.8</td>
<td>4.8</td>
<td>6.2</td>
<td>7.3</td>
<td>40.5</td>
<td>52.4</td>
<td>68.3</td>
</tr>
<tr>
<td>% share</td>
<td>2.6</td>
<td>2.8</td>
<td>2.3</td>
<td>10.3</td>
<td>10.2</td>
<td>9.4</td>
<td>87.1</td>
<td>87.0</td>
<td>88.4</td>
</tr>
</tbody>
</table>

Notes: Standard errors in parenthesis, the data are weighted.
However this still translates into a fairly modest annual average rate of growth at the median of just 1.4% per annum over fifteen years.

Table 2 provides more detail as to changes in size and income share for the middle strata over the period. At the level of the household, total income accruing to the middle strata increased from R7.1 billion in 1993 to R9.9 billion in 2008 (in real terms). However, the total income share of households in the middle, declined from 15.2% of total income to 12.7% of total income. This is in spite of growth in the share of households falling within the middle strata, from 27.7% to 30.9% of all households over the period. The lower strata similarly experienced a fall in their proportionate share of total income, hence the upper strata were able to get a larger share of total income. Again, at the level of the individual, the size of total income received by the middle strata increased from R4.8 billion to R7.6 billion over the period, however the share of total income declined from 10.3% to 9.4%. The lower strata also decreased their relative income share, meaning that the upper strata increased their relative income share.

Henceforth, the nature of the income growth was not redistributive, but shows an income squeeze from the top strata onto the middle and bottom. In fact, this income squeeze is driven by large increases in income by the top 10% of households or individuals within the distribution. My estimates are that the richest decile increased their share of total income from 40.7% to 48.9% between 1993 and 2008, using the household as the unit of analysis (or from 54.5% to 58.2% of total income, using the individual as the unit of analysis).

Figure 2 presents growth incidence curves (GIC) for the period. The GIC depicts the average annualised rate of income growth ranked by various percentiles of the income distribution. This visual tool is usually used to show the degree of ‘pro-poor growth’ (Ravallion and Chen, 2003). However the GIC is similarly useful when discussing the spread of income growth within the context of those at the actual middle. If the GIC lies above the zero axes, then growth has been positive in an absolute sense. However, to be ‘pro-middle’, the growth incidence curve must be at its highest point over the middle percentiles of the income distribution.

Figure 2: The middle-income strata and the distribution of income, 1993 – 2008

Panel A: GIC: level of the household
Panel B: GIC: level of the individual

Notes: The data are weighted

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3 Given the extent of income inequality in South Africa, the upper bound of 150% of the median income results in a relatively large upper strata. Considering the top 10% of households or individuals within the distribution provides further clarity as to the income status of those at the top of the income distribution.
As seen in the figure, the curves show positive growth over the entire income distribution whether measured at the level of the individual or the level of the household. The curves have a similar U-shape, although there is less variation in income growth at the individual level. In particular, income growth peaks in the upper tail of the distribution and is also above average at the bottom tail of the distribution, but lags behind over the middle. In other words income growth appears to have been ‘pro-rich’, and is also relatively favourable amongst the poor but is certainly not ‘pro-middle’. This represents a polarised pattern of income growth, testimony to increasing income inequality within South Africa, driven in particular by rising incomes at the very top of the distribution.

The solid income growth evident at the bottom of the income distribution is associated with the large expansion in government social grants in South Africa over the period (cf. Van der Berg et al, 2008; Bhorat and Van der Westhuizen, 2009). Those at the top benefitted from market-driven productivity growth. The middle-income strata however have been [relatively] left-behind. The literature on poverty and inequality in post-apartheid South Africa suggests that poverty levels declined, but somewhat counter-intuitively income inequality increased (Van der Berg and Louw, 2004; Hoogeveen and Özler, 2006; Leibbrandt et al, 2010). The polarised pattern of income growth highlighted in my results helps to explain how these two trends can coincide.

4.2 Changes in the sources of income

An analysis of changes in the sources of income amongst the middle-income strata between 1993 and 2008 provides deeper reflection on the correlates of slow development and the apparent middle-income squeeze. For ease of reading, I present findings only for the middle-income strata defined at the household level for the remainder of the paper.

4 Bhorat and van der Westhuizen (2012) also present growth incidence curves for South Africa in a discussion of ‘pro-poor growth’ using per capita expenditure data from the 1995 and 2005 Income and Expenditure Surveys. Their curves have a very similar shape to my own estimates presented here.

5 Furthermore sources of income are measured at the household level (as are access to services, discussed in section 4.3) and are hence better suited to using the household as the unit of analysis.
### Table 5: Sources of household per capita income, 1993 – 2008

<table>
<thead>
<tr>
<th></th>
<th>Lower Strata</th>
<th>Middle Strata</th>
<th>Upper Strata</th>
<th>Population Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Labour Market Earnings</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2)</td>
<td>(1)</td>
<td>(3)</td>
<td>(6)</td>
</tr>
<tr>
<td>col %</td>
<td>(20.1)</td>
<td>(21.5)</td>
<td>(22.5)</td>
<td>(20.4)</td>
</tr>
<tr>
<td>Welfare Grants</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2)</td>
<td>(1)</td>
<td>(3)</td>
<td>(5)</td>
</tr>
<tr>
<td>col %</td>
<td>(25.8)</td>
<td>(23.1)</td>
<td>(55.3)</td>
<td>(16.8)</td>
</tr>
<tr>
<td>UIF &amp; Workers Compensation</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(0)</td>
<td>(1)</td>
<td>(1)</td>
</tr>
<tr>
<td>col %</td>
<td>(1.9)</td>
<td>(10.5)</td>
<td>(0.7)</td>
<td>(1.5)</td>
</tr>
<tr>
<td>Investments</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0)</td>
<td>(0)</td>
<td>(1)</td>
<td>(2)</td>
</tr>
<tr>
<td>col %</td>
<td>(1.5)</td>
<td>(1.9)</td>
<td>(1.1)</td>
<td>(2.2)</td>
</tr>
<tr>
<td>Remittances</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1)</td>
<td>(1)</td>
<td>(1)</td>
<td>(3)</td>
</tr>
<tr>
<td>col %</td>
<td>(30.8)</td>
<td>(22.8)</td>
<td>(11.1)</td>
<td>(9.5)</td>
</tr>
<tr>
<td>Total</td>
<td>Mean Rands per capita</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(2)</td>
<td>(1)</td>
<td>(3)</td>
<td>(4)</td>
</tr>
<tr>
<td>col %</td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
<td>(100.0)</td>
</tr>
</tbody>
</table>

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6 Some households were not willing to provide a detailed breakdown on all their sources of income and hence could not be included in the estimates. This means that population totals in the table do not correspond with the population totals presented elsewhere. Of concern is the lack of income growth amongst the lower strata, which should show larger income growth in accordance with figures 1 and 2. Despite these concerns, changes in the pattern of income growth are very large, and selection bias is unlikely to explain all of the shifts in the sources of income.

7 The spike in 'UIF and Workers Compensation' income as seen for all income strata in the IES 2000 suggests that this may be an artifact of differences in the way this data was collected across the surveys.
As shown in table 5 and corresponding figure 3, household per capita labour market earnings for the middle strata declined between 1993 and 2008, both in terms of the average rand value of labour market earnings per person per household (constant 2008 prices) and even more so in percentage terms (from a 70% share to a 59% share of total income). Those at the middle lost ground in terms of their labour market earnings.

There are a number of possible reasons for this trend. Studies of the South African labour market post-1994 note the following trends: falling levels of formal sector employment in the 1990’s (Seekings and Nattrass, 2005); a general shift from unskilled to skilled labour employment (Oosthuizen, 2003; Bhorat, 2005; Rodrik, 2006); a large increase in labour supply ahead of employment growth (cf. Casale et al, 2004), and steady increases in the unemployment rate (whether strict or expanded) (Kingdon and Knight, 2004; 2007; Seekings and Nattrass, 2005). All of the abovementioned trends would arguably undermine the aggregate labour market earnings of households in the middle strata over the period.

Figure 3. Changes in the sources of income of the middle-income strata, 1993 & 2008

Nevertheless, declining labour market earnings did not actually result in a net fall in per capita income amongst the middle strata. This is due to simultaneous increases in access to government grant income, even among households in the middle of the income distribution. The average percentage of income derived from government grants increased from 17% to 30% for middle-income households between 1993 and 2008. Amongst the lower-income strata, government grant income increased from 26% of total income in 1993 to the majority share at 55% of total income in 2008. Therefore both the lower strata and the middle strata benefited from active fiscal redistribution over the period, although government grant income was more important amongst the lower strata.

Falling labour market earnings in combination with rising grant income makes an important statement about the type of economic development that South Africa experienced over the first 15 years of democracy. Evidently, the labour market failed to drive income growth for the middle (and lower) strata. In fact, the income status of the average South African would have regressed between 1993 and 2008 if it were not for active fiscal redistribution through the large expansion in social grants, ceteris paribus.
4.3 Non-income measures of progress

Income growth at the middle was only modest and comparatively slow over the first fifteen years of democracy. Moreover, such growth was far less than in the top decile, and consequently the income share of the middle strata declined. Nevertheless, measuring improvements in well-being is not limited to changes in income alone (although income provides a useful summary measure) (Sen, 1999). Non-income measures may be particularly important in light of government’s explicit intentions to expand the reach of basic services and the provision of social infrastructure or the ‘social wage’ (McDonald and Pape, 2002; Aliber and O’Donovan, 2003; May, 2004). Hence, evaluating the expansion of access to basic services adds another important layer for holistically assessing progress at the middle.

The percentage of households in the middle strata that had access to these basic services is presented in table 6 and corresponding figure 4. The following basic services indicators can be derived from the PSLSD, IES/LFS and NIDS data: formal housing (where the main materials used in the walls are brick, concrete or wood), piped water (whether internal or external to the dwelling, but on the premises), a flushing toilet (may be shared across households), and an electricity supply (even if currently disconnected).

Table 6: The percentage of households with access to basic services, 1993 – 2008

<table>
<thead>
<tr>
<th></th>
<th>Lower Strata</th>
<th>Middle Strata</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Formal Housing¹</td>
<td>45.9</td>
<td>(0.9)</td>
<td>54.6</td>
<td>(0.6)</td>
<td>60.3</td>
</tr>
<tr>
<td>Piped Water²</td>
<td>27.3</td>
<td>(0.8)</td>
<td>39.4</td>
<td>(0.6)</td>
<td>52.4</td>
</tr>
<tr>
<td>Flush Toilet³</td>
<td>17.9</td>
<td>(0.7)</td>
<td>22.9</td>
<td>(0.5)</td>
<td>32.7</td>
</tr>
<tr>
<td>Electricity⁴</td>
<td>22.3</td>
<td>(0.8)</td>
<td>49.4</td>
<td>(0.6)</td>
<td>67.3</td>
</tr>
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<tr>
<td></td>
<td>Upper Strata</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal Housing</td>
<td>89.7</td>
<td>(68.1)</td>
<td>90.8</td>
<td>(0.4)</td>
<td>88.5</td>
</tr>
<tr>
<td>Piped Water</td>
<td>90.3</td>
<td>(0.5)</td>
<td>89.1</td>
<td>(0.4)</td>
<td>91.2</td>
</tr>
<tr>
<td>Flush Toilet</td>
<td>89.4</td>
<td>(0.5)</td>
<td>86.8</td>
<td>(0.4)</td>
<td>85.2</td>
</tr>
<tr>
<td>Electricity</td>
<td>87.6</td>
<td>(0.6)</td>
<td>91.1</td>
<td>(0.4)</td>
<td>89.1</td>
</tr>
</tbody>
</table>

Notes: The data are weighted.

¹ A dwelling where the main materials used in the walls are brick, concrete or wood.
² Private piped water, may be internal or external to the premises.
³ Toilet may be shared with other households.
⁴ Household is connected to an electricity supply.
In 1993 the middle income strata had fairly limited access to basic services. Nonetheless, this was still well above the level of access compared with the lower strata. In 1993, only 18% and 22% of households in the lower strata had access to a flush toilet and electricity respectively. This is compared to 45% of middle-income households with access to a flush toilet and the same percentage with access to electricity. The trends over time are overwhelmingly positive. On all accounts, the percentage of households in the middle strata with access to basic services significantly increased between 1993 and 2008. This is most dramatic in terms of the percentage of households with access to electricity (which increased from 45% to 75%) and the percentage of households with access to piped water (which increased from 58% to 71%).

Households in the lower strata made even greater gains in access to services over the period. Access to electricity by households in the lower strata rose from approximately one fifth of households in 1993 to just over two thirds of households by 2008. Similar gains were made by the lower strata in terms of access to formal housing, piped water and a flush toilet. Bhorat, Naidoo and van der Westhuizen (2006) also investigate access to basic services and similarly find evidence of substantial progress amongst low-income households over the period 1995 to 2005 (using the PSLSD, October Household Surveys and General Household Surveys). Households at the top of the distribution in the upper strata remained at close to universal access to basic services across the period, at approximately 90% of households.

Overall, measuring economic progress in terms of access to basic services as opposed to household income levels, presents a comparatively stronger picture of development amongst the lower and middle strata over the period. Moreover, the trends in access to basic services were equalising for society over time.

5. Conclusion

Investigating the development of the middle strata brings sharper focus on the nature of economic progress for the average household in post-apartheid South Africa. Rather than an economically empowered middle, commensurate with the affluence of the middle class of the developed world, the middle-income strata in South Africa have income levels that border on poverty and a sizable proportion of these households lack access to even basic services.
Post-apartheid macroeconomic strategy consistently places explicit emphasis on ‘inclusive’ economic growth which both reduces poverty and reduces income inequality. However, analysis of data for the period 1993 – 2008 shows that income growth amongst households and individuals in the middle of the income distribution was at best slow. Income growth was in fact slowest in the middle of the distribution, with large income gains experienced by the upper strata (and to a lesser extent amongst the lower strata). The share of total income received by the lower and middle strata actually contracted over the period, whilst the share of income received by the upper strata expanded (particularly amongst the richest decile) – evidence of a middle-income squeeze. This explains how falling rates of poverty are compatible with rising levels of inequality in post-apartheid South Africa. A detailed analysis of the sources of income show that government grant income expanded rapidly post-2000 and rose in relative importance, particularly for the lower strata, but also for the middle strata over the period. Labour market earnings amongst the middle strata however contracted between 1993 and 2008 and stunted the potential for significant income gains. The net effect was a polarised and un-inclusive pattern of income growth, particularly for those at the middle.

Measuring income provides but one approach in the assessment of well-being and development. Also important is access to basic services such as formal housing, piped water, flush toilet and electricity. Here the findings are much more positive with the percentage of households with access to basic services amongst the lower and middle strata rising consistently and significantly between 1993 and 2008; and the trends in access to basic services were equalising across the income distribution over time.

Although government has improved on access to basic incomes (through the expansion of social grants) and improved on access to basic services, the fundamental structure of returns in the South African economy continues to be highly unequal. Moreover, during the first fifteen years of democracy the distribution of income in South Africa appeared to move in the wrong direction, with the benefits of economic growth concentrated at the very top. Whilst active fiscal redistribution has an important role to play in mitigating against rising income inequalities, in the longer term more-inclusive household earnings growth through access to employment and rising wages is needed to drive larger scale transformation for the majority of South Africans.
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